

Notes

Literature, Russian Literature



BANK RECONCILIATIONS NOTES In order to verify the amount reflected in our bank account at the end of each month, a reconciliation must be made with the balance according to our bank account and the balance as reflected on the Bank Statement. The bank will send us a statement of our account towards the end of each month. Take note of the following with regard to the Bank Statement: 1. The bank will view the business as a CREDITOR since cash in the business account belongs to the business. Simply put, the bank OWES the business any cash in the bank account. 2. For the above reason, deposits will reflect as a CREDIT on the Bank Statement and payments as a DEBIT. 3. We need to reconcile the final balance on the Bank Statement with the closing balance in the business bank account. The following steps should be followed: 1. Compare all entries in the cash journals against the entries on the Bank Statement. Tick the entries that appear in either the CRJ or CPJ and on the Bank Statement. 2. Check the entries in the bank column of the Cash Receipts Journal with the entries in the credit column on the Bank Statement. Any entries that do not appear are simply written up in a supplementary Cash receipts Journal. Begin this journal with the existing totals. 3. Check the entries in the bank column of the Cash Payments Journal with the entries in the credit column on the Bank Statement. Any entries that do not appear are simply written up in a supplementary Cash Payments Journal. Begin this journal with the existing totals. 4. Using the new bank totals, complete a new bank account in the General Ledger and balance the account correctly. 5. Entries that appear in the cash journals, but do not appear on the Bank Statement are completed on the BANK RECONCILIATION STATEMENT.

FORMAT: Bank Reconciliation Statement on 28 February 20.. DEBIT CREDIT

Favourable / unfavourable balance according to the Bank Statement XX

CREDIT Outstanding deposits XX DEBIT outstanding cheques not yet

presented for payment: Cheque no. XX Cheque no. XX Cheque no. XX

Favourable / unfavourable balance according to the bank account XX XXX

XXX 1. Post-dated cheques issued All cheques written out must be entered into a Cash Payments Journal according to a cheque number. Any cheque that is post-dated will therefore be entered into the CPJ, but will not appear on the Bank Statement till due date. PROCEDURE a) If the date of the cheque is in the same month as the date of entry in the CPJ, and the cheque appears on the current month's Bank Statement, then no entry is necessary. b) If the date on the cheque is in next month and the cheque does not appear on the current month's bank Statement, then enter as follows: Bank Reconciliation

Statement DR CR Dr Post-dated cheque issued XX 2. Post-dated cheques received When the post-dated cheque is received, the cheque is entered in the CRJ and will appear as a credit on the Bank Statement. However, the bank will dishonour the cheque and enter it in the debit column on the Bank Statement. PROCEDURE a) If the cheque is dated in the same month, then

the entry will come through as a credit later in the month on the Bank Statement. No entry is necessary. b) If the cheque is dated in the following month, and no entry appears on the Bank Statement, then enter as follows:

Bank Reconciliation Statement Cr Post-dated cheque held for DR CR

Redepositing XX 3. Cancellation of cheques (Payment stopped.) Procedure

Make an entry in the Cash Receipts Journal for the cancelled cheque Details will be the name of payee and enter into relevant column. If a new cheque is issued in place of the old cheque, then the following procedure must be

followed: Procedure Make an entry in the Cash Receipts Journal for the cancelled cheque Details will be the name of payee and enter into relevant column Enter the new cheque in the CPJ according to details supplied. Since the new cheque will not appear on the current month's Bank Statement, the enter the new cheque as follows Bank Reconciliation Statement DR CR Dr Outstanding cheque not yet presented For payment: No. 100 XX 4.

Correction of error Any errors made by the business, in either the Cash Receipts Journal or the Cash Payments Journal, will only be picked up after the Bank Statement is received. Errors are corrected in the applicable subsidiary book by making an entry for the difference between the incorrect amount and the correct amount. PROCEDURE Calculate the difference between the correct amount and the incorrect amount. Depending on the nature of the error, make an additional entry in either the CRJ or CPJ for the difference. Details will be the same as for the original transaction. Errors made by the bank are corrected as follows: PROCEDURE Bank Reconciliation Statement..... Dr Cr Dr Amount incorrectly credited XX Cr Amount incorrectly debited XX