

## Chapter 7 Bank reconciliation statements (銀行往來調節表)

### 7.1 Introduction

Companies will prepare **bank reconciliation statement** (銀行往來調節表) at the end of accounting year in order to show the **result in discrepancy** (差異原因) between the cash book (現金簿) and bank statements (銀行結單).

### 7.3 Cause of the different between the cash book and bank statement balances

- Items have been recorded in the bank statement but not yet recorded in the cash book
- Items have been recorded in the cash book but not yet recorded in the bank statement

#### 7.3.1 Entries made in the bank statement but not yet entered in the cash book

- Standing orders / direct debits / autopay (Withdraw)**
- Direct credits (Deposit)**
- Bank charge and interest (Withdraw)**
- Dishonoured cheques (Cancelled cheques): e.g. stale cheque and post-dated cheque**
  - (A) Received from customers, but rejected by the bank subsequently
  - (B) Issued by the company but rejected by the bank subsequently

#### 7.3.2 Entries made in the cash book but not yet entered in the bank statement

##### 1 Unpresented cheque (payment) (未兌現支票)

An item **issued** by the firm that **has not yet presented** on the bank statement.

##### 2 Uncredited item (receipt) (未貸記項目)

An item **received** (收取) by the firm that **has not yet appeared** (尚未出現) on the bank statement.

##### 3 Bank statement/Bank error (銀行結單/銀行錯誤)

### 7.4 Bank reconciliation statements (銀行往來調節表)

A **bank reconciliation statement** is used to show the **reasons** for the **difference** between the bank balances of the cash book and the bank statement. Note that it is not a **statement to correct errors even though it may show that errors were made by the firm or the bank** and there may still have error in the cash book or bank statement after preparing bank reconciliation statement.

#### 7.4.2 Preparation of a bank reconciliation statement (編製往來調節表)

The following are the cash book (bank columns) and the bank statement for the month of October 2009.

Cash Book									
2009			\$		2009		\$		
Oct	1	Balance b/d	18,500		"	14	R Kwok	2,000	
"	13	D Fung	3,000		"	30	C Man	(B) 1,900	
"	22	W Pang	1,600		"	31	Balance c/d	21,400	
"	31	K Chan (A)	2,200						
			<u>25,300</u>					<u>25,300</u>	

  

Bank Statement									
Date	Details		Dr	Cr	Balance				
2009					\$		\$		
Oct	1	Opening balance			18,500			Cr	
"	15	R Kwok	2,000		16,500			Cr	
"	18	D Fung		3,000	19,500			Cr	
"	19	Credit transfer – L Yeung (C)		700	20,200			Cr	
"	20	Bank charges (D)	300		19,900			Cr	
"	26	W Pang		1,600	21,500			Cr	
"	31	Closing balance			21,500			Cr	

You can see that the balances of the cash book and the bank statements are unequal. In order to find all the **reasons** (原因) for the **difference** (不相等), we first need to **cross out** (劃掉) all the items that appear in both cash book and the bank statement. The uncrossed out items are the causes of differences. Then we need to prepare (編製) the bank reconciliation statement to show the reasons of the differences between the cash book and the bank statement.

A bank reconciliation statement can be presented in the following two ways:

(A) Without updating the cash book

(B) With the cash book updated

**(A) Without updating the cash book (不先更新現金簿)****(i) Starting with the unadjusted cash book balance and ending with bank statement balance**

所有 cash book 已做但 bank statement 未做的記帳都要在銀行往來調節表內註銷

所有 bank statement 已做但 cash book 未做的記帳都要在銀行往來調節表內做回

**Bank Reconciliation Statement as at 31 October 2009**

		\$	\$
Balance as per cash book			21,400
Add	Unpresented cheque (B)	1,900	
	Credit transfer (C)	700	2,600
			<u>24,000</u>
Less	Uncredited cheque (A)	2,200	
	Bank charges (D)	300	2,500
			<u>21,500</u>
Balances as per bank statement			

**(ii) Starting with the bank statement balance and ending with the unadjusted cash book balance**

所有 bank statement 已記錄但 cash book 未記錄的記帳都要註銷

所有 cash book 已記錄但 bank statement 未記錄的記帳都要做回

**Bank Reconciliation Statement as at 31 October 2009**

		\$	\$
Balance as per bank statement			21,500
Add	Uncredited cheque (A)	2,200	
	Bank charges (D)	300	2,500
			<u>24,000</u>
Less	Unpresented cheque (B)	1,900	
	Credit transfer (C)	700	2,600
			<u>21,400</u>
Balances as per cash book			

**(B) With the cash book updated (先更新現金簿)**

Actually, a bank reconciliation statement can be prepared after **adjusting the cash book** for the entries made on the bank statement but **had not yet been entered** in the cash book and **all incorrect entries** of the cash book. After adjusting the cash book, the difference would be due to item which **appeared in the cash book** but which had **not yet been shown on the bank statement and the error made by the bank**. This can make the preparation of bank reconciliation statement simpler.

**Cash Book**

2009				\$	2009				\$
Oct	31	Balance b/d		21,400	Oct	31	Bank charges (D)		300
"	31	L Yeung – Credit transfer (C)		700	"	31	Balance c/d		21,800
				<u>22,100</u>					<u>22,100</u>

**Starting with the unadjusted cash book balance and ending with bank statement balance****Bank Reconciliation Statement as at 31 October 2009**

		\$
Adjusted balance as per cash book		21,800
Add	Unpresented cheque (B)	1,900
		<u>23,700</u>
Less	Uncredited cheque (A)	(2,200)
Balances as per bank statement		<u>21,500</u>

**Starting with the bank statement balance and ending with the unadjusted cash book balance****Bank Reconciliation Statement as at 31 October 2009**

		\$
Balance as per bank statement		21,500
Add	Uncredited cheque (A)	2,200
		<u>23,700</u>
Less	Unpresented cheque (B)	(1,900)
Adjusted balances as per cash book		<u>21,800</u>

**Example 1:**

The bank account of C Chan's business for June 2009 and the bank statement for the same month are as follows:

Cash at bank							
2009			\$	2009		\$	
Jun	1	Balance b/d	2,379	Jun	5	D Wong	150
"	7	B Man	158	"	12	J Yau	433
"	16	A Sun	93	"	16	B Shek	88
"	28	M Bai	307	"	29	Orange Club	57
"	30	K Ng	624	"	30	Balance c/d	2,833
			3,561				3,561

Bank Statement						
Date		Details	Dr	Cr	Balance	
2009			\$	\$	\$	
Jun	1	Balance b/d			2,379	Cr
"	8	Cheque		158	2,537	Cr
"	11	Cheque	150		2,387	Cr
"	17	Cheque		93	2,480	Cr
"	17	Cheque	433		2,047	Cr
"	18	Cheque	88		1,959	Cr
"	29	Cheque		307	2,266	Cr
"	29	Standing order – Union Credit	44		2,222	Cr
"	30	Credit transfer – RS Ltd		90	2,312	Cr
"	30	Bank charges	70		2,242	Cr

- (a) Cross out all the items that appear in both cash book and the bank statement.  
 (b) Prepare a bank reconciliation statement as at 30 June 2009. Start with the balance as per cash book  
 (c) Update the bank account of C Chan's business and prepare a bank reconciliation statement as at 30 June 2009.

(b)

**Bank Reconciliation Statement as at 30 June 2009**

	\$	\$

(c)

**Cash at bank**

	\$	\$

**Bank Reconciliation Statement as at 30 June 2009**

	\$

**Example 2:**

The bank columns of the cash book for the business showed a debit balance of \$4,500 as at 31 December 2009. The bank statement showed a credit balance of \$4,630 as at the same date. Prepare a bank reconciliation statement as at 31 December 2009 with the following additional information. Start with the balance as per cash book

- (i) A standing order of \$600 for insurance payment.
- (ii) A cheque for \$400 received and recorded in the cash book had not been credited by the bank.
- (iii) Dividends of \$720 received.
- (iv) Bank charges of \$90.
- (v) A cheque of \$500 issued during November 2009 had not been presented for payment.

**Bank Reconciliation Statement as at 31 December 2009**

	\$		\$

**Example 3:**

The bank column of a cash book showed a debit balance of \$15,800 as at 31 Dec 2010 with the following information.

- (i) A standing order of \$280 for gas payment appeared on the bank statement.
- (ii) A cheque of \$1,800 issued to M Wong was dishonoured by the bank. No entry was made in the cash book.
- (iii) Charges of \$100 were made by the bank.
- (iv) A trade debtor, Mr Lee, paid \$1,900 directly into the business bank.
- (v) A cheque from J Lam for \$12,200 deposited in the bank had been entered in the cash book as \$21,200.
- (v) On 31 December 2010, unpresented cheques totalled \$61,700 while deposits made but not yet credited by the bank amounted to \$23,100.

- (a) Updated the cash at bank account
- (b) Prepare a bank reconciliation statement as at 31 December 2010.

(a)

**Cash at bank**

	\$		\$

(b)

**銀行往來調節表於 2009 年 6 月 31 日**

	\$

**HKDSE Sample 2 (2A, 1)****(Bank Rec)**

The bank account of VM Ltd as at 31 December 2011 has a debit balance of \$4,000, which was different from the ending balance shown on the bank statement for the month of December 2011. Subsequent comparison of the cash book with the bank statement revealed the following:

- (i) Bank charges of \$469 shown on the bank statement had not been recorded in the cash book.
- (ii) Cash of \$7,933 deposited by a customer on 20 December 2011 had been credited by the bank but no record had been made in the cash book.
- (iii) The following cheques issued to suppliers were not shown on the bank statement:

<u>Cheque Number</u>	<u>Date of issue</u>	<u>Amount</u>
30801	17 December 2011	\$2,453
30834	30 December 2011	\$3,758

- (iv) A cheque with an amount of \$5,100 deposited into the bank on 31 December 2011 was shown on the bank statement for the month of January 2012.

**REQUIRED:**

- (a) Update the bank account in the books of VM Ltd.
- (b) Prepare for VM Ltd a bank reconciliation statement as at 31 December 2011, commencing with the updated bank account balance in (a).
- (c) List two uses of bank reconciliation statement for a company.

(a)

**Cash at bank**

	\$		\$

(b)

**VM Ltd****Bank reconciliation Statement as at 31 December 2011**

	\$		\$

- (c) \_\_\_\_\_
- \_\_\_\_\_
- \_\_\_\_\_
- \_\_\_\_\_
- \_\_\_\_\_

## 7.5 Bank overdrafts (銀行透支)

**Bank overdrafts** appear as a **credit bank balance (貸方餘額)** in the cash book and as a **debit balance (借方餘額)** on the **bank statement (銀行結單)**. Sometimes, the overdraft balance would simply be marked with the **abbreviation (縮寫) 'O/D'** on the bank statement. (銀行透支的公司現金簿應顯示為貸方餘額(Balance c/d 會出現在左方)，而銀行結單則顯示為借方餘額及縮寫為'O/D'。)

Cash Book									
				Bank					Bank
2009				\$	2009				\$
Nov	5	A Ho		3,080	Nov	1	Balance b/d		7,090
"	24	L Mok		1,200	"	9	C Fang (No. 32156)		1,400
	30	H Poon		1,060		27	K Wai (No. 32157)		630
"	30	Balance c/d		3,780					
				9,120					9,120

Bank Statement					
Date	Details		Dr	Cr	Balance
2009			\$	\$	\$
Nov	1	Opening balance			7,090 O/D
"	6	Cheque deposit		3,080	4,010 O/D
"	14	Cheque (No. 32156)	1,400		5,410 O/D
"	25	Cheque deposit		1,200	4,210 O/D
"	29	Credit transfer – K King (C)		1,240	2,970 O/D
"	29	Standing order – Ace Management Ltd (D)	770		3,740 O/D
"	30	Bank charges (E)	490		4,230 O/D
"	30	<b>Closing balance</b>			<b>4,230 O/D</b>

留意這時更新公司現金簿內的"Balance b/d"是在右邊(Cr) 開始，而銀行往來調節表則以負數開始，通常用括號表示。如下面所示：

### Adjusted balance cash book (更新現金簿)

Cash at bank							
			Bank				Bank
2009			\$	2009			\$
Nov	30	Credit transfer – K King (C)	1,240	Nov	30	<b>Balance b/d</b>	<b>3,780</b>
“	30	Balance c/d	3,800	“	30	Standing order – Ace Management Ltd (D)	770
				“	30	Bank charges (E)	490
			<u>5,040</u>				<u>5,040</u>

### Starting with the adjusted cash book balance (以調整後的現金簿餘額開始)

Bank Reconciliation Statement as at 31 October 2009				\$
Adjusted <b>overdraft</b> balance as per cash book				<b>(3,800)</b>
Add Unpresented cheque	(B)		630	(3,170)
Less Uncredited cheque	(A)			(1,060)
<b>Overdraft</b> balance as per bank statement				<u><b>(4,230)</b></u>

### Starting with the bank statement balance (以銀行結單餘額開始)

Bank Reconciliation Statement as at 31 October 2009				\$
<b>Overdraft</b> balance as per bank statement				<b>(4,230)</b>
Add Uncredited cheque	(A)		1,060	(3,170)
Less Unpresented cheque	(B)		630	(3,800)
Adjusted <b>overdraft</b> balances as per cash book				<u><b>(3,800)</b></u>

**Example 4:**

The following is the cash book (bank columns) of C Hung's business for December 2008.

Cash at bank									
2008				\$	2008				\$
Dec	6	T Lui	155		Dec	5	Balance b/d	3,872	
"	20	K Po	189		"	10	P Woo	206	
"	31	H Tang	211		"	19	M Kwok	315	
"	31	Balance c/d	3,922		"	29	T Fang	84	
			4,477					4,477	

Bank Statement						
Date		Details	Dr	Cr	Balance	
2008			\$	\$	\$	
Dec	1	Balance b/d			3,872	Dr
"	7	Cheque		155	3,717	Dr
"	13	Cheque	206		3,923	Dr
"	21	Cheque		189	3,734	Dr
"	22	Cheque	315		4,049	Dr
"	30	Standing order – Mercantile Ltd	200		4,249	Dr
"	31	Direct credit – K Sung		180	4,069	Dr
"	31	Bank charges	65		4,134	Dr

(a) Update the cash book

Cash at bank			
		\$	\$

(b) Draw up a bank reconciliation statement as at 31 December 2008, starting with the corrected cash book balance.

Bank Reconciliation Statement as at 31 December 2008		\$

(c) Draw up a bank reconciliation statement as at 31 December 2008, starting with the bank statement balance.

Bank Reconciliation Statement as at 31 December 2008		\$

The following information was extracted from the cash book of Doris Ltd for the month ended 31 December 2011:

Cash at bank					
2011			2011		
		\$		Cheque No.	\$
Dec	4	Cindy Ltd	Dec	1	Balance b/d
		125 000			10 500
"	5	Connie Fashion Co	"	12	Electricity
		25 300			532018
"	20	Chloe Ltd	"	13	Yuki Co
		72 530			532019
"	28	Carmen Co	"	22	Zoey & Co
		7 235			532020
"	31	Cherry Ltd	"	22	Salaries
		8 005			532021
"	31	Balance c/d	"	31	Clara Co
		9 530			532022
		<u>247 600</u>			<u>68 760</u>
					<u>247 600</u>

Doris Ltd received the following bank statement for the month of December 2011:

Bank Statement as at 31 December 2011				
Date	Description	Withdrawal	Deposit	Balance
2011		\$	\$	\$
Dec	1			(10 000)
	4		125 000	115 000
	5		23 500	138 500
	8	300		138 200
	12	2 820		135 380
	13	24 500		110 880
	20		72 530	183 410
	22	109 420		73 990
	23	72 530		1 460
	30		46 250	47 710
	31	5 025		42 685
	31	25		42 660
	31	105 660		(63 000)

Additional information:

- A cheque for \$23 500 received from Connie Fashion Co was wrongly recorded in the cash book as \$25 300. Also, it was discovered that the cheque received from Carmen Co on 28 December 2011 was dated 2 January 2012.
- The credit transfer on 30 December 2011 shown on the bank statement was made by a customer of Doris Ltd.
- Doris Ltd had been informed by its bank that Cheque 982277 was an incorrect debit entry and the correction would be made by the bank on 5 January 2012.
- The reason for the difference in the opening balances of the cash at bank account and the bank statement was due to two cheques, 532009 and 532010, issued in November 2011 remained unpresented on 30 November 2011.

#### REQUIRED:

- Update the cash at bank account of Doris Ltd.
- Prepare a bank reconciliation statement as at 31 December 2011, commencing with the updated cash at bank balance.
- List two possible reasons why the cheque deposit made on 20 December 2011 was returned by the bank on 23 December 2011.

(a)

Cash at bank

	\$		\$

(b)

Bank Reconciliation Statement as at 31 December 2011

	\$		\$

(c)