

## BANK RECONCILIATION STATEMENT

Bank reconciliation statement can be defined as statement that is prepared to reconcile the disagreement of the cash book and that of the bank. The reconciliation is necessary in order to test the accuracy of postings in the cash book by reconciling the balance of the cash book that of the bank statement.

Reasons for disagreement between the cash book and bank statement.

The time and information differences which can cause disagreement are:

1. Unpresented cheque
2. Uncredited cheque
3. Dishonoured cheque
4. Bank charges and interest
5. Standing order
6. Dividend
7. Credit transfer
8. Errors by the bank
9. Direct debits
10. Other errors like under casting or over casting of the cash book balance brought down.

Unpresented cheque :- These are cheques issued out in favour of somebody but have not been presented to the bank at the time of preparation of the bank statement. The cheque can be delayed for months if the recipient fails to present it to the bank. The firm had credited in their cash book, thereby reducing the balance of the cash book but the bank had not debited it in their bank statement. So the balance on the bank remains the same.