

Bank Reconciliation

كشف مطابقة البنك

The **Bank Reconciliation** statement is a statement the company prepares to reconcile or explain the differences between the cash balance shown on the bank statement and the cash balance on the company s books. The bank reconciliation is prepared to demine the company s actual cash balance.

we can define bank reconciliation as following:

Reasons which make differences between the cash balance on books and bank statement:

1. Timing: Occur due to differences in the timing of recognition of certain transaction. Time lags occur frequently. For example, several days may elapse between the time a company mails a check to a payee and the date the bank pays the check.

2. Errors: by either party in recording transactions. However, either party could accidentally record a ID450 check as ID45 or ID540. In addition, the bank might mistakenly charge a check to a wrong account by keying in an incorrect account name or number.

Items that cause the difference between the two balances:

1. Deposits in transit: Deposits recorded by the depositor that have not been recorded, add these deposits to the balance per bank

2. Outstanding checks. Checks issued and recorded by a company but not yet paid by the bank. Deduct outstanding checks from the balance per the bank.

3- Errors. All errors made by the depositor are reconciling items in determining the adjusted cash balance per books. In contrast, all errors made by the bank are reconciling items in determining the adjusted cash balance per the bank. For example, if the company mistakenly recorded as ID 169 a paid

check correctly written for ID 196, it would deduct the error of ID 27 from the balance per books.

4- Bank memoranda. Trace bank memoranda to the depositor's records. List in the appropriate section of the reconciliation schedule any unrecorded memoranda. For example, the company would deduct from the balance per books ID 5 debit memorandum for bank service charges. Similarly, it would add to the balance per books ID 32 of interest earned.

Adjustments the Bank Balance

مطابقة رصيد المصرف

نادراً ما يتساوى الرصيد الشهري بموجب الكشف مع رصيد السجلات للمودعين ، فتسجيل الصفقات من قبل المودعين ربما لا تسجل بموجب المصرف ، وأن الأمثلة الشائعة هي :

(1) صكوك موقوفة **Outstanding checks**: صكوك أصدرت وسجلت من قبل الشركة ولكنها لم تقدم إلى المصرف لصرفها .

(2) إيداعات بالطريق **Deposit in transit**: مبالغ استلمت وسجلت من قبل المودعين ولكنها وصلت متأخرة إلى المصرف .

بالإضافة إلى ذلك هناك عمليات ظهرت في كشف المصرف ولكنها لم تسجل لدى المودعين (السجلات) ، ومن الأمثلة .

(1) خدمات مصرفية **Service charges (SC)**: عادتاً ما يستقطع المصرف عمولة إلتعاب على الحسابات الصغيرة .

(2) صكوك مرفوضة **NSF(non-sufficient fund) checks**: عندما يتم إيداع الصكوك المستلمة من الزبائن كإيداعات، وقد يكون المبلغ الموجود في رصيد الزبون غير كافي وبذلك فإن المصرف سوف يعيد الصك إلى المودع لعدم كفاية الرصيد .

(3) إيراد الفوائد الدائنة **interest collected by banks** : في نهاية كل شهر يتم احتساب الفائدة الدائنة بحساب المودع ويتم التقرير عنها .

(4) الخدمات المصرفية المتنوعة ، تأخذ المصارف مصاريف خدمات مثل طباعة الصكوك **Printing checks**، وتحصيل أوراق القبض **Collection fee** ومعالجة الصكوك المرفوضة وهذه المصاريف تستقطع من حساب المودع ، ويتم تحرير مذكرة مدينة ترسل إلى المودع. في كشف تسوية المصرف الأرصدة يتم وضع الرصيد بموجب الكشف ورصيد المصرف في السجلات والتسويات على كلا الرصيدين للوصول إلى الرصيد الصحيح كما في الشكل ..

Methods of bank reconciliation:

Generally, there are three methods are used to make book balance agree with bank statement;

1- Adjustments to bank balance method:

- a- Add deposits in transit.
- b- Deduct check outstanding.
- c- Bank errors. These will either be increases or decreases depending on the nature of the error.

2- Adjustments to book balance method:

- a- Add collections made by bank on the company's behalf and other increase in cash that the company is unaware of until the bank statement is received.
- b- Deduct service and other charges made by the bank that the company unaware of until the bank statement is received.
- c- Deduct NSF (non-sufficient fund) A check that is not paid by a bank because of insufficient funds in a customer's bank account.
- d- Company errors. These will either be increases or decreases depending on the nature of the error.

3- Adjustments the two balances to reach to one corrected balance method:

Bank Reconciliation**Adjustments to the bank balance**

Cash balance per bank statement (before adjusted)	xx
+ Deposit in transit إيداعات بالطريق	xx
- Outstanding checks شيكات مسحوبة لم تقدم للصرف	(xx)
+ or - Bank errors أخطاء بنكية	<u>xx</u>
Adjusted cash balance per bank رصيد النقدية المعدل	<u>xx</u>

Adjustments to the book balance

Cash balance per books (before adjusted)	xx
+ Notes receivable and interest collected by banks	xx
- Collection fee أتعاب تحصيل	(xx)
- Printing checks طباعة شيكات	(xx)
- Service charges (SC) خدمات مصرفية	(xx)
- NSF(non-sufficient fund) checks شيكات مرتجعة لعدم كفاية الرصيد	(xx)
+ or - Book errors أخطاء ارتكبتها المنشأة (المودع)	xx
Adjusted cash balance per books رصيد النقدية المعدل	xx

Example 1:

Cash balance per bank, 31/3	\$6690
Cash balance per books, 31/3	6000
Outstanding checks	1000
NSF checks	500
Printing checks	10
Collection of note receivable	400
Deposits in transit	200

Instructions:

- (a) Prepare a bank reconciliation at March 31
(b) Journalize the entries required by the reconciliation.

Solution**(a)****Bank reconciliation****Adjustments to the bank balance**

Cash balance per bank statement (before adjusted)	6690
+ Deposit in transit	200
- Outstanding checks	<u>(1000)</u>
Adjusted cash balance per bank	<u>5890</u>

Adjustments to the book balance

Cash balance per books (before adjusted)	6000
+ Collection notes receivable	400
- Printing checks	(10)
NSF (non-sufficient fund) checks	<u>(500)</u>
Adjusted cash balance per books	<u>5890</u>

(b)

Accounts receivable	500	
Bank		500
Miscellaneous expense	10	
Bank		10
Bank	400	
Notes receivable		400

Example 2: At the beginning of June 2014, Baghdad company received a bank statement that showed the current account balance as on 31 May amounting to ID 3250. However, the general ledger showed a book balance of ID 2760. Baghdad Co. issued the following checks

Check no. 112 of ID 900

Check no. 116 of ID 1350

Check no. 122 of ID 750 to the suppliers, but the payment did not appear in the bank statement because they were not yet received by the bank. In addition, Baghdad Co. deposited ID 2500 at the end of the month, but this was also not appearing in the bank statement. Besides that, the bank had debited Baghdad's Co. account with ID 10 being the service charge.

Required:

- 1- Prepare a bank reconciliation statement on May 31, 2014, by using Adjustments the two balances to reach to one corrected balance method.
- 2- Journalize the adjusting entries to be made by Baghdad Company.

Solution:

Baghdad Company
Bank Reconciliation Statement
May 31, 2014

	(ID)
Balance as per bank statement, May31, 2014	3250
Add: Deposit in transit	2500
	5750
Deduct: Outstanding checks	3000
Adjusted bank balance	2750
Balance as per book balance	2760
Deduct: bank service charge	10
Adjusted Book balance	2750

Journal entries:

bank service charge	10	
Bank		10

To record bank service charge.

Q1: On second of July, Baghdad Company received a bank statement which showed a balance of ID 5100 as at 30 June 2015. In addition the company book balance showed a balance of ID 5597 on the same date.

A few differences are identified as follows:

- 1- Deposits amounting to ID 1300 were not appear in the bank statement.
- 2- Four cheques were sent to the suppliers, but they not appear in the bank statement. The cheques details were as follows:

Number	Date	Amount (ID)
6111	June 20	230
6115	June 21	150
6120	June 27	430
6122	June 29	240

- 3- The bank's service charge amounted to ID 55
- 4- A cheque no. 6110 issued on June 24 for electricity bill amounting to ID 335 was wrongly entered in company's records as ID353.
- 5- A cheque amounting to ID 210 was received from customer, it was found that Customer bank account had no sufficient fund and thus the cheque was rejected.

Required:

- 1- Prepare a bank reconciliation statement on 30 June, 2014, by using Adjustments the two balances to reach to one corrected balance method.
- 2- Journalize the adjusting entries to be made by Baghdad Company.