

**26th Quarterly Review Meeting of Finance Controllers 5th – 6th
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BANK RECONCILIATION STATEMENT

-An Important Tool to ensure the transactions recorded by Bank are as per the instruments issued by the office.

Three Steps for preparing BRS:

- **Get Bank Pass Book updated;**
- **Reconcile the Entries of Bank Pass Book with Cash / Bank Book; and**
- **Identify and Classify the discrepancies.**

Preparing Bank Reconciliation Statement :

- Take the closing balance of any bank on any particular date as per the Cash / Bank Book
- Add up amount of all the un-ticked items of the Cash Book by which the Cash / Bank book balance was decreased (Cheques issued);
- Deduct amount of all the un-ticked items of the Cash / Bank Book by which the Cash/ Bank book balance was increased(Cheques / DD deposited);
- Add up amount of all the un-ticked items of the Bank Pass Book by which the Pass book balance was increased (Bank interest / Cash deposits/ Cheques/ DD realized);
- Deduct amount of all the un-ticked items of the Pass Book by which the bank balance was decreased (bank Charges / fraudulent withdrawals/ omissions of entries in the cash / Bank book/ wrong entries by bank).;
- **The Resultant amount should be the balance shown by Bank Pass Book as on the date.**

Ascertaining the causes of difference between the Cash / Bank Book and the Bank Pass Book / Bank Statement

Some common reasons of differences :

1. Non presentation of Cheques issued in to the Bank for payment by the payee
2. Non Clearance of the Cheques / Demand Drafts deposited in the Bank
3. Interest allowed by Bank on the deposit not been taken in the Books of Accounts;
4. Bank Charges / Commission charged by Bank but not entered in Cash / Bank Book
5. Direct Deposit of Cash / Cheques by staff / parties / contractors in to the Bank Account
6. Any Manipulation / fraud / done by any payee or other persons for the purpose of over / fraudulent withdrawal of Project money
7. Any short deposit of cash made by the staff / others
8. Any error that might have been committed either in the Cash Book or in the Bank Pass Book

To identify the reasons and cause thereof, the entries made in the Cash / Bank Book and the entries made in the Bank Pass Book are got tallied and ticked off (✓) The entries in both the books remained un-ticked are classified in to any of the category mentioned above to ascertain :

1. How much cheques issued by the office have not been encashed.
2. whether the cheques issued by office have been delivered to the actual payee soon after this was issued if not who is responsible for such delays;
3. whether the Cheques / Draft received in the office are deposited in time. If not who is responsible for the loss of revenue (interest) to the project
4. why the Bank is taking undue time in allowing credit against the Cheques / Draft deposited
5. what amount of interest allowed by bank or collection charges / commission has been charged by bank
6. whether the bank has allowed payment as per the cheque book or there is any discrepancies between the cheque amount and entry made by the bank in the pass book.
7. whether cash deposit or withdrawal as entered in the Cash book / Bank book are tallied with the actual transaction as shown in the Pass Book,

Remedial Action on the basis of BRS and fixing responsibilities :

Points of BRS	Action proposed	Responsibility
Un-presented Cheques	Cheques remained uncleared for more than six month – transfer to Stale Cheques A/c. If not re-issued within further six month, cancel the cheque and make necessary entries in the books	DPO's Accounts Officer
Un-realised Cheques/Draft	If not credited within one month from the date of deposit, get it clarified from Bank and take necessary action/entry.	Accounts Officer of DPO to report FC on pending credits for more than one month; FC should monitor if such credits are regularly delayed by bank. It may involve temporary unauthorized appropriation of funds by Banks. FC to monitor and examine reasons of such delays.
Interest Allowed/Bank Charges debited	Take necessary entries in the books of accounts immediately after preparation of BRS	DPO's Accounts Officer
Debits in Bank Statement/Passbook but not entered in Cash Book Amount debited by bank in excess of the amount of cheques issued Any unidentified Debits shown in Pass Book	<ul style="list-style-type: none"> ○ Fraudulent withdrawals; ○ Omission of entries in cash book, ○ Temporary appropriation of SSA fund by Bank by entering cheques of others 	<ul style="list-style-type: none"> ○ Accounts Officer of DPO, must take immediate action and wherever necessary take written explanation from Bank to justify reasons and avoid auditors criticisms. ○ Accounts Officer of DPO should also give intimation to FC on any such unidentified /unsettled debits of the Pass Book; ○ FC to get this issue examined and if not settled with reasonable justifications, should be taken into notice of higher Bank Authorities; ○ Progresses on this should be closely monitored till its logical conclusion.