

Accountancy

Bank Reconciliation Statement

Q1. Which of the following is/are cause of difference of balance between cash book & the pass book?

1 Mark

- A** Errors committed in recording transactions by the firm.
B Errors committed in recording transactions by the bank. **C** Natural calamities.
D Both (A) & (B).

Ans: **D** Both (A) & (B).

4. Both (A) & (B).

Explanation:

Banks do commit errors that can cause a difference in balance as per the cash book and the pass book.

Only to reconcile these balances does the businessmen prepare Bank reconciliation.

Majority of the time, there are chances that the fraud and error may be committed by the firm but not always.

Banks may commit errors like printing errors or charging an incorrect bank expense, etc.

Q2. A business receives its bank statement showing the closing balance as ₹ 8,500 overdrawn. It is found that there were unpresented cheques amounting to ₹ 2,000 and uncredited deposits amounted to ₹ 1,500. Overdraft as per Cash Book is:

1 Mark

- A** ₹ 5,000 **B** ₹ 8,000 **C** ₹ 9,000 **D** ₹ 12,000

Ans: **C** ₹ 9,000

3. ₹ 9,000

Q3. Bank reconciliation is prepared by _____.

1 Mark

- A** Sole Proprietor concern. **B** Partnership firm. **C** Corporate bodies.
D All the three.

Ans: **D** All the three.

4. All the three.

Explanation:

A Bank Reconciliation Statement is a statement prepared to reconcile/ tally the differences that appear between the bank statement or passbook and the firm's cashbook so that the difference thereof is ascertained.

Bank reconciliation is prepared by sole proprietor concern, partnership firm and corporate bodies as all the businesses bank reconciliation statement for the following reasons:

1. To ascertain the balance reported by the company's cashbook is the correct amount.
2. Any errors made by the bank are discovered and corrective measures are taken.
3. Discover dishonoured checks and take corrective measures.
4. To rectify any errors present in the cashbook. If these errors are carried forward, it results in an incorrect income statement as well as incorrect balance sheet.

Q4. The credit balance as per the cash book indicates _____.

1 Mark

- A** Cash balance **B** Bank overdraft **C** Bank balance **D** None of the above

Ans: **B** Bank overdraft

2. Bank overdraft

Explanation:

The cash book is debited when cash is added and credited when it is reduces. Thus, a credit balance in cash book shows reduction in the cash balance to the extent that the final cash balance is negative.

This happens when there is an overdraft i.e. we have taken a loan from the bank.

Q5. Credit balance in bank pass book means _____.

1 Mark

- A** Bank overdraft **B** Bank Balance **C** Balance as per Cash book

D Total of bank A/c

Ans: B Bank Balance

2. Bank Balance

Explanation:

The amount of balance shown in the passbook or the bank statement must tally with the balances shown in the cash book. But in practice, these are usually found to be different. Hence, we have to ascertain the causes for such difference.

It will be observed that a bank statement/ passbook shows all deposits in the credit column and withdrawals in the debit column. Thus, if deposits exceed withdrawals it shows a credit balance and if withdrawals exceed deposits it will show a debit balance (overdraft).

The debit balance as per the cash book means the balance of deposits held at the bank. Such a balance will be a credit balance as per the passbook. Such a balance exists when the deposits made by the firm are more than its withdrawals.

It indicates the favorable balance as per cash book or favorable balance as per the passbook. Hence, credit balance in the pass book means bank balance.

Q6. Overdraft means _____ balance of Pass Book.

1 Mark

A Debit

B Credit

C Closing

D Opening

Ans: A Debit

1. Debit

Explanation:

A pass book will usually have a credit balance showing the amount of positive closing balance in the account. When the closing balance of the account is negative, it is referred to as overdraft.

It is a situation where debit transactions in the account are more than the available balance and hence the closing balance seen is the debit balance and not a credit balance.

Q7. If the cheque is not presented for the payment up to the date of the preparation of the Bank Reconciliation Statement then the balance as per pass book will be _____.

1 Mark

A Higher than the balance shown by the cash book by the amount of unpresented cheque.

B Same as shown by the cash book.

C Twice the balance shown by the cash book.

D Lower than the balance shown by the cash book by the amount of unpresented cheque.

Ans: A Higher than the balance shown by the cash book by the amount of unpresented cheque.

1. Higher than the balance shown by the cash book by the amount of unpresented cheque.

Explanation:

In case of cheque issued but not presented for payment, the entry for the same would have been entered in the cash book and so the cash book balance will be less than the pass book balance as the same would still not be entered in the pass book.

This is because the bank would record the entry for payment only when the cheque is presented for payment.

And so if the cheque is not presented for the payment up to the date of the preparation of the bank reconciliation statement then the balance as per pass book will be higher than the balance shown by the cash book by the amount of unpresented cheque.

Q8. Credit entry in pass book at any point of time means _____.

1 Mark

A Amount withdrawn from customers a/c.

B Amount deposited in customer a/c.

C Both A and B.

D None of these.

Ans: B Amount deposited in customer a/c.

2. Amount deposited in customer a/c.

Explanation:

The pass book is just a copy of the account statement as maintained by the bank. So if the pass book reflects a credit entry it means that the amount is in the nature of a liability/ payable for the bank and it would be the opposite for the account holder.

For example when a debtor directly deposits in the account holder/ customer account, the account holder's passbook would show a credit entry.

Q9. Mr. A issued cheques worth Rs. 10,000 in March 2014 out of which cheque worth Rs. 7,000 only were presented for payment by 31st March, 2014. While reconciling bank and cash book balance as on 31st March, 2014, how much would be added to balance as per cash book to arrive at balance as per Pass book.

1 Mark

A Rs. nothing

B Rs. 7,000

C Rs. 3,000

D Rs. 10,000

Ans: C Rs. 3,000

3. Rs. 3,000

Explanation:

A issued total cheque of Rs. 10,000 in March 2014 but Cheques amounting to Rs. 7000 only presented by the 31 March 2014. As cheque for 3000 was not presented, therefore, only 3000 will be added to the cash book at the time of bank reconciliation.

Q10. Bank charges amounting to Rs.5000 was not entered in the cash book. Identify the correct adjustment in cash book .

1 Mark

- A** Bank charges will be debited in cash book. **B** Bank charges will be added to cash book balance.
C Bank charges will be credited in cash book. **D** Bank charges need no adjustment in cash book.

Ans: **C** Bank charges will be credited in cash book.

3. Bank charges will be credited in cash book.

Explanation.

Bank charges is an expense for the business. It is credited in the cash book when paid as it reduces the balance as per cash book. Thus, bank charges of Rs. 5000 which have not been entered in the cash book will be credited in the cash book.

Q11. Favourable balance means.

1 Mark

- A** Credit balance in the cash book. **B** Credit balance in pass book. **C** Debit balance in cash book.
D Both (B) and (C).

Ans: **D** Both (B) and (C).

4. Both (B) and (C).

Explanation:

The cash book is a account statement as maintained by the account holder. So if the cash book reflects a debit balance it means that the account is in the nature of a debtor/ receivable for the account holder and it would be the opposite for the bank.

The pass book is a copy of the account statement as maintained by the bank. So if the pass book reflects a credit balance it means that the account is in the nature of a creditor/payable for the bank and it would be the opposite for the account holder.

So from the account holder's point of view he would be having a positive/favourable balance in his account in both the above situations whereas for the bank it would be the opposite.

Q12. A bank reconciliation statement is prepared to ascertain the causes of differences between:

1 Mark

- A** The balance as shown by the cash column of Cash Book with the balance of the Pass Book.
B The balance as shown by the bank column of Cash Book with the balance of the Pass Book.
C The balance as shown by the cash column of the Cash Book with that shown by its bank column.
D The balance as shown by the Cheque Book and Pass Book.

Ans: **A** The balance as shown by the cash column of Cash Book with the balance of the Pass Book.

B The balance as shown by the bank column of Cash Book with the balance of the Pass Book.

2. The balance as shown by the bank column of Cash Book with the balance of the Pass Book.

Q13. One outgoing Cheque of Rs. 112 recorded in the Cash Book but omitted to be sent to creditor. When the balance as per Cash Book is the starting point _____.

1 Mark

- A** Rs. 112 to be added **B** Rs. 112 to be subtracted **C** No adjustment is required
D None of these

Ans: **A** Rs. 112 to be added

1. Rs. 112 to be added

Explanation:

One outgoing Cheque of Rs. 112 recorded in the Cash Book but omitted to be sent to creditor.

When the balance as per Cash Book is the starting point Rs.112 is to be added.

Q14. When balance as per cash book is the starting point,cheque deposited but not cleared are____for the purpose of reconciliation of balance with bank passbook

1 Mark

- A** Deducted from cash as per cash book. **B** Added to the cash as per cash book.
C Deducted from balance as per bank passbook. **D** Kept in abeyance for some time.

Ans: **A** Deducted from cash as per cash book.

1. Deducted from cash as per cash book.

Explanation:

When balance as per cash book is the starting point, cheque deposited but not cleared are deducted from cash as per cash book for the purpose of reconciliation of balance with bank passbook as that amount is not even added in bank passbook.

Q15. A bank reconciliation statement is prepared by the _____. **1 Mark**

- A** Customer of the bank **B** Bank **C** Reserve bank of India **D** Both A & B

Ans: **A** Customer of the bank

1. Customer of the bank

Explanation:

Bank reconciliation statement is generally prepared by the customer of the bank or the bookkeeper of a company with the purpose to compare the bank's records with the company's records.

Q16. Bank Reconciliation Statement is prepared to ascertain the causes of the difference between _____ and _____. **1 Mark**

- A** The balance as per the bank column of the cash book, the balance as per pass book.
B Per the cash column of cash book, the balance as per the pass book.
C Cash, bank column in the cash book. **D** None of the above.

Ans: **A** The balance as per the bank column of the cash book, the balance as per pass book.

1. The balance as per the bank column of the cash book, the balance as per pass book.

Explanation:

Bank reconciliation statement is an exercise to ascertain the difference between the bank statements and cash book maintained by the business.

However, any discrepancies in cash column as per the cash book shall not be reflected since only bank column of the cash book is considered vis-a-vis the pass book in preparing Bank reconciliation statement.

Q17. A bank reconciliation statement is prepared with the balances of _____. **1 Mark**

- A** Cash book **B** Pass book **C** Either cash book or pass book
D Both cash book and pass book

Ans: **D** Both cash book and pass book

4. Both cash book and pass book

Explanation:

Bank Reconciliation statement is prepared in order to reconcile the balance as per the bank pass book and balance as per the cash account maintained by the business in the form of cash book after taking into consideration other aspects like cheques issued but not presented for payment, cash in transit, cheque in transit, etc.

Q18. Entry on credit side of bank pass book implies _____. **1 Mark**

- A** cash withdrawn **B** cash/cheque deposited in bank **C** business expenses
D personal expenses

Ans: **B** cash/cheque deposited in bank

2. cash/cheque deposited in bank

Explanation:

Any entry on the credit side of the pass book implies that the asset of the account holder (the amount reflecting as his bank balance) has increased and the liability of the bank has increased simultaneously. Now, cash/cheque deposited in bank leads to increase in the bank balance of the account holder and hence would be shown on the credit side of the pass book.

Q19. Which one of these is not a cause of difference in balance as per pass book and as per cash book? **1 Mark**

- A** Errors in cash book. **B** Errors in pass book. **C** Cheques deposited and cleared.
D Cheques issued but not presented for payment.

Ans: **C** Cheques deposited and cleared.

3. Cheques deposited and cleared.

Explanation:

Reconciliation of cash book and the bank passbook balance amounts to an explanation of differences between them. The difference between the cash book and the bank passbook is caused by:

1. Timing Differences: It includes cheques issued by the bank but not presented for payment, direct debits made by the bank on behalf of the customer, etc.
2. Differences caused by errors: It includes errors committed in recording transaction by the firm, errors committed in recording transaction by the bank.

Cash deposited and cleared is not a cause of difference in balances as per pass book and as per cash book.

Q20. Bank Reconciliation Statement is prepared by matching:

1 Mark

- A** Entries in Pass Book with entries in bank columns of Cash Book.
- B** Entries in Pass Book with entries in cash columns of Cash Book.
- C** Entries in Pass Book with entries in bank columns and cash columns of Cash Book,
- D** None of the above.

Ans: **A** Entries in Pass Book with entries in bank columns of Cash Book.

1. Entries in Pass Book with entries in bank columns of Cash Book.

Q21. A debit balance in the depositor's cash book will be shown as _____.

1 Mark

- A** A debit balance in the bank statement.
- B** A credit balance in the bank statement.
- C** An overdrawn balance in the bank statement.
- D** None of the above.

Ans: **B** A credit balance in the bank statement.

2. A credit balance in the bank statement.

Explanation:

A bank statement is an extract from bank ledger and hence it is to be read from bank's view point which shows a credit balance in the pass book.

It is the position of customer in bank records. So if a debit balance is shown in depositor's cash book an opposite position will be shown in the bank books i.e credit balance.

Q22. A bank reconciliation statement is prepared with the balance of _____.

1 Mark

- A** Cash book
- B** Pass book
- C** Either (A) or (B)
- D** Neither (A) nor (B)

Ans: **C** Either (A) or (B)

3. Either (A) or (B)

Explanation:

To reconcile means to find out the differences if any between two or more things and eliminate it. Now, in case of any banking transactions for each deposit or withdrawal the entry is recorded at two places. The pass book maintained by the bank and The cash book maintained by the account holder.

These two books are opposites of each other which means if one shows credit balance then the other would reflect a debit balance of the exact same amount. But due to reasons like timing differences the balances of both these books do not match. So, to reconcile the same a bank reconciliation statement is prepared.

The aim while preparing a bank reconciliation statement is to take either pass book or cash book balance as the starting point, to add or deduct certain entries and reach the balance of the other book i.e, if cash book balance is the starting point then after reconciling we should reach at pass book balance.

Q23. Entry on the credit side of pass book implies _____.

1 Mark

- A** Withdrawal
- B** Deposit
- C** Expenses
- D** Liability

Ans: **B** Deposit

2. Deposit

Q24. If the cash book balance is taken as starting point, the items which make the cash book balance smaller than the pass book must be _____ for the purpose of reconciliation.

1 Mark

- A** Deducted
- B** Added
- C** No effect
- D** Lower

Ans: **B** Added

2. Added

Explanation:

If the cash book balance is taken as starting point, the items which make the cash book balance smaller than the pass book must be added for the purpose of reconciliation.

This is because we are trying to arrive at the balance as per pass book by taking balance as per cash book as base. In this case, items which make cash book balance smaller than the pass book, increase the balance in pass book when compared with cash book.

So we have to add it to the balance of cash book to achieve pass book balance while reconciling.

Q25. A Bank reconciliation statement reconciles the -

1 Mark

- A** Ledger with the journal.
- B** Petty cash book with the bank account.
- C** Day books with the bank statement.
- D** Bank statement with the cash book.

Ans: D Bank statement with the cash book.

4. Bank statement with the cash book.'

Explanation:

A bank reconciliation statement is a summary of banking and business activity that reconciles an entity's bank account with its financial records.

The statement outlines the deposits, withdrawals and other activity affecting a bank account for a specific period.

Q26. The proper treatment on the bank reconciliation of a note collected by the bank for the depositor is to show it as an _____ . **1 Mark**

- A** Addition to the balance as per cash book. **B** Deduction from the balance as per cash book.
C Deduction from the balance as per pass book. **D** Addition to the balance as per pass book.

Ans: A Addition to the balance as per cash book.

1. Addition to the balance as per cash book.

Explanation:

In case when the bank collects a note for the depositor the entry for the same would have been entered in the bank statement and so the cash book balance would be less than the bank statement balance.

Therefore, the proper treatment on the bank reconciliation of a note collected by the bank for the depositor is to show it as an addition to the balance as per cash book.

Q27. Bank Reconciliation statement is _____ . **1 Mark**

- A** Ledger account **B** Part of the cash book **C** A separate statement
D A sub division of the journal

Ans: C A separate statement

3. A separate statement

Explanation:

A bank reconciliation statement is prepared to reconcile the bank balance in bank pass book with the balance in the cash book maintained by the business entity.

The various causes of differences are given effect in order to match the balances.

Therefore, it is just a separate statement to reconcile the transaction and is not related to financial accounting.

Q28. The purpose of preparing a Bank Reconciliation Statement is to _____ . **1 Mark**

- A** Ascertain the difference between the pass book balance and the bank statement balance.
B Correct errors in the cash book or errors in the bank statement.
C Amend the balance of the bank statement of the firm.
D Amend the balance of the cash book of the firm.

Ans: B Correct errors in the cash book or errors in the bank statement.

2. Correct errors in the cash book or errors in the bank statement.

Explanation:

A bank reconciliation statement is a vital statement for the business.

It is prepared to reconcile the balance as per the bank pass book and the bank column of cash book.

The balance as per bank column of cash book of the business does not contain all the entries and hence with the help of bank statement provided by the bank, all the errors are rectified. This gives a true picture of the balance available with the business.

Q29. Which of the following will not require adjustment in the Cash Book balance? **1 Mark**

- A** Cheque issued but not presented for payment. **B** Cheque deposited but not cleared.
C Cheque wrongly credited by bank. **D** All of the above.

Ans: C Cheque wrongly credited by bank.

3. Cheque wrongly credited by bank.

Q30. When the balance as per Pass Book is the starting point, direct payments by bank are _____ . **1 Mark**

- A** Added in the bank reconciliation statement. **B** Subtracted in the bank reconciliation statement.
C Not required to be adjusted in the bank reconciliation statement. **D** None of the above.

Ans: A Added in the bank reconciliation statement.

1. Added in the bank reconciliation statement.

Explanation:

When direct payments by bank are done, it leads to decrease in the pass book balance but these entries would not be entered in the bank column of the cash book and the later would show a higher balance.

So, when the balance as per pass book is the starting point, direct payments by bank are to be added in the bank reconciliation statement to reach the bank balance as per cash book.

Q31. A bank reconciliation statement is prepared to find out the causes of the difference between: **1 Mark**

- A** The balance as shown by the cash column of the cash book with the balance shown by its bank column.
- B** The balance as shown by the cash column of the cash book with the balance shown by the pass book.
- C** The balance shown by the bank column of the cash book with the balance shown by the pass book.
- D** None of the above.

Ans: C The balance shown by the bank column of the cash book with the balance shown by the pass book.

3. The balance shown by the bank column of the cash book with the balance shown by the pass book.

Explanation:

A bank reconciliation statement reconciles the differences between the balance shown by the bank column of the cash book with the balance shown by the passbook.

Bank Reconciliation Statement is prepared by the businessman who maintains their account in the bank.

Q32. If the pass book shows a favorable balance and if it is taken as the starting point for the purpose of **1 Mark**

bank reconciliation statement then cheques issued but not presented for payment should be _____ to find out cash balance.

- A** Added
- B** No effect
- C** Deducted
- D** Increased

Ans: C Deducted

3. Deducted

Explanation:

Cheques issued but not presented for payment are recorded in the cash book first.

They are recorded by the bank in the pass book only when such cheques are cleared by the bank.

Thus, when we start by taking favourable balance as per pass book as the starting point, cheques issued but not presented should be deducted in order to arrive at the balance as per cash book and reconcile the two balances.

Q33. While preparing a Bank Reconciliation Statement taking the balance as per Cash Book as the starting **1 Mark**

point, cheques deposited but omitted to be recorded are:

- A** Added
- B** Subtracted
- C** Not required to be adjusted
- D** None of these

Ans: A Added

1. Added

Q34. Payment done by the account holder through issuing a cheque is entered in: **1 Mark**

- A** The Pass Book at the time of issuing the cheque.
- B** The Pass Book at the time of presenting the cheque to the bank for payment.
- C** The Cash Book at the time of issuing the cheque.
- D** Both (b) and (c).

Ans: D Both (b) and (c).

4. Both (b) and (c).

Q35. Mr. X issued cheques worth Rs.15,000 in 2014 out of which cheques worth Rs.10,000 only were **1 Mark**

presented for payment by 31st March, 2014. While reconciling bank and cash book balance as on 31st March, 2014 how much would be added to balance as per cash book to arrive at balance as per Pass book.

- A** Rs.15,000
- B** Rs.10,000
- C** Rs.5,000
- D** Rs.7,500

Ans: C Rs.5,000

3. Rs.5,000

Explanation:

Cheques issued by Mr. X is for Rs.15000, so the cash book would be credited by this amount and for the same amount the passbook would be debited only if the cheques are presented for payment. But in the present case cheques worth Rs.5000 were not presented for payment by 31st March, 2014 due to which the passbook balance would higher than the cash book by Rs.5000.

So Rs.5000 would have to added to the cash book to arrive at balance as per pass book.

Q36. An amount of Rs.2,500 is debited twice in the bank column of cash book. When credit balance as per pass book is the starting point which one of these adjustments would be done at the time of reconciliation? **1 Mark**

- A** Add Rs.2,500 to balance as per pass book. **B** Deduct Rs.2,500 to balance as per pass book.
C Add Rs.5,000 to balance as per pass book. **D** Deduct Rs.5,000 to balance as per pass book.

Ans: B Deduct Rs.2,500 to balance as per pass book.

2. Add Rs.2,500 to balance as per pass book.

Explanation:

When an amount is debited twice in the bank column of the cash book the pass book balance would be showing a lower balance so, in order to reconcile we would have to add the amount to the pass book balance.

Example:

Credit Balance as per passbook Rs.5000

Add: Cheque received debited twice in cash bookRs.2500

Debit balance as per bank column of cash bookRs.7500

Q37. Which of the following is not a part of Double Entry System? **1 Mark**

- A** Cash Book. **B** Trial Balance. **C** Journal.
D Bank Reconciliation Statement.

Ans: D Bank Reconciliation Statement.

4. Bank Reconciliation Statement.

Q38. A Bank Reconciliation Statement is prepared by _____. **1 Mark**

- A** Bank **B** Creditors **C** Debtors **D** Business Firm

Ans: D Business Firm

4. Business Firm

Explanation:

A bank reconciliation statement is a reconciliation statement between the balances of cash book (bank column) and pass book (bank statement).

It is prepared by the business firm to identify and adjust the causes of differences between the two balances.

Q39. Which of the following is/are cause of difference of balance between cash book & the pass book? **1 Mark**

- A** Cheques issued presented for payment and paid by bank.
B Cheques deposited for collection and collected. **C** Bank charges not entered in the cash book.
D All of the above.

Ans: C Bank charges not entered in the cash book.

3. Bank charges not entered in the cash book.

Explanation:

A cash book cannot account for bank charges in advance. Bank charges depend on several things and hence it first gets reflected in the bank book only after which same shall be taken into consideration while preparing the Bank reconciliation statement.

However, in case of cheques for payments and cheques deposited for collection are known well in advance due to the validity of the instrument and also the the cashier is aware of happening of the same.

Q40. Overdraft as per Cash Book is ₹ 10,000. Cheques deposited but not credited ₹ 2,500. Cheques issued but not encashed ₹ 3,500. What is the balance as per Pass Book? **1 Mark**

- A** Balance ? 9,000 **B** Overdraft ? 9,000 **C** Overdraft ? 11,000 **D** Balance ? 11,000

Ans: B Overdraft ? 9,000

2. Overdraft ₹ 9,000

Q41. Who prepares the bank reconciliation statement? **1 Mark**

- A** Business enterprises **B** Statutory Auditor **C** Customer **D** Reserve Bank of India

Ans: A Business enterprises

1. Business enterprises

Explanation:

It is generally experienced that when a comparison is made between the bank balance as shown in the firm's cash book, the two balances do not tally.

Hence, to first ascertain the causes of difference thereof and then reflect them in a statement called Bank Reconciliation Statement to reconcile (tally) the two balances.

It is process of matching the balances in a n entity's accounting records for a cash account to the corresponding information on a bank statement.

The bank reconciliation statement is prepared by the business enterprises.

Q42. The difference in the balances of the cash book and the pass book can be because of _____. **1 Mark**

- A** Error in recording the entries either in the cash book or pass book.
- B** Same entry recorded in either of the book earlier and in the other book later
- C** Debit balance of cash book is the credit balance of pass book.
- D** Both (a) and (b).

Ans: **D** Both (a) and (b).

4. Both (a) and (b).

Explanation:

If an entry is recorded in either the cash book or the pass book first and not updated in either of them on a later date, it may lead to a difference between them both.

Also, if there is no consistency or an erroneous recording of transactions in recording entries in either of the books, it may lead to a difference between the two.

A debit position as per bank pass book means credit position as per cash book and vice versa.

Q43. Bank reconciliation sometimes points to the need for adjusting entries. Invariably how should it be done? **1 Mark**

- A** The reconciliation of the ending balance per the bank statement to the adjusted cash balance.
- B** The reconciliation of the cash balance per the company records to the adjusted cash balance.
- C** Both a and b
- D** None of the above.

Ans: **A** The reconciliation of the ending balance per the bank statement to the adjusted cash balance.

1. The reconciliation of the ending balance per the bank statement to the adjusted cash balance.

Explanation:

Bank statement provided by the bank shows the balance as on date. Hence, bank column of cash book might not reflect all the entries as shown in bank pass book since some entries only reflect in bank pass book.

Adjustments are made in business's cash book to arrive at the final balance available with the business.

Q44. Which of the following is/are cause of difference of balnce between cash book & the pass book? **1 Mark**

- A** Cheques deposited into bank and collected by bank.
- B** Dishonour of cheques/bill discounted.
- C**

Cheques received and entered in the cash book deposited into the bank on which bank has collected the amount.

- D** All of the above.

Ans: **B** Dishonour of cheques/bill discounted.

2. Dishonour of cheques/bill discounted.

Explanation:

Amount deposited into bank is recorded in the bank column of cash book on the debit side while withdrawals are recorded on the credit side.

Bank also maintains an account of the account holder in its books of accounts. Deposits by the account holder are recorded on the credit side of the account holder's account and withdrawals are recorded on the debit side of the account holder's account.

Balances of cash book and pass book must be same but in cases balances of cashbook and passbook may vary. One such reason for the difference is dishonor of cheques or bill discounted.

In this case passbook shows less balance as compared to cashbook as the bank immediately records such transaction whereas recording in the cash book takes place only on receiving an intimation of the same from the bank.

Q45. Bank Reconciliation Statement is prepared: **1 Mark**

- A** At the end of each week.
- B** At the end of each month.
- C** At the end of the accounting year.
- D** Whenever a bank statement is received.

Ans: **D** Whenever a bank statement is received.

4. Whenever a bank statement is received.

Q46. Pass Book of the account holder is a copy of: **1 Mark**

- A The bank columns in the Cash Book of the account holder.
- B The relevant account in the books of a bank. C The cash columns in the Cash Book of a customer.
- D None of the above.

Ans: A The bank columns in the Cash Book of the account holder.

- B The relevant account in the books of a bank.
- 2. The relevant account in the books of a bank.

Q47. The difference in the balance of both the cashbook and the passbook can be because of.

1 Mark

- A Errors in recording the entries either in the cash-book or pass-book
- B Omission of same entry in both cash-book and pass book
- C Debit balance of cash book is the credit balance of pass-book D All of the above

Ans: A Errors in recording the entries either in the cash-book or pass-book

- 1. Errors in recording the entries either in the cash-book or pass-book.

Explanation:

Errors can also be made by the bank and hence it is not necessary only the business preparing cash book shall make errors.

The difference is important to be known between the cash book and pass book to know the errors and frauds during the period in both cash book and pass book.

If something is omitted to be recorded in both the books, it may not be know since there would not be base to reconcile.

Q48. Debit balance in cash book means _____.

1 Mark

- A Overdraft as per pass book. B Overdraft as per cash book. C Credit balance as per pass book.
- D Debit balance as per day book.

Ans: C Credit balance as per pass book.

- 3. Credit balance as per pass book.

Explanation:

The debit balance as per the cash book means the balance of deposits held at the bank. Such a balance will be a credit balance as per the passbook.

Such a balance exists when the deposits made by the firm are more than its withdrawals.

Q49. When money is withdrawn from the bank, the bank _____ the account of the customer.

1 Mark

- A Credit B Debit C Give no effect D Make addition to

Ans: B Debit

- 2. Debit

Explanation:

Money kept in Bank account is an asset for us but it is a liability for the bank. Hence, for the bank, any decrease needs to be debited and any increase needs to be credited. When the money is withdrawn from the bank account, the business credits it because there is a decrease in the asset. But, the bank will debit it because it is a decrease in their liability.

Q50. Which of the following transactions will result in higher balance in the barik. column of Cash Book in comparison to Pass Book?

1 Mark

- A Cheques issued but not presented for payment. B Interest allowed by bank.
- C Bank charges entered twice in Cash Book. D Cheques paid into bank for collection but not yet credited.

Ans: D Cheques paid into bank for collection but not yet credited.

- 4. Cheques paid into bank for collection but not yet credited.

Q51. While preparing a Bank Reconciliation Statement taking the balance as per Cash Book as the starting point, dishonour of Discounted B/R are:

1 Mark

- A Added B Subtracted C Nor required to be adjusted
- D None of these

Ans: B Subtracted

- 2. Subtracted

Explanation:

While preparing a Bank Reconciliation Statement taking the balance as per Cash Book as the starting point, dishonour of Discounted B/R are subtracted.

Q52. Normally, the cash book shows a debit balance. Pass book shows _____ balance.

- A** Credit **B** Debit **C** Nil **D** No effect

1 Mark

Ans: A Credit

1. Credit

Explanation:

Passbook is a copy of account of the account holder in the books of the bank.

The favorable balance of cashbook is debit balance while the favorable balance of passbook is Credit balance. Credit balance as per passbook means amount lying deposited in bank which is payable by the bank to the customer.

Since the amount is receivable by the account holder, it is an asset for the account holder which therefore shows a debit balance.

Q53. Bank reconciliation statement points out _____.

1 Mark

- A** Credibility of the balance shown in pass book. **B** Savings account. **C** Fixed deposit account.
D Recurring deposit account.

Ans: A Credibility of the balance shown in pass book.

1. Credibility of the balance shown in pass book.

Explanation:

A bank reconciliation statement is prepared to identify the causes of differences between the balance as per cash book (bank column) and the balance as per pass book (bank statement). It is prepared by taking one balance as the starting point, accommodating all the causes of differences and finally arriving at the other balance.

Thus, if a person is able to arrive at the other balance correctly, it can be said that such bank reconciliation statement points out the credibility of the balance shown in the pass book.

Q54. Favourable balance as per cash book means which of the following?

1 Mark

- A** Cr. balance in cash book. **B** Dr. balance in cash book. **C** Bank overdraft.
D Dr. balance in pass book.

Ans: B Dr. balance in cash book.

2. Dr. balance in cash book.

Explanation:

The cash book is a account statement as maintained by the account holder. So if the cash book reflects a debit balance it means that the account is in the nature of a debtor/ receivable for the account holder.

The debit side of the cash book indicates receipts whereas the debit side indicates payments/withdrawals.

A favourable balance in this case would be where the receipts are more than the payments so as to say when the cash book shows a debit balance.

Q55. The payment side of the cash book is undercast by Rs.200. When overdraft as per pass book is the starting point, to get the overdraft as per cash book _____.

1 Mark

- A** Rs. 200 will be deducted. **B** Rs. 200 will be added. **C** Rs. 400 will be added.
D Rs. 400 will be deducted.

Ans: A Rs. 200 will be deducted.

1. Rs. 200 will be deducted.

Explanation:

If the starting point is pass book with a debit balance i.e. overdraft, item which makes cash book balance larger than the pass book balance need to be deducted.

Q56. Debit balance as per pass book means _____.

1 Mark

- A** Bank Overdraft. **B** Debit Balance in Pass Book. **C** Cash Balance with Bank.
D None of these.

Ans: A Bank Overdraft.

1. Bank Overdraft.

Explanation:

Bank statements usually show a debit balance which indicate a positive balance. Overdrafts are where the bank account becomes negative and the businesses in effect have borrowed from the bank.

In the bank statement, where the balance is followed by Dr. (or sometimes OD) means that there is an overdraft and called debit balance as per passbook.

An overdraft is treated as negative figure on a bank reconciliation statement.

Q57. Difference in balance as per pass book and balance as per cash book due to _____ is not termed as timing difference.

1 Mark

- A** Cheque issued but not presented for payment. **B** Dishonour of a discounted bill.
C Direct payment by the bank/ customers. **D** Overcasting of bank pass book.

Ans: D Overcasting of bank pass book.

4. Overcasting of bank pass book.

Explanation:

Many times the balance as per the bank pass book and the balance as per the cash book do not match. The differences between the cash book and the bank passbook is caused by:

1. Timing differences on recording of the transaction: When a business compare the balances of its cash book with the balance shown by the bank passbook, there is often a difference, which is caused by the time gap in recording the transactions relating either to payments or receipts. The factors affecting time gap includes cheques issued by the bank but bot presented for payment, cheques paid into the bank but not yet collected, direct debits made by the bank on behalf of the customer, amounts directly deposited in the bank account etc.
2. Errors made by the business or by the bank: These are the errors which are not caused on account of any timing difference. Overcasting or under casting of bank passbook is not a factor termed as timing difference.

Q58. Pass Book is _____ of account holder's transaction with the Bank.

1 Mark

- A** An extract **B** A Balance Sheet **C** A balance **D** A mode

Ans: A An extract

1. An extract

Explanation:

Balance Sheet of a bank is a collation of any accounts maintained by the customers, hence pass book can never be a balance sheet neither can it be a balance.

'Mode' can be online banking or offline banking and has nothing to do with the pass book.

Pass book is only an extract of all the transactions undertaken by the customers during the period.

Q59. A cheque of Rs. 112 received from a debtor recorded in the cash book but omitted to be banked.

1 Mark

When balance as per Cash Book is the starting point.

- A** Rs. 112 to be added **B** Rs. 112 to be subtracted **C** No adjustment is required
D None of these

Ans: B Rs. 112 to be subtracted

2. Rs. 112 to be subtracted

Q60. A bank reconciliation is a _____.

1 Mark

- A** Formal financial statement that lists all of the a firm's bank account balances.
B Merger of two banks that previously were competitors.
C

Statement sent monthly by a bank to a depositor that lists all deposits, cheques paid and other credits and charges to the depositor's account for the month.

D

Schedule that accounts for differences between a firm's cash balance as shown on bank statement and the balance shown in its personal ledger cash account.

Ans: D

Schedule that accounts for differences between a firm's cash balance as shown on bank statement and the balance shown in its personal ledger cash account.

4. Schedule that accounts for differences between a firm's cash balance as shown on bank statement and the balance shown in its personal ledger cash account.

Explanation:

Whenever money is deposited in bank or withdrawn from bank it is recorded in two places.

The passbook maintained by the bank The cash book (bank column) maintained by the account holder.

These two books are opposites of each other which means if one shows credit balance then the other would reflect a debit balance of the exact same amount.

But due to reasons like timing differences the balances of both these books do not match. Now, it is not practical and feasible for the bank to reconcile the account balances of each and every account holder so, the account holder prepares a bank reconciliation statement for his account maintained in the bank.

Q61. Cash receipt of Rs.5100 was wrongly posted to bank column of cash book as Rs.510. Bank balance as per cash book will be _____.

- A** More by Rs.510 **B** More by Rs.5100 **C** Less by Rs.510 **D** Rs.5100

Ans: A More by Rs.510

1. More by Rs.510

Explanation:

Cash receipt is to entered in the cash column of the cash book and no entry of this would be shown in the pass book as the bank balance is not affected due to this transaction.

But, here cash receipt of Rs.5100 was wrongly posted in bank column of the cash book as Rs.510 which would result in cash book showing a bank balance more by Rs.510.

Q62. Some of the transaction that is dependent on bank statement are _____.

- A** Collection charges. **B** Dividends received. **C** Pre-scheduled payments.
D All of the above.

Ans: D All of the above.

4. All of the above.

Explanation:

Collection charges are directly charged by the bank for providing specified services and this amount is charged completely on the discretion of the bank.

This amount can be recorded in the books of accounts only when we have the bank statement and not before that.

In case of date of declaration of dividend and the date of actual receipt of it there would a difference so we need the bank statement for the actual date of receipt.

Pre-scheduled payments are the expense bills to be paid or subscription to be paid on timely intervals. They are scheduled as per the account holders and are therefore executed by the bank automatically. To record such transactions bank statement/ pass book is necessary.

Q63. Debit balance in bank passbook is called _____.

- A** Debit balance **B** Credit balance **C** Balanced **D** Overdraft

Ans: D Overdraft

4. Overdraft

Explanation:

Bank overdraft is the amount withdrawn by business from bank in excess of deposits up to a prescribed limit.

This facility is provided to the current account holders for which the bank charges a certain amount.

Bank overdraft is also known as credit balance as per cash book and debit balance as per the pass book.

Q64. Entry in debit side of bank pass book implies _____.

- A** Cash withdrawn. **B** Cash/ cheque deposited in Bank. **C** Business Receipts.
D Personal Receipts.

Ans: A Cash withdrawn.

1. Cash withdrawn.

Explanation:

When cash is withdrawn from Bank the entry for the same is as follows:

Cash A/c.....Dr.

To Bank A/c.

So the bank column of the cash book would be credited with the amount withdrawn, but as the pass book is an opposite record of the cash book, in the pass book the said entry for cash withdrawal would be debited.

Q65. When overdraft as per pass book is the starting point, bank charges of Rs 100 recorded twice in cash book will be _____.

- A** Added by Rs 100 **B** Added by Rs 200 **C** Deducted by Rs 100 **D** Deducted by Rs 200

Ans: A Added by Rs 100

1. Added by Rs 100

Explanation:

Bank charges is an expense for the business and it is credited in the cash book when it is paid. Bank charges charged twice have reduced the balance in the cash book by double amount. So, when overdraft as per pass book is the starting point, Rs. 100 will be added back to negate the effect of second reduction while reconciling the differences between the two balances.

Q66. Debit balance as per cash book means _____.

1 Mark

- A** Cash Balance **B** Overdraft **C** Excess of Expenditure **D** None of these

Ans: A Cash Balance

1. Cash Balance

Explanation:

When we say that cash book has a debit balance it means that the debit side of the cash book is more than the credit side.

On the debit side we record cash receipts and on the debit side we record cash payments. So if there is a debit balance as per cash book then it means there is cash balance with us.

Q67. Which of the following is true about bank reconciliation statement -

1 Mark

- A**
Bank reconciliation statement need not to be prepared where the balance of cash book and pass book matches.
- B** Bank reconciliation statement is to be prepared necessarily as per the Income tax Act, 1961.
- C** Bank reconciliation statement is prepared on yearly basis
- D** Bank reconciliation statement is to be prepared and supplied by bank.

Ans: A Bank reconciliation statement need not to be prepared where the balance of cash book and pass book matches.

1. Bank reconciliation statement need not to be prepared where the balance of cash book and pass book matches.

Explanation:

A bank reconciliation statement is prepared to reconcile the differences between the balance as per cash book (bank column) and balance as per pass book (bank statement) by identifying the causes of differences between the two. So, in the case where the balance of cash book and pass book matches, it need not be prepared.

Also, it is not required to be prepared by any act or the bank. It is prepared by the business (accountant) as per the time period it deems fit.

Q68. One outgoing cheque of Rs. 112 recorded as Rs. 121 in the Cash Book. (Note: This cheque was presented in the Bank). When the balance as per Cash Book is the starting point.

1 Mark

- A** Rs. 112 to be subtracted. **B** Rs. 121 to be subtracted. **C** Rs. 9 to be added.
D Rs. 112 to be added.

Ans: C Rs. 9 to be added.

3. Rs. 9 to be added.

Q69. A bank reconciliation statement is prepared with the balance of _____.

1 Mark

- A** Pass book **B** Cash book **C** Both pass book and cash book
D None of the above

Ans: C Both pass book and cash book

3. Both pass book and cash book

Explanation:

To reconcile means to find out the differences if any between two or more things and eliminate it. Now, in case of any banking transactions for each deposit or withdrawal the entry is recorded at two places. The pass book maintained by the bank and The cash book maintained by the account holder.

These two books are opposites of each other which means if one shows credit balance then the other would reflect a debit balance of the exact same amount. But due to reasons like timing differences the balances of both these books do not match.

So, to reconcile the same a bank reconciliation statement is prepared. The aim while preparing a bank reconciliation statement is to take either pass book or cash book

balance as the starting point, to add or deduct certain entries and reach the balance of the other book ie, if cash book balance is the starting point then after reconciling should reach at pass book balance.

Q70. An extract of customer's account maintained by bank is _____.

1 Mark

- A** Cash book **B** Pass book **C** Sales book **D** Purchase book

Ans: B Pass book

2. Pass book

Explanation:

Pass book is an important extract of customer's account maintained by the bank which is Account number specific and includes all the transactions made during the period.

Pass book shows the details of the transactions and the net balance as on date.

Q71. Which is caused by the time gap?

1 Mark

- A** Errors committed in recording transactions by the bank.
- B** Errors committed in recording transaction by the firm.
- C** Cheque issued by the bank but not yet presented for payment.
- D** All of the above.

Ans: **C** Cheque issued by the bank but not yet presented for payment.

3. Cheque issued by the bank but not yet presented for payment.

Explanation:

The differences between the cash book and the bank pass book are caused by:

1. Timing differences in recording of the transactions
2. Errors made by the business or by the bank

When a business compares the balance of its cash book with the balance shown by the bank passbook, there is often a difference, which is caused by the time gap in recording the transactions relating either to payments or receipts.

There are various factors affecting time gap. One of them is, cheques issued by the bank but not yet presented for payment. When cheques are issued by the firm to suppliers or creditors of the firm, these are immediately entered on the credit side of the cash book. However, the receiving party may not present the cheque to the bank for payment immediately.

The bank will debit the firm's account only when these cheques are actually paid by the bank. Hence, there is a time lag between the issue of a cheque and its presentation to the bank which may cause the difference between the two balances.

Q72. Which of the following will not be considered while preparing an Amended Cash Book?

1 Mark

- A** Cheques issued but not presented for payment.
- B** Cheques deposited but not credited by bank.
- C** Any wrong entry in the Pass Book.
- D** All of the above.

Ans: **A** Cheques issued but not presented for payment.

D All of the above.

4. All of the above.

Q73. How many ways are there to prepare Bank Reconciliation Statement?

1 Mark

- A** Three
- B** Two
- C** One
- D** Five

Ans: **B** Two

2. Two

Explanation:

There are three(3) ways to prepare the bank reconciliation namely:

Take the book balance and reconcile it to the bank balance

Take the bank balance and reconcile it to the book balance

Take the book balance and reconcile it to an adjusted cash balance, then take the bank balance and reconcile it to the adjusted cash balance

Q74. When debit balance as per cash book is the starting point, direct deposits by customers are

1 Mark

_____.

- A** added
- B** Subtracted
- C** Not required to the adjusted
- D** None of these

Ans: **A** added

1. added

Explanation:

Direct deposits by customers in the bank account leads to increase in the bank balance as per pass book but this entry would be entered in the cash book only after it is updated in the pass book and so the pass book balance would be higher.

Therefore, when debit balance as per cash book is the starting point, direct deposits by customers are added to reach the pass book balance.

Q75. A bank pass book is a copy of the _____.

1 Mark

- A** Cash column of a customers cash book.
- B** Bank column of a customers cash book..
- C** Customer's account in the banks ledger.
- D** Customer's account in the suppliers ledger.

Ans: C Customer's account in the banks ledger.

3. Customer's account in the banks ledger.

Explanation:

Every bank maintains the individual ledger for each of the account of the customer. To give a documentary evidence to the customer, a book is provided to the customer which is called a Bank pass book.

Its is an abstract of bank account of a customer maintained in the bank's ledger.

Q76. Balance shown in the Balance Sheet is of

1 Mark

- A** Cash Book. **B** Pass Book. **C** Adjusted Cash Book. **D** None of these

Ans: C Adjusted Cash Book.

3. Adjusted Cash Book.

Q77. Which of these types of errors are not detected during bank reconciliation?

1 Mark

- A** Cash embezzlement by the Cashier. **B** Cheque deposited but not credited by bank.
C Casting mistakes in bank column of cash book.
D Interest or commission charged by the bank but not accounted for in cash book.

Ans: A Cash embezzlement by the Cashier.

1. Cash embezzlement by the Cashier.

Explanation:

Sometimes the difference between the two balances may be accounted for by an error of the bank or an error in the cash book of the business.

This cause difference between the bank balance shown by the cash book and the balance shown by the bank statement. Omission or wrong recording of transactions relating to cheques issued, cheques deposited and wrong totaling, etc.

committed by the firm while recording entries in the cash book cause difference between cash book and passbook balance.

Cash deposited but not credited by the bank, casting mistakes in bank column of cash book and interest or commission charged by the bank but not accounted for in cash book are the types of errors which are detected, whereas cash embezzlement by the cashier is not detected during bank reconciliation.

Q78. Credit balance in the pass book represents _____.

1 Mark

- A** Overdraft **B** Bank Balance **C** Loan Borrowed **D** Nil balance

Ans: B Bank Balance

2. Bank Balance

Explanation:

The pass book is a copy of the account statement as maintained by the bank. So if the pass book reflects a credit balance it means that the account is in the nature of a creditor/ payable for the bank and it would be the opposite for the account holder.

So from the account holder's point of view he would be having a positive/ favourable/bank balance in his account in both the above situations whereas for the bank it would be the opposite.

Q79. The payment side of cashbook is Undercast by Rs 200 when overdraft as per passbook is the starting point _____.

1 Mark

- A** Rs. 200 will be deducted **B** Rs. 200 will be added **C** No effect will be in the pass book
D None of these

Ans: B Rs. 200 will be added

2. Rs. 200 will be added

Explanation:

When overdraft as per pass book is the starting point, those items will be added which makes cash book balance smaller than the pass book balance.

Q80. When the pass book balance is taken as the starting point, items which makes the pass book balance _____ than the balance in the cash book must be deducted for the purpose of reconciliation.

1 Mark

- A** Lower **B** Higher **C** Equal **D** None of the above

Ans: B Higher

2. Higher

Explanation:

- A** Transactions only recorded by bank **B** Due to time gap **C** Error committed in bank & cash book
D All of the above

Ans: D All of the above

4. All of the above

Explanation:

The differences between the cash book and the bank pass book is caused by:

1. Timing differences on recording of the transaction.
2. Errors made by the business or by the bank.

Timing differences: It occurs when a business compares the balance of its cash book with the balance shown by the bank passbook, there is often a difference, which is caused by the time gap in recording the transactions relating either to payments or receipts.

Differences caused by errors: Sometimes the difference between the two balances may be accounted for an error on the part of the bank or an error in the cash book of the business. This causes difference between the bank balance shown by the cash book and the balance shown by the bank statement.

Q92. Base of reconciliation statement is _____. **1 Mark**

- A** Balance shown in Cash Book. **B** Balance shown in Pass Book. **C** Either A or B.
D Neither A nor B.

Ans: C Either A or B.

3. Either A or B.

Explanation:

Base of a reconciliation statement can either be as per cash book or bank pass book since balances of both the books are considered to know the final balance available with the business.

Bank reconciliation statement consists of all the adjustments along with the transactions recorded in bank pass book and cash book.

Q93. Bank Reconciliation Statement is: **1 Mark**

- A** A part of Double Entry System. **B** Not a part of Double Entry System. **C** Part of Bank Statement.
D None of these.

Ans: A A part of Double Entry System.

B Not a part of Double Entry System.

2. Not a part of Double Entry System.

Q94. Which of these statement is false? **1 Mark**

- A** Bank Reconciliation statement makes use of cash book.
B Bank Reconciliation statement is a memorandum statement.
C Bank Reconciliation statement is a part of Balance sheet.
D

Bank Reconciliation statement is prepared to reconcile Cash at bank with Balance as per Bank pass book.

Ans: C Bank Reconciliation statement is a part of Balance sheet.

3. Bank Reconciliation statement is a part of Balance sheet.

Explanation:

A bank reconciliation statement: is a statement used to reconcile cash book balance and pass book balance. is a memorandum statement to used only for the internal reporting of the account holder/ company. uses cash book and pass book for its preparation.

Q95. Which one of these is true about a bank reconciliation statement? **1 Mark**

- A** It is a part of memorandum statement. **B** It is a part of cash book. **C** It is a part of ledger.
D It is a part of bank documentation.

Ans: B It is a part of cash book.

2. It is a part of cash book.

Explanation:

Bank reconciliation statement is a report which compares the bank balance as per company's accounting records with the balance stated in the bank statement.

It is normal for a company's bank balance as per the accounting records to differ from the balance as per bank statement due to timing differences.

Certain transactions are recorded by the entity that are updated in the bank's system after a certain time lag.

Bank reconciliation statement is a part of cash book. The cash book and pass book/bank statement are prepared separately.

The businessman prepares the cash book and the pass book is prepared by the bank.

So when a banker collects bills and credits the amount what happens is that the amount of bill is being received into the account and as a result the liability of the account holder is being reduced. Therefore, after the credit of the bill into the account the pass book overdraft would get reduced and show a lower debit balance than before.

Q101. Non-reconciliation of bank balance will result in _____.

1 Mark

- A** non-reflection of true balance of cash with bank.
- B** non-disclosure of true and fair view of profit and loss a/c.
- C** tax avoidance.
- D** all the three.

Ans: **A** non-reflection of true balance of cash with bank.

1. non-reflection of true balance of cash with bank.

Explanation:

A bank reconciliation statement is a document that matches the cash balance on a company's books to the corresponding amount on its bank statement.

Reconciling the two accounts helps to determine if accounting changes are needed. Bank reconciliation are completed at regular intervals to ensure that the company's cash records are correct. They also help detect fraud and any cash manipulations.

The reasons for the difference between the balance on the bank statement and the balance on the books include outstanding checks, deposits in transit, bank service charges, check printing charges, errors on the books, errors by the bank, electronic charges on the bank statement not yet recorded on the books, and electronic deposits on the bank statement that are not yet recorded on the books.

Non-reconciliation of bank balance results in non-reflection of true balance of cash with bank.

Q102. A bank reconciliation statement is prepared by_____.

1 Mark

- A** Creditors
- B** Bank
- C** Account holder in a bank
- D** Debtors

Ans: **B** Bank

3. Account holder in a bank

Explanation:

Whenever money is deposited in bank or withdrawn from bank it is recorded in two places. The pass book maintained by the bank The cash book (bank column) maintained by the account holder.

These two books are opposites of each other which means if one shows credit balance then the other would reflect a debit balance of the exact same amount. But due to reasons like timing differences the balances of both these books do not match.

Now, it is not practical and feasible for the bank to reconcile the account balances of each and every account holder so, the account holder prepares a bank reconciliation statement for his account maintained in the bank.

Q103. Debit entry in pass book at any point of time means _____.

1 Mark

- A** Amount deposited by the customer.
- B** Amount withdrawn by the customer.
- C** Amount deposited in customers a/c.
- D** Amount withdrawn/ deducted from customers a/c.

Ans: **D** Amount withdrawn/ deducted from customers a/c.

4. Amount withdrawn/ deducted from customers a/c.

Explanation:

The pass book is just a copy of the account statement as maintained by the bank.

So if the pass book reflects a debit entry it means that the amount is in the nature of a receivable/ asset for the bank and it would be the opposite for the account holder.

For example when monthly statement charges are charged by the bank to the account holder/ customer account the account holder's passbook would show a debit entry.

Q104. Bank Reconciliation Statement is prepared:

1 Mark

- A** To know the payments made through cheques.
- B** To know the errors in the Pass Book.
- C** To compare the Cash Book with Pass Book and ascertain the differences.
- D** None of the above.

Ans: **A** To know the payments made through cheques.

- C** To compare the Cash Book with Pass Book and ascertain the differences.

3. To compare the Cash Book with Pass Book and ascertain the differences.

Q105. Favourable balance as per cash book means _____.

1 Mark

- A** Debit balance in the bank column of the cash book.
- B** Debit balance in the pass book.
- C** Credit balance in the bank column in the cash book.
- D** None of the above.

Ans: A Debit balance in the bank column of the cash book.

1. Debit balance in the bank column of the cash book.

Explanation:

Favourable balance as per cash book means normal balance of cash book which is debit balance.

Q106. The proper treatment of unrecorded deposits (deposits in transit) on a bank reconciliation is to show them as an _____.

1 Mark

A Addition per book balance of cash.

B Deduction per book balance of cash.

C Addition per bank statement balance.

D Deduction per bank statement balance.

Ans: C Addition per bank statement balance.

3. Addition per bank statement balance.

Explanation:

Unrecorded deposits (deposits in transit) are those deposits which have been recorded in the cash book but not in the passbook resulting in increasing the balance as per cash book as the cash book has been debited.

So, the proper treatment of unrecorded deposits (deposit in transit) on bank reconciliation is to show them as an addition per bank statement/ passbook balance in order to reconcile the two balances.

Q107. A cheque of Rs.5000 in favour of Mr. X was wrongly credited by the bank in Mrs. X a/c as Rs.550.

1 Mark

While reconciling the bank balance of Mrs. X, bank balance as per bank pass book will be _____.

A Short by Rs.5000.

B More by Rs.550.

C Short by Rs.550.

D More by Rs.5050.

Ans: B More by Rs.550.

2. More by Rs.550.

Explanation:

When a cheque in favour of the account holder is credited in his bank account, it would increase his bank balance. Here a cheque of Mr. X of Rs. 5000 was wrongly credited by bank in Mrs. X a/c as Rs.550. So now the pass book balance of Mr. X would be short by Rs.5000 and the pass book balance of Mrs. X would be more by Rs.550.

Q108. A Bank Reconciliation Statement is prepared with the help of _____.

1 Mark

A Cash Book

B Pass Book

C Either Cash Book or Pass Book

D Her NeitCash Book or Pass Book

Ans: C Either Cash Book or Pass Book

3. Either Cash Book or Pass Book

Explanation:

A bank reconciliation statement is prepared to reconcile the differences between the balances as per cash book (bank balance) and pass book (bank statement).

It is prepared by taking any of the two balances as the base, accommodating all the causes of differences and finally arriving at the other balance.

Thus it is prepared with the help of either cash book or pass book depending on whose balance we take as the base.

Q109. A bank reconciliation is prepared by the _____.

1 Mark

A Bank

B Creditors

C Business Entity

D Supplier

Ans: C Business Entity

3. Business Entity

Explanation:

A business entity maintains cash book for recording cash and bank transactions. The cash book serves the purpose of both the cash account and the bank account.

It shows the balance of both at the end of a period.

Bank also maintains an account for each customer in its book. All deposits by the customer are recorded on the credit side of his/her account.

A copy of this account is regularly sent to the customer by the bank. This is called 'Pass Book' or Bank Statement. Sometimes the bank balances as shown by the cash book and that shown by the pass book/bank statement do not match.

If the balances shown by the pass book is different from the balance shown in cash book, the business entity will have to identify the causes for such difference.

It becomes necessary to reconcile them and for this a statement is prepared which is called the "Bank Reconciliation Statement."

Q110. _____ is a statement which is prepared as on a particular date to reconcile the bank balance as per cash book with balance as per pass book by showing all the causes of difference between the two.

1 Mark

- A** A bank statement. **B** A bank reconciliation statement. **C** Income Statement.
D Position statement.

Ans: B A bank reconciliation statement.

2. A bank reconciliation statement.

Explanation:

Whenever money is deposited in bank or withdrawn from bank it is recorded in two places. The pass book maintained by the bank The cash book (bank column) maintained by the account holder.

These two books are opposites of each other which means if one shows credit balance then the other would reflect a debit balance of the exact same amount. But due to reasons like timing differences the balances of both these books on a particular date do not match.

Now, it is not practical and feasible for the bank to reconcile the account balances of each and every account holder so, the account holder prepares a bank reconciliation statement for his account maintained in the bank.

Q111. When a cheque received on a particular date is not deposited the same day into bank, it is entered in _____.

1 Mark

- A** Cash column on the debit side. **B** Bank column on the debit side. **C** Cash column on the credit side.
D Cash column on the debit side and credit side.

Ans: C Cash column on the credit side.

3. Cash column on the debit side.

Explanation:

When a cheque received is not deposited on the same day, it is taken in the cash account and when it is deposited in bank, then a contra entry is passed.

For example cheque received from Ram on 15th March is deposited on 18th March, following entries will be passed: $\frac{15}{3}$ Cash A/c Dr.

Q112. A pass book is a copy of _____.

1 Mark

- A** A customers account in the banks books. **B** Cash book relating to discount column.
C Cash book relating to cash column. **D** Firms receipts and payments.

Ans: A A customers account in the banks books.

1. A customers account in the banks books.

Explanation:

A passbook is a copy of customer's account in the bank's books. it is prepared by the bank and shows all the transactions of a customer like deposits, withdrawals, interest payment / receipt etc. with the bank from the point of view of the bank.

Q113. When cheque deposited by the firm is dishonoured & entry is not made what is the effect on Cash book?

1 Mark

- A** The balance as per the passbook would be less than the cash book balance.
B The balance as per the cash book would be less than the pass book balance.
C The balance as per the passbook would be equals to the cash book balance. **D** None of the above.

Ans: A The balance as per the passbook would be less than the cash book balance.

1. The balance as per the passbook would be less than the cash book balance.

Explanation:

When an amount is deposited either cash or cheque in the bank, we have to debit the bank column of cash book and in correspondence to that bank credit our A/c when cash or cheque is deposited in the bank.

In case of cheque gets dishonoured bank immediately debits our A/c which is maintained in the bank's A/c book which results in less balance as per passbook than cashbook balance as the same is not recorded in the cash book.

Q114. When balance as per Cash Book is the starting point, interest charged by Bank is _____.

1 Mark

- A** Added in the bank reconciliation statement. **B** Subtracted in the bank reconciliation statement.
C Not required to be adjusted in the bank reconciliation statement. **D** None of the above.

Ans: B Subtracted in the bank reconciliation statement.

2. Subtracted in the bank reconciliation statement.

Explanation:

Interest charged by bank would lead to decrease in the bank balance but, it would not be entered in the cash book until and unless the account holder views it in his pass book.

So when the balance as per cash book is the starting, interest charged by bank is subtracted in the bank reconciliation statement to reach the pass book balance.

Q115. A bank reconciliation statement is: **1 Mark**

- A** A part of Cash Book. **B** A part of Pass Book. **C** A statement prepared by the bank.
D A statement prepared by a customer.

Ans: **A** A part of Cash Book.

D A statement prepared by a customer.

4. A statement prepared by a customer.

Q116. The proper treatment on the bank reconciliation of a note collected by the bank for the depositor is to show it as an _____. **1 Mark**

- A** Addition per Book Balance of Cash. **B** Deduction per Book Balance of Cash.
C Addition per Bank Statement Balance. **D** Deduction per Bank Statement Balance.

Ans: **A** Addition per Book Balance of Cash.

1. Addition per Book Balance of Cash.

Explanation:

The credit note or note collected by the bank for the depositor implies that the balance in the passbook is being increased for reasons other than deposits.

So, the proper treatment on the bank reconciliation of a note collected by the bank for the depositor is to show it as an addition per book balance of cash.

Q117. Pass book is a/an _____ of account holder's transaction with the bank. **1 Mark**

- A** Extract **B** Estimate **C** Balance **D** Model

Ans: **A** Extract

1. Extract

Explanation:

A bank maintains records of thousands of customers in its ledgers.

However, a pass book is an extract of all the transactions undertaken by a particular account holder through the bank account maintained by the account holder with the bank. These are the confidential details of a particular account which are provided only to the respective account holder.

Q118. When the balance as per Cash Book is the starting point, direct deposit by customer is _____. **1 Mark**

- A** Added **B** Subtracted **C** Not required to be adjusted
D Neither of the two

Ans: **A** Added

1. Added

Explanation:

A direct deposit is a deposit which is directly made into the bank account without recording it in the cash book. So the balance as per pass book increases as compared to the balance as per cash book. Thus, when balance as per cash book is the starting point, a direct deposit is added to arrive at the balance as per pass book.

Q119. A debit balance in the depositors Cash Book will be shown as _____. **1 Mark**

- A** A debit balance on the Bank Statement. **B** A credit balance on the Bank Statement.
C An overdrawn balance on the Bank Statement. **D** None of the above.

Ans: **B** A credit balance on the Bank Statement.

2. A credit balance on the Bank Statement.

Explanation:

Balance as per cash book is opposite of passbook. Therefore, A debit balance in the depositors Cash Book will be shown as a credit balance on the Bank Statement.

Q120. An enterprise take cash book balance as the base for preparation of bank reconciliation statement. **1 Mark**

Some of the bank charges have been put. These charges will be _____.

- A** Added in cash book. **B** Deducted in cash book. **C** Nothing is to be done for this entry.
D None of the above.

Ans: B Deducted in cash book.

2. Deducted in cash book.

Explanation:

Bank charges are charged by the bank for providing its various services.

It is generally first recorded in the pass book (bank statement) and then taken into account in the cash book by the accountant.

While preparing the bank reconciliation statement taking cash book as the base, such bank charges will be deducted in the cash book because it has not been recorded in the cash book yet. To reach to the balance as per pass book (bank statement) correctly, we will have to take into consideration all such causes of differences which have not been taken into account in the cash book.

Q121. The biggest factor in determining the price of a mortgage is:

1 Mark

- A** The lender. **B** The interest rate. **C** The down payment.
D The total cost of the home.

Ans: B The interest rate.

2. The interest rate.

Q122. A bank reconciliation statement is prepared with the balance of:

1 Mark

- A** Cash Book. **B** Pass Book. **C** Either Cash Book or Pass Book.
D Neither Cash Book nor Pass Book.

Ans: A Cash Book.

C Either Cash Book or Pass Book.

3. Either Cash Book or Pass Book.

Q123. When businessman pays money to bank it is known as _____.

1 Mark

- A** Withdrawal **B** Deposit **C** Expenses **D** Liability

Ans: B Deposit

2. Deposit

Explanation:

The bank is a keeper of our money and safeguards it also paying an interest.

If any money is paid to the bank which is not in a form of interest or penalty or any fees, it is a deposit which is payable by bank on demand.

Q124. In bank reconciliation statement the account of outstanding cheques is added to ____ book balance of cash.

1 Mark

- A** Adjusted **B** Unadjusted **C** Understand **D** Overstated

Ans: A Adjusted

1. Adjusted

Explanation:

Outstanding cheques are those cheques which have been issued for payment by the business to its suppliers or creditors but have not yet been presented for payment.

This means they have been received in the cash book by crediting the cash book. So, in bank reconciliation statement, the account of outstanding cheques is added to adjusted book balance of cash.

Q125. The proper treatment on the bank reconciliation of an NSF cheque of a customer that is returned with the bank statement is to show it as a(an) _____.

1 Mark

- A** Addition per book balance of cash. **B** Deduction per book balance of cash.
C Addition per bank statement balance. **D** Deduction per bank statement balance.

Ans: B Deduction per book balance of cash.

2. Deduction per book balance of cash.

Explanation:

A cheque is marked as 'NSF' when it is issued by the business to a supplier or creditors, but there are 'Not sufficient funds' in the bank account to make the payment.

So, the proper treatment on bank reconciliation of an NSF cheque that is returned with the bank statement is to show it as a deduction per book balance of cash as it was added before when it was received for payment from the customer.

- Q126.** An amount of Rs. 1000 is debited twice in the pass book. When overdraft as per the cash book is the starting point _____.
- 1 Mark**
- A** Rs. 1000 will be deducted. **B** Rs. 1000 will be added. **C** Rs. 2000 will be deducted.
D Rs. 2000 will be added.

Ans: B Rs. 1000 will be added.

2. Rs. 1000 will be added.

Explanation:

When overdraft as per cash book is the starting point, items which makes cash book balance larger than the pass book balance need to be added.

- Q127.** Find out the Bank Balance as per Cash Book from the following particulars:
- 1 Mark**
1. Overdraft as per Pass Book = ₹ 5,000.
2. Cheques deposited into the bank but not credited = ₹ 2,000
- A** Favourable Balance = ₹ 3,000 **B** Overdraft = ₹ 3,000 **C** Favourable = ₹ 7,000
D Overdraft = ₹ 7,000

Ans: B Overdraft = ₹ 3,000

2. Overdraft = ₹ 3,000

- Q128.** Mohan's bank reconciliation statement shows cheques deposited but not credited by bank of ₹ 3,800 and cheques issued but not presented by suppliers of ₹ 3,500. His bank balance as per Cash Book is ₹ 25,000. Balance as per pass book statement is:
- 1 Mark**
- A** ₹ 25,000 **B** ₹ 24,700 **C** ₹ 25,300 **D** ₹ 32,30

Ans: B ₹ 24,700

2. ₹ 24,700

- Q129.** Overdraft as per cash book means _____.
- 1 Mark**
- A** Credit balance in the cash column of the cash book.
B Credit balance in the bank column of the cash book. **C** Neither of the two.
D Both (a) and (b).

Ans: B Credit balance in the bank column of the cash book.

2. Credit balance in the bank column of the cash book.

Explanation:

Overdraft means that we have taken loan from the bank. It is shown by negative or credit balance.

The cash book is debited when cash comes in and credited when cash goes out. So, overdraft means credit balance in the bank column of the cash book.

- Q130.** Following details are related to a firm's banking transactions at 31st March, 2019. Balance as per bank statement ₹ 22,650; uncleared lodgements ₹ 3,110; unpresented cheques ₹ 6,290. Bank credit recorded twice by bank in error as ₹ 650. Which balance for cash at bank should appear in the Balance Sheet as at 31st March, 2019?
- 1 Mark**
- A** ₹ 18,820. **B** ₹ 20,120. **C** ₹ 25,180. **D** ₹ 26,480.

Ans: A ₹ 18,820.

1. ₹ 18,820.

- Q131.** Which of the following accounts is increased by credit entries?
- 1 Mark**
- A** Bank overdraft. **B** Purchase account. **C** Goodwill account. **D** Sales return account.

Ans: A Bank overdraft.

1. Bank overdraft.

Explanation:

Purchase account has a debit balance being an expenditure and any credit entries would lead to decrease in the purchase amount.

Good will account has a debit balance being an asset and any credit entries would lead to decrease in the goodwill amount.

Sales return account has a debit balance as this account is used to record the items returned in sales. Sales has a credit balance so to reduce it, the sales return entries must be debited and hence sales return has debit balance. Any credit entries to the sales return account would lead to increase in the amount.

Bank overdraft has a credit balance as it is a liability, any credit entries would lead to increase in the overdraft amount.

Q132. Bank reconciliation sometimes points to the need for adjusting entries. Invariably how should it be done? **1 Mark**

- 1 The reconciliation of the ending balance as per the bank statement to the adjusted cash balance.
- 2 The reconciliation of the cash balance as per the company records to the adjusted cash balance.
- 3 Both a and b.
- 4 None of the above.

Ans: 1 The reconciliation of the ending balance as per the bank statement to the adjusted cash balance.

1. The reconciliation of the ending balance as per the bank statement to the adjusted cash balance.

Explanation:

Bank statement provides balance as on date. But to determine the exact balance available with the business, it is required for business to prepare bank reconciliation statement while making adjustments in the bank column of cash book.

Q133. Debit balance in the Cash Book is equivalent to: **1 Mark**

- A** Overdraft as per Pass Book. **B** Credit balance as per Pass Book. **C** Overdraft as per Cash Book.
D None of these.a

Ans: **A** Overdraft as per Pass Book.

B Credit balance as per Pass Book.

2. Credit balance as per Pass Book.

Q134. When balance as per cash book is the starting point, bank charges not recorded in cash book are **1 Mark**

_____.

- A** Subtracted **B** Not required to be adjusted **C** Added
D None of the above

Ans: **A** Subtracted

1. Subtracted

Explanation:

Bank charges are those service charges which charged by the bank to the account holder for providing the banking services.

The amount of such charges is directly debited to the bank account as per the calculation policy of the bank.

Since the amount cannot be ascertained by the account holder, it is not recorded in the records maintained by them.

Hence, in the reconciliation statement such amount is subtracted to get the closing balance as per bank pass book.

Q135. Difference in balance as per pass book and balance as per cash book due to _____ is termed as difference arising due to errors in recording the transaction. **1 Mark**

- A** Cheque issued but not presented for payment. **B** Dishonour of a discounted bill.
C Direct payment by the bank/ customers. **D** None of these.

Ans: **D** None of these.

4. None of these.

Explanation:

It is generally experienced that when a comparison is made between the bank balance as shown in the firm's cash book, the two balances do not tally.

Hence, to first ascertain the causes of difference thereof and then reflect them in a statement called Bank Reconciliation Statement to reconcile (tally) the two balances.

Reconciliation of the cash book and the bank passbook balances amounts to an explanation of differences between them.

The differences between the cash book and bank passbook is caused by:

1. Timing differences on recording of the transactions.
2. Errors made by the business or by the bank.

Sometimes the difference between the two balances may be accounted for by an error on the part of the bank or an error in the cash book of the business.

This causes the difference between the bank balance shown by the cash book and the balance shown by the bank statement.

Difference in balance as per pass book and balance as per cash book due to errors committed in recording transaction by the firm and errors committed in recording transactions by the bank are termed as difference arising due to errors in recording the transaction

Q136. A Pass Book is a copy of:

1 Mark

- A** A customer's account in the bank's books. **B** Cash Book relating to bank column.
C Cash Book relating to cash column **D** Firm's receipts and payments.

Ans: A A customer's account in the bank's books.

1. A customer's account in the bank's books.

Q137. If the overdraft as per the pass book is taken as the starting point, the cheques issued but not presented are to be _____ in the bank reconciliation statement.

1 Mark

- A** Added **B** Deducted **C** No effect **D** Equated

Ans: A Added

1. Added

Explanation:

Cheques issued but not presented are recorded in the cash book first. They are recorded by the bank in the pass book only when such cheques are cleared by the bank.

Thus, when we take overdraft balance as per pass book as the starting point to prepare bank reconciliation statement, cheques issued but not presented should be added to arrive at the balance as per cash book and reconcile the two balances.

Q138. Bank Reconciliation Statement is prepared so that the difference between the undermentioned balances can be reconciled:

1 Mark

- A** Difference in the balance in the bank and the cash balance.
B Difference in the balances in the Pass Book in the beginning and at the end.
C Difference in the Pass Book and Cash Book balances. **D** None of the above.

Ans: C Difference in the Pass Book and Cash Book balances.

3. Difference in the Pass Book and Cash Book balances.

Q139. Bank reconciliation statement is prepared to reconcile _____.

1 Mark

- A** Difference in trial balance. **B** The balance of personal A/c.
C Cash at bank as per cash book with balance as per bank statement. **D** Balance in suspense A/c.

Ans: C Cash at bank as per cash book with balance as per bank statement.

3. Cash at bank as per cash book with balance as per bank statement.

Explanation:

Bank reconciliation statement is a statement which is prepared to reconcile the cash and bank balance.

Q140. A bank reconciliation statement is prepared by:

1 Mark

- A** Bank. **B** Customers of the bank. **C** Creditors. **D** Auditor.

Ans: A Bank.

- B** Customers of the bank.

2. Customers of the bank.

Q141. A bank reconciliation statement is a statement prepared to reconcile _____.

1 Mark

- A** Trial balance. **B** Profit as per books of account with the profit as per Income-tax returns.
C Cash balance as per cash book with bank balance as per pass book.
D Bank balance as per cash book with bank balance as per bank pass book.

Ans: D Bank balance as per cash book with bank balance as per bank pass book.

4. Bank balance as per cash book with bank balance as per bank pass book.

Explanation:

It is generally experienced that when a comparison is made between the bank balance as shown in the firm's cash book and the bank balance shown in the bank book, the two balances do not tally.

Hence, we have to ascertain the causes of differences thereof and then reflect them in a statement called Bank Reconciliation Statement to reconcile (tally) the two balances.

In order to prepare a bank reconciliation statement there is a need of bank balance as per the cash book and a bank statement as on particular day along with details of both the books.

If the two balances differ, the entries in both the books are compared and the items on account of which the difference has arisen are ascertained with the respective amounts involved so that the bank reconciliation statement may be prepared.

Q142. A Bank Reconciliation Statement is prepared to know the causes for the difference between:

1 Mark

- A** The balance as per cash column of Cash Book and the Pass Book.
- B** The balance as per bank column of Cash Book and the Pass Book.
- C** The balance as per bank column of Cash Book and balances as per column of Cash Book.
- D** Neither of the above.

Ans: B The balance as per bank column of Cash Book and the Pass Book.

2. The balance as per bank column of Cash Book and the Pass Book.

Explanation:

Bank Reconciliation Statement (BRS) is prepared on a periodical basis for checking that bank related transactions are recorded properly in the cash book's bank column and also by the bank in their books. BRS helps to detect errors in recording transactions and determining the exact bank balance as on a specified date. Therefore, B is the correct option.

Q143.

1 Mark

A bank reconciliation statement is a statement prepared to reconcile_____.

- A** Cash balance as per cash book and bank balance as per pass book
- B** Bank balance as per cash book and bank balance as per pass book
- C** Both (A) & (B)
- D** None of the above

Ans: B Bank balance as per cash book and bank balance as per pass book

2. Bank balance as per cash book and bank balance as per pass book

Explanation:

Whenever money is deposited in bank or withdrawn from bank it is recorded in two places. The pass book maintained by the bank The cash book (bank column) maintained by the account holder.

These two books are opposites of each other which means if one shows credit balance then the other would reflect a debit balance of the exact same amount. But due to reasons like timing differences the balances of both these books do not match.

Now, it is not practical and feasible for the bank to reconcile the account balances of each and every account holder so, the account holder prepares a bank reconciliation statement for his account maintained in the bank.

Q144. Which of the following is/are cause of difference of balance between cash book & the pass book?

1 Mark

- A** Interest and dividend received by the bank and entered in cash book.
- B** Amount directly deposited in the bank account by customer recorded in cash book.
- C** Bank charges not entered in the cash book.
- D** All of the above.

Ans: C Bank charges not entered in the cash book.

3. Bank charges not entered in the cash book.

Explanation:

Bank reconciliation statement- It is a statement prepared on a particular day to reconcile the bank balance as per cash book with the balance as per passbook showing entries causing the difference between the two balances

Difference may arise in cashbook and passbook due to following reasons:

1. Difference due to timing.
2. Transaction recorded by the bank.
3. Errors committed by bank or customer.

One such type of error committed by customer is that he had not recorded bank charges in his cash book.

Q145. While preparing a Bank Reconciliation Statement taking the balance as per Cash Book as the starting point, Debit balance of Rs. 112 brought forward as credit balance of Rs. 121 is:

1 Mark

- A** Rs. 112 to be Added.
- B** Rs. 121 to be Added.
- C** Rs. 233 to be Added.
- D** Rs. 112 to be Subtracted.

Ans: C Rs. 233 to be Added.

3. Rs. 233 to be Added.

Q146. When a cheque is deposited _____.

1 Mark

- A** Bank pass book will be credited.
- B** Bank pass book will be debited.
- C** Bank column in cash book is debited.
- D** Bank column in cash book is credited.

Ans: C Bank column in cash book is debited.

3. Bank column in cash book is debited.

Explanation:

The journal entry in the books of the account holder when a cheque is deposited is as follows:

Bank A/c.Dr.

To Receivable A/c.

So, as seen from above entry the bank column in the cash book would be debited when a cheque is deposited. Until The Cheque gets cleared, No entry is made by bank in pass book. Generally, it takes 2-3 days in clearance of cheque. So, as soon as cheque is deposited, Bank column in cash book is debited.

Q147. _____ is a copy of the clients account in the bank's ledger.

1 Mark

- A** Cash book **B** Pass book **C** Cheque book **D** Pay-in-slip book

Ans: B Pass book

2. Pass book

Explanation:

The pass book is just a copy of the account statement as maintained by the bank.

So if the pass book reflects a debit balance it means that the account is in the nature of a debtor/ receivable for the bank and it would be the opposite for the account holder.

From his point of view he would be having a negative balance in his account and hence a liability/ payable.

Q148. The businessman prepares the _____ and the _____ is prepared by the bank.

1 Mark

- A** Pass book, Cash book. **B** Cash book, Pass book. **C** cash book, cash book. **D** Pass book, Pass book.

Ans: B Cash book, Pass book.

2. Cash book, Pass book.

Explanation:

To record cash and bank transactions, every businessman prepares cash book with cash and bank columns in it and in correspondence to that bank maintain its customers' account in its books of account which is a passbook.

Therefore, cash book is prepared by businessman and passbook is prepared by the bank.

Q149. Deposit column of pass book showed a wrong entry of Rs. 112. When the balance as per Cash Book is the starting point _____.

1 Mark

- A** Rs. 112 to be added. **B** Rs. 112 to be subtracted. **C** No adjustment is required.
D None of these.

Ans: A Rs. 112 to be added.

1. Rs. 112 to be added.

Explanation:

Since, a wrong deposit of Rs. 112 is shown in the paasbook because of which the bank balance as per the paasbook increased, therefore, such amount shall also be added to bank balance as per cashbook in the bank reconciliation statement to reconcile both the balances.

Q150. When the overdraft as per Cash Book is the starting point, a cheque of Rs.1,00,000 deposited into Bank but not recorded in Cash Book will be:

1 Mark

- A** Deducted by Rs. 1,00,000. **B** Added by Rs.1,00,000. **C** Added by Rs.2,00,000.
D Deducted by Rs. 2,00,000.

Ans: B Added by Rs.1,00,000.

2. Added by Rs.1,00,000.

Explanation:

Bank reconciliation statement is prepared by taking one of the balances of cash book or pass book, accommodating all the differences between the two and finally arriving at the other balance.

Cheque deposited directly into the bank, without recording in the cash book increases the balance as per pass book as compared to cash book.

So, when overdraft balance as per cash book is the starting point, a cheque of Rs. 1,00,000 will be added to arrive at the balance as per pass book.

Q151. What is true about a reconciliation Statement? It is a statement _____.

1 Mark

- A** Sent by the bank when we have made and error.
B Sent by the bank when we the account is overdrawn. **C** Drawn up by the bank to verify the cash book.
D Drawn up by us to verify our cash book balance with the bank statement balance.

Ans: D Drawn up by us to verify our cash book balance with the bank statement balance.

4. Drawn up by us to verify our cash book balance with the bank statement balance.

Explanation:

Bank does not send any statement like a 'reconciliation statement' but only provides a 'bank statement'/'bank pass book' which gives us the details of transactions undertaken.

during the period. In fact, bank reconciliation statement is prepared by the business, only to verify the balance as per bank column of cash book and bank statement.

It is an important statement for the business.

Q152. Passbook is a copy of _____ as it appears in the ledger of the bank.

1 Mark

- A** Debtor's account **B** Customer's account **C** Creditor's account **D** None of the above

Ans: B Customer's account

2. Customer's account

Explanation:

Passbook is a copy of the account of the customer as it appears in the bank's book. In other words, passbook is a record of banking transaction of a customer with bank.

Entries which are made by a customer in the bank column of his cashbook must be entered by the bank in the passbook. Hence, the balances as per bank column of the cashbook must agree with the balance as per passbook.

Q153. A copy of customer's account in the ledger of the bank is called _____.

1 Mark

- A** Pass Book **B** Cash Book **C** Advice **D** Balance Statement

Ans: A Pass Book

1. Pass Book

Explanation:

Numerous accounts are maintained with the bank viz., current account, savings account, recurring account, etc.

A pass book with the customer is an extract from the ledger maintained by the bank comprising of all the transactions undertaken by the customers during a given period.

Q154. Withdrawl column of the Pass Book showed a wrong entry of Rs. 112. When the balance as per Cash Book is the starting point _____.

1 Mark

- A** Rs. 112 to be added **B** Rs. 112 to be subtracted **C** No adjustment in required
D None of these

Ans: B Rs. 112 to be subtracted

2. Rs. 112 to be subtracted

Q155. Which of these statements is true about a bank pass book?

1 Mark

- A** Pass book contains a copy of bank column of the customer's cash book.
B Pass book is a copy of customer's account in bank's books.
C Pass book contains a copy of cash column of customer of cash book.
D Pass book contains a copy of Customers current account in cash book.

Ans: B Pass book is a copy of customer's account in bank's books.

2. Pass book is a copy of customer's account in bank's books.

Explanation:

The cash book also serves the purpose of both the cash account and the bank account and shows the balance of both at the end of the period.

Once the cash book has been balanced, it is usual to check its details with the records of the firm's bank transactions as recorded by the bank.

To enable this check, the cashier needs to ensure that the cash book is completely up to date and a recent bank statement (or a bank passbook) has been obtained from the bank. A bank statement or a bank passbook is a copy of a bank account as shown by the bank record.

This enables the bank customers to check their funds in the bank regularly and update their own record of transactions that have occurred.

Q156. When the cheques are not presented for payment. favourable balance as per the cash book is _____ than that of the pass book.

1 Mark

- A** Equal **B** Less **C** More **D** None of the above

Ans: B Less

2. Less

Q157. How would deposits in transit be handled when reconciling the ending cash balance as per the bank statement to the correct adjusted cash balance? **1 Mark**

- A** Added to the balance as per the bank statement.
- B** Subtracted from the balance as per the bank statement.
- C** Added to the balance as per company records.
- D** Ignored.

Ans: **A** Added to the balance as per the bank statement.

1. Added to the balance as per the bank statement.

Explanation:

In case of deposits in transit the entry for would have been entered in the cash book due to which the cash book balance would be higher than the pass book balance.

So, while reconciling the ending cash balance as per the bank statement to the correct adjusted cash balance, deposits in transit should be added to the balance as per the bank statement.

Q158. A Trial balance may not agree in case of _____. **1 Mark**

- A** Non-recording of a transaction at all.
- B** Correct amount posted to wrong a/c but correct side.
- C** Wrong balancing of accounts.
- D** Entering wrong amount in the subsidiary books.

Ans: **C** Wrong balancing of accounts.

3. Wrong balancing of accounts.

Explanation:

Error of Omission does not affect Trial Balance.

If amount is posted correctly into wrong account but on the correct side, still it won't affect the Trial Balance since Trial balance is a list of closing balances of all accounts.

But in case of wrong balancing of accounts Trial Balance will not agree because if credit and debit side of an account does not tally, it means some error has taken place.

A wrong amount will not affect Trial Balance since it is made on both the debit and credit side on correct side and in correct account.

Q159. Unfavourable balance as per cash book means which of the following? **1 Mark**

- A** Cr. balance in pass book.
- B** Dr. balance in cash book.
- C** Bank overdraft.
- D** None of the above.

Ans: **C** Bank overdraft.

3. Bank overdraft.

Explanation:

The cash book is an account statement as maintained by the account holder. So if the cash book reflects a credit balance it means that the account is in the nature of a creditor/ payable for the account holder and it would be the opposite for the bank.

The pass book is a copy of the account statement as maintained by the bank. So if the pass book reflects a debit balance it means that the account is in the nature of a debtor/ receivable for the bank and it would be the opposite for the account holder.

So if there is unfavourable balance as per cash book it means that the cash book is showing a credit balance which is also known as bank overdraft.

Q160. Which of the following errors/ omissions are not a part of Bank reconciliation process? **1 Mark**

- A** Wrong totaling of Bank column of Cash book.
- B** Wrong totalling of Cash column of Cash book.
- C** Posting wrong amount is Bank Column of Cash book.
- D** Omission to carry forward balance in bank column of cash book.

Ans: **B** Wrong totalling of Cash column of Cash book.

2. Wrong totalling of Cash column of Cash book.

Explanation:

Bank reconciliation statement is a statement prepared on a particular day to reconcile the bank balance as per cashbook and balance as per passbook showing entries causing difference between the two balances.

Following are the errors for which bank reconciliation statement is prepared:

1. Differences due to timing.

2. Transactions recorded by the bank but not by the business organisation.

3. Errors committed.

4. Cash column of the cashbook does not affect passbook in anyway, therefore errors in cash column of cashbook are not a part of bank reconciliation process.

Q161. Bank column of cash book showed bank balance of Rs.8750. While reconciling the bank balance it was noticed that bank column of cash book was undercast by Rs.90, bank draft charges of Rs.50 and Telephone charges of Rs.550 paid by the bank directly as per standing instruction were not accounted for in the Cash book. Find the adjusted balance of cash as per cash book. **1 Mark**

A 9000 **B** 8240 **C** 8600 **D** 8890

Ans: B 8240

2. 8240

Q162. _____ is the reason for bank pass book showing higher balance than Cash book. **1 Mark**

A Cheque issued but not paid. **B** Cheque deposited but not cleared. **C** Direct payment made by Bank.
D Interest charged by Bank.

Ans: A Cheque issued but not paid.

1. Cheque issued but not paid.

Explanation:

When a business compares the balance of its cash book with the balance shown by the bank passbook, there is often a difference, which is caused by the time gap in recording the transactions relating either to payments or receipts.

Cheque issued by the bank but not yet presented for payment is one reason for bank pass book showing higher balance than cash book. When cheques are issued by the firm to suppliers or creditors of the firm, these are immediately entered on the credit side of the cash book.

However, the receiving party may not present the cheque to the bank for payment immediately. The bank will debit the firm's account only when these cheques are actually paid by the bank.

Hence, there is a time lag between the issue of a cheque and its presentation to the bank which may cause the difference between the two balances.

Q163. If we take balance as per pass book, _____ will be deducted to get balance as per cash book. **1 Mark**

A Interest given by bank. **B** Interest charged by bank. **C** Cheque deposited but not cleared.
D Payments made by the bank under standing instructions.

Ans: A Interest given by bank.

1. Interest given by bank.

Explanation:

If balance as per pass book is the starting point then, to reach balance as per cash book interest given by bank would have to be deducted, as this entry has been recorded in the pass book but not in the cash book and the later would show a lower balance.

In case of interest charged by bank and cheque deposited but not cleared the amount would have to be added to the passbook, whereas in case of payments made by bank under standing instructions the entry would be recorded in both the pass book and cash book as it is pre determined and so no adjustment would be required in this case.

Q164. From following which is the way to prepare Bank Reconciliation Statement. **1 Mark**

A Without adjusting cash book balance. **B** Before adjusting cash book balance. **C** Both of the above
D None of the above

Ans: A Without adjusting cash book balance.

1. Without adjusting cash book balance.

Explanation:

A bank reconciliation statement is prepared to reconcile the differences between the balances as per cash book (bank column) and pass book (bank statement).

It is prepared by taking the balance of the cash book without adjusting it as adjusting it will make both the balances match.

In such a case bank reconciliation statement will not be required.

Q165. Unfavourable bank balance means: **1 Mark**

A Credit balance in the Cash Book. **B** Credit balance in the Pass Book. **C** Debit balance in the Cash Book.
D Favourable balance in the Cash Book.

Ans: A Credit balance in the Cash Book.

1. Credit balance in the Cash Book.

Q166. Credit balance as per bank a/c implies _____. **1 Mark**

A Cash balance **B** Overdraft **C** Excess of expenditure **D** None of these

Ans: B Overdraft

2. Overdraft

Explanation:

The bank account maintained by the account holder in his books of accounts is usually an asset for him as balance shown in the bank account would be a receivable for him from the bank and hence usually shows a debit balance.

But whenever a reverse situation happens, such that the bank account becomes a liability for him and he has to pay the bank then, his bank account would reflect a credit balance which in other words would become a bank overdraft.

Q167. Which of the following is not the salient features of bank reconciliation statement?

1 Mark

- A Reconciliation is done by the bankers.
- B Reconciliation statement will help in finding the person doing any fraud.
- C Any undue delay in the clearance of cheques will be shown up by the reconciliation.
- D All of above.

Ans: A Reconciliation is done by the bankers.

1. Reconciliation is done by the bankers.

Explanation:

Bank reconciliation statement is a statement prepared by the bank account holder on a particular day to reconcile the bank balance as per cash book with the balance as per passbook showing entries causing the difference between the two balances.

Following are the features of bank reconciliation statement:

1. It is prepared by the customer i.e., holder of the account.
2. It contains a complete and satisfactory explanation of the difference in balance as per the cash book and passbook.
3. Normally it is prepared on closing date of accounts.
4. It is neither journal nor ledger.

Q168. Difference in balance as per pass book and balance as per cash book due to _____ is termed as difference arising due to errors in recording the transaction.

1 Mark

- A Omission in cash book.
- B Omission in pass book.
- C Wrong posting in cash/ pass book.
- D All the three.

Ans: D All the three.

4. All the three.

Explanation:

It is generally experienced that when a comparison is made between the bank balance as shown in the firm's cash book, the two balances do not tally. Hence, we have to first ascertain the causes of difference thereof and then reflect them in a statement called Bank Reconciliation Statement to reconcile (tally) the two balances.

Reconciliation of cash book and the bank passbook balances amounts to an explanation of differences between them. The differences between the cash book and bank passbook is caused by:

1. timing differences on recording of the transactions.
2. errors made by the business or by the bank.

Sometimes the difference between the two balances may be accounted for by an error on the part of the bank or an error in the cash book of the business. This causes the difference between the bank balance shown by the cash book and the balance shown by the bank statement.

Difference in balance as per pass book and balance as per cash book due to omission in cash book, omission in pass book and wrong posting in cash/[pass book are termed as difference arising due to errors in recording the transaction.

Q169. When businessman takes money from bank out of its account it is known as _____.

1 Mark

- A Withdrawal
- B Deposit
- C Expenses
- D Liability

Ans: A Withdrawal

1. Withdrawal

Explanation:

The bank is a keeper of our money and safeguards it also paying an interest.

If any money is taken from the bank it is called 'withdrawal', which is the right of the account holder, to withdraw as per his wish within the limits as prescribed by the respective banks.

Q170. The proper treatment on the bank reconciliation of a debit memorandum issued by the bank is to show it as a/ an _____.

1 Mark

- A Addition to book balance of cash.
- B Deduction from book balance of cash.

C Addition to bank statement balance.

D Deduction from bank statement balance.

Ans: B Deduction from book balance of cash.

2. Deduction from book balance of cash.

Explanation:

A debit memorandum is issued by a bank with respect to any charges payable to it by the account holder, the entry for the same would be already passed by the bank and so the bank statement balance would be less than the cash book balance.

Therefore, the proper treatment on the bank reconciliation of a debit memorandum issued by the bank is to show it as a deduction from the book balance of cash.

Q171. Collection charges and incidental charges are first reflected in _____.

1 Mark

A Pass book

B Cash book

C Bank Statement

D None of the above

Ans: A Pass book

1. Pass book

Explanation:

A bank determines collection charges/ incidental charges/ other miscellaneous charges as per the transactions undertaken between the account holder and the bank which is dependent on various factors like volume of transactions, availability of any service, etc. hence they are first reflected in the bank pass book and not the cash book maintained by the business.

Q172. Unfavourable bank balance means _____.

1 Mark

A Credit balance in pass book.

B Debit balance in cash book.

C Debit balance in pass book.

D None of these.

Ans: C Debit balance in pass book.

3. Debit balance in pass book.

Explanation:

Unfavorable or negative balance means credit balance in cash book. This means that we have taken a loan from the bank i.e. we owe money to the bank. In such a case, the bank expects money from us and we become an asset for the bank.

Assets have debit balance. So, the bank shows debit balance in our pass book, which is a copy of customer's account in the books of bank. So, an unfavorable balance in cash book represents debit balance in pass book.

Q173. Which of these errors or omission are part of Bank Reconciliation?

1 Mark

A Wrong totaling of bank column of cash book.

B Showing sale of asset as sale of trading goods.

C Both A & B.

D None of the above.

Ans: A Wrong totaling of bank column of cash book.

1. Wrong totaling of bank column of cash book.

Explanation:

Sometimes the difference between the two balances may be accounted for by an error on the part of the bank or an error in the cash book of the business. This causes difference between the bank balance shown by the cash book and the balance shown by the bank statement.

There are two types of differences by error:

1. Errors committed in recording transactions by the firm: Omission or wrong recording of transactions relating to cheques issued, cheques deposited and wrong totaling etc. committed by the firm while recording entries in the cash book cause difference between cash book and pass book balance.

2. Errors committed in recording transactions by the bank: Omission or wrong recording of transactions relating to cheques deposited and wrong totaling etc. committed by the bank while posting entries in the pass book also cause differences between pass book and cash book balance.

Therefore, of the given options above, only wrong totaling of bank column of cash book is considered as an error which will form a part of Bank Reconciliation Statement. Conceptual errors of treating sale of asset as sale of goods is not considered for reconciliation.

Q174. If we take balance as per cash book, _____ will be added to get balance as per pass book.

1 Mark

A Interest given by bank.

B Interest charged by bank.

C Cheque deposited but not cleared.

D Payments made by the bank as per standing instructions.

Ans: A Interest given by bank.

1. Interest given by bank.

Explanation:

Entry of interest given by bank would be first entered in the pass book by the bank and only after that the account holder would be able to enter the same in the cash book, so at this given point of time the pass book balance would be higher than cash book. Interest given by the bank is an income to the account holder. So, if the balance as per cash book is the starting point then we would have to add interest given by bank to reach the pass book balance.

Q175. Cash receipt of Rs.5100 was wrongly posted to credit side bank column of cash book as Rs.510. bank balance as per cash book will be _____.

1 Mark

- A** More by Rs.510 **B** More by Rs.5100 **C** Less by Rs.510 **D** Rs.5100

Ans: C Less by Rs.510

3. Less by Rs.510

Explanation:

Cash receipt is to entered on the debit side of the cash column in the cash book and no entry of this would be shown in the pass book as the bank balance is not affected due to this transaction. But, here cash receipt of Rs.5100 was wrongly posted on the credit side of the bank column in the cash book as Rs.510.

Any entry on the credit side of the bank column in the cash book indicates payment through bank balance, so the error occurred here would lead to the bank balance as per cash book being less by Rs.510.

Q176. Unfavourable balance as per pass book means which of the following?

1 Mark

- A** Dr. balance in cash book. **B** Cr. balance in pass book. **C** Bank overdraft.
D None of the above.

Ans: C Bank overdraft.

3. Bank overdraft.

Explanation:

The cash book is a account statement as maintained by the account holder. So if the cash book reflects a credit balance it means that the account is in the nature of a creditor/ payable for the account holder and it would be the opposite for the bank.

The pass book is a copy of the account statement as maintained by the bank.

So if the pass book reflects a debit balance it means that the account is in the nature of a debtor/ receivable for the bank and it would be the opposite for the account holder.

So if there is unfavourable balance as per pass book with respect to the account holder, it means that the pass book is showing a debit balance which is also known as bank overdraft.

Q177. Debit balance in the Pass Book means _____.

1 Mark

- A** Favourable balance in the Cash Book. **B** Unfavourable balance in the Cash Book.
C Favourable balance in the Pass Book. **D** Unfavourable balance in the Pass Book.

Ans: D Unfavourable balance in the Pass Book.

4. Unfavourable balance in the Pass Book.

Explanation:

A pass book is a copy of the customer's account with the bank in books of the bank. So a debit balance in the pass book means that we owe money to the bank.

This is an unfavorable balance. On the other hand, credit balance in the pass book represents the money that the bank owes to us, which is a favourable balance.

Q178. When drawing up a bank reconciliation statement, if you start with a debit balance as per the pass book, the cheques issued but not presented for payments should be _____.

1 Mark

- A** Subtracted **B** Not required to be adjusted **C** Added
D None of these

Ans: C Added

3. Added

Explanation:

Cheques issued but not presented for payment are entered in the cash book at the moment the cheques are drawn but would not be reflected in the pass book and so the cash book balance would be higher.

Therefore, when drawing up a bank reconciliation statement, if you start with a debit balance as per pass book, the cheques issued but not presented for payments should be added to reach the cash book balance.

Q179. Unfavourable balance as per bank pass book means _____.

1 Mark

- A** Bank overdraft **B** Debit balance in pass book **C** Debit balance in cash book

D Both A and B

Ans: D Both A and B

4. Both A and B

Explanation:

The standard balance of cashbook is Dr. balance and the standard balance of passbook is Cr. balance i.e., Dr. balance of cashbook and Cr. balanced of passbook is considered as favorable balance.

In case if passbook shows unfavorable balance then it would amount to either bank overdraft or debit balance in passbook.

Q180. The purpose of preparing a bank reconciliation statement is to _____.

1 Mark

A

Ascertain that the difference between the cash book balance and the bank statement balance has been accounted for.

B Correct errors in the cash book or errors in the bank statement.

C Amend the balance of the bank statement of the firm.

D Amend the balance in the cash book of the firm.

Ans: C Amend the balance of the bank statement of the firm.

3. Amend the balance of the bank statement of the firm.

Explanation:

The purpose of preparing a bank reconciliation statement is to amend the balance of the bank statement of the firm. Such amendment is required because of various errors of omissions, casting errors and timing differences arising during accounting the bank transactions.

bank reconciliation statement is the only way to solve these errors and reflect a proper bank balance.

Q181. The balance of cash book shows _____

1 Mark

A Net income

B Cash in hand

C Net expenditure

D cash received

Ans: B Cash in hand

2. Cash in hand

Explanation:

Cash book is maintained to record the cash receipts and cash payments.

So if we start with some cash balance in hand then add cash receipts and deduct cash expenses the balance figure what we get is the cash we have in the end.

Q182. Which of the following is/are significance of Bank Reconciliation Statement?

1 Mark

A

It highlights the causes of difference between the bank balance as per cash book and the balance as per pass book.

B It helps in finding out actual position of the bank balance.

C It reduces the chance of fraud by the staff dealing in cash.

D All of the above.

Ans: D All of the above.

4. All of the above.

Explanation:

Bank reconciliation statement- It is a statement prepared on a particular day to reconcile the bank balance as per cash book with the balance as per passbook showing entries causing the difference between the two balances.

Following are the significance of Bank reconciliation statement:

1. Bank reconciliation statement helps in ensuring the accuracy of the balances shown by the cash book and pass book.

2. Bank reconciliation statement helps in identifying the missing transactions which are not yet recorded.

3. Bank reconciliation statement helps in updating the cash books of the company.

4. Bank reconciliation statement helps in verifying the accounts as most companies use double-entry bookkeeping facility.

5. Bank reconciliation statement helps in pointing out the mistakes in cash book and passbook.

Q183. If balance in the bank statement shows ₹ 3,000 (Dr.) and there are deposits of ₹ 800 not yet credited and unrepresented cheques totalling ₹ 500, the balance in the Cash Book should be:

1 Mark

A ₹ 3,300 (Cr.)

B ₹ 2,700 (Cr.)

C ₹ 4,300 (Cr.)

D ₹ 1,700 (Dr.)

Ans: B ₹ 2,700 (Cr.)

2. ₹ 2,700 (Cr.)