

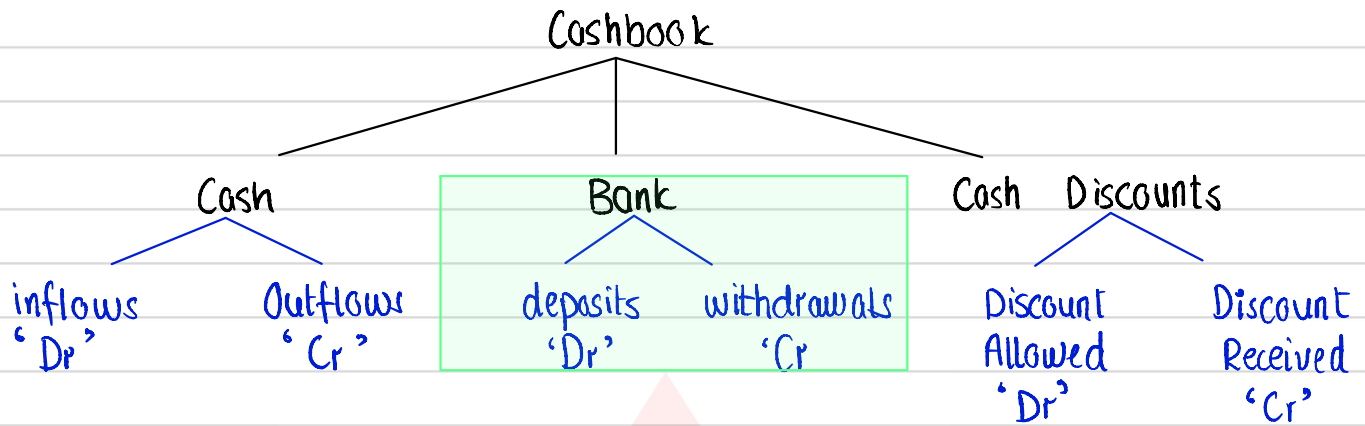
Topic 5



Bank Reconciliation Statement

BANK RECONCILIATION STATEMENT

Cashbook: It is a book of original entry and as well as a ledger because it is a part of double entry system.



↑ Dr	Cashbook (Bank Column)		Cr ↓
2018	\$	2018	\$
Deposits/receipts	10000	withdrawals / payments	8000
	10000	balance c/d (closing balance) debit balance	2000
2019	2000		10000
balance b/d (opening balance) positive balance	2000	2019	
Deposits/receipts	13000	withdrawals / payments	20000
balance c/d (closing balance) credit balance	5000		20000
2020	20000	2020	20000
		balance b/d (overdraft) negative balance	5000

Cashbook - bank account debit balance means positive balance → Cash at bank

Cashbook - bank account credit balance means negative balance → Bank Overdraft

Example

The following transactions relate to January 2020

- ✓ 1st Jan bank balance \$2000 Dr
- ✓ 5th Jan received a cheque from Mr Thomas \$1500
- ✓ 8th Jan withdrew from bank \$2800 for personal use (drawings)
- ✓ 12th Jan paid rent by cheque \$250
- ✓ 17th Jan received a cheque from Mr Tom \$150
- ✓ 21st Jan paid by cheque \$750 to Mr Rashid.
- ✓ 25th Jan paid monthly wages \$1000
- 28th Jan deposited cash of \$200
- 31st Jan paid Mr Haroon \$500.

Deposits ↑			Payments ↓		
3850			5300		
Cashbook - Bank column					
↑ Dr	↑	\$	↓	↓	Cr ↓
Date	Details	\$	Date	Details	\$
1 Jan ✓	balance b/d (Debit)	✓ 2000	8 Jan ✓	Drawings	✓ 2800
5 Jan ✓	Thomas	✓ 1500	12 Jan ✓	Rent	✓ 250
17 Jan ✓	Tom	✓ 150	21 Jan ✓	Rashid	✓ 750
28 Jan ✗	Cash [not in bank statement]	✓ 200	25 Jan ✓	Wages	✓ 1000
31 Jan	Balance c/d (Credit)	1450	31 Jan ✗	Haroon [not in bank statement]	500
		5300			5300
			1 Feb	balance b/d (Credit) - overdraft	1450

Note: Cashbook is maintained as per business records.

Bank Statement: The statement issued by the bank which shows the summary of all the transactions carried out through bank which include deposits and withdrawals as per the bank records.

Bank Statement		Cr	Dr	
Date	Details	Receipts	Withdrawals	Balance
1 Jan ✓	Balance			✓ 2000
6 Jan ✓	Thomas	✓ 1500		3500
8 Jan ✓	Drawings		✓ 2800	700
10 Jan ✗	Standing order - Insurance [not in cashbook]?		✗ 500	200
12 Jan ✓	Rent		✓ 250	(50)
18 Jan ✓	Tom	✓ 150		100
22 Jan ✓	Rashid		✓ 750	(650)
25 Jan ✓	wages		✓ 1000	(1650)
31 Jan ✗	Bank Charges [not in cashbook]?		350	(2000)

↓
closing balance



INTRODUCTION TO COST AND MANAGEMENT ACCOUNTING

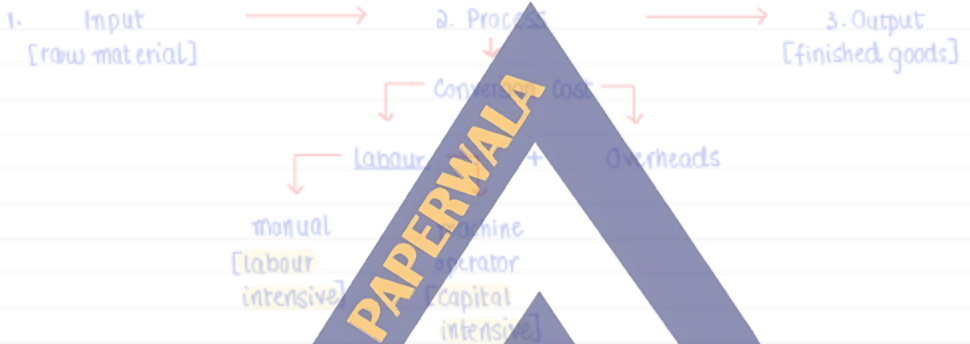
Cost/Expense: Outflow of resources.



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Stages of Manufacturing



Labour intensive business: Business organisations dependant on manual labour rather than technology or machinery.

Capital intensive business: Business organisations which are more dependant on machines rather than manual labour.

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