

22 Lecture - MGT101

Important Subjective

1. **What is a Bank Reconciliation Statement?**

Ans: A Bank Reconciliation Statement is a statement that reconciles the balance of cash book (bank column) with the balance of bank statement.

2. **What are the reasons for the difference in the balances of the cash book and bank statement?**

Ans: The reasons for the difference in the balances of the cash book and bank statement are:

Outstanding cheques
Deposits in transit
Bank charges and interest
Error in recording transactions

3. **What are the steps involved in preparing a bank reconciliation statement?**

Ans: The steps involved in preparing a bank reconciliation statement are:

Compare the bank statement with the cash book
Tick off the items that appear in both statements
Note the items that appear in the bank statement but not in the cash book (additions)
Note the items that appear in the cash book but not in the bank statement (deductions)
Adjust the cash book balance to reconcile with the bank statement balance
Prepare the bank reconciliation statement

4. **What is a dishonored cheque?**

Ans: A dishonored cheque is a cheque that is returned by the bank due to insufficient funds or other reasons.

5. **What is a bank overdraft?**

Ans: A bank overdraft is a facility provided by the bank to its customers to withdraw more money than the balance available in their bank account.

6. **What is a debit memo in a bank statement?**

Ans: A debit memo is a transaction in which the bank has deducted an amount from the customer's account, such as bank charges or interest.

7. **What is a credit memo in a bank statement?**

Ans: A credit memo is a transaction in which the bank has credited an amount to the customer's account, such as interest earned on the account.

8. **How does a bank reconciliation statement help in detecting errors?**

Ans: A bank reconciliation statement helps in detecting errors by comparing the cash book balance with the bank statement balance and noting the items that appear in one statement but

not in the other.

9. **What is the importance of preparing a bank reconciliation statement?**

Ans: The importance of preparing a bank reconciliation statement is to ensure that the balance in the cash book (bank column) matches the balance in the bank statement. It helps in detecting errors, reconciling the bank statement balance, and ensuring the accuracy of financial records.

10. **What are the precautions that should be taken while preparing a bank reconciliation statement?**

Ans: The precautions that should be taken while preparing a bank reconciliation statement are:

Ensure that all transactions are recorded in the cash book and bank statement

Check for any errors in recording transactions

Ensure that all items are correctly ticked off and noted in the bank reconciliation statement

Verify the accuracy of the final balance in the cash book (bank column) and the bank statement.