

23 Lecture - MGT101

Important Subjective

1. **What is a bank reconciliation statement, and why is it important?**

Answer: A bank reconciliation statement is an accounting document that compares the book balance with the bank balance and identifies any discrepancies between the two. It is important because it helps businesses identify errors, discrepancies, or fraudulent activities in their financial records.

2. **What are outstanding checks, and how do they impact the bank reconciliation statement?**

Answer: Outstanding checks are checks that have been issued by the book but have not yet cleared the bank. They impact the bank reconciliation statement by reducing the bank balance and increasing the book balance.

3. **What are deposits in transit, and how do they impact the bank reconciliation statement?**

Answer: Deposits in transit are deposits made by the business but not yet credited by the bank. They impact the bank reconciliation statement by increasing the bank balance and reducing the book balance.

4. **What is a bank service charge, and how does it impact the bank reconciliation statement?**

Answer: A bank service charge is a fee charged by the bank for various services like check printing, maintenance, etc. It impacts the bank reconciliation statement by reducing the book balance.

5. **What is an NSF check, and how does it impact the bank reconciliation statement?**

Answer: An NSF check is a check that has been dishonored by the bank due to insufficient funds in the account. It impacts the bank reconciliation statement by reducing the bank balance and increasing the book balance.

6. **What is the difference between the book balance and the bank balance in a bank reconciliation statement?**

Answer: The book balance is the balance of the business's accounting records, while the bank balance is the balance of the business's bank account. The difference between the two is the reconciling items that need to be accounted for in the bank reconciliation statement.

7. **How do you prepare a bank reconciliation statement?**

Answer: To prepare a bank reconciliation statement, you need to compare the book balance with the bank balance, identify any reconciling items like outstanding checks and deposits in transit, and adjust the book balance accordingly.

8. **What are the benefits of preparing a bank reconciliation statement?**

Answer: The benefits of preparing a bank reconciliation statement include identifying errors or discrepancies in financial records, detecting fraudulent activities, and maintaining accurate financial records.

9. **What happens if the book balance and bank balance don't match in a bank reconciliation statement?**

Answer: If the book balance and bank balance don't match in a bank reconciliation statement, it indicates that there are reconciling items that need to be accounted for. This may include outstanding checks, deposits in transit, or other discrepancies that need to be identified and corrected.

10. **Why is it important to reconcile the bank account regularly?**

Answer: It is important to reconcile the bank account regularly to ensure the accuracy of financial records, detect errors or fraudulent activities, and maintain a healthy financial position. Regular bank reconciliation can also help businesses manage their cash flow and avoid any unnecessary fees or penalties.