

What Is Bank Reconciliation Statement In Accounting

A Bank reconciliation statement (BRS) is a summary that helps you to compare a Authorities cash book/Cheque memo Register balance with its bank statement, identifying discrepancies caused by timing differences or errors. The main purpose of BRS is to ensure that the company records the transaction that matches with actual transactions. This will help you to detect any errors, fraudulent activities, and omissions.

How Often Do You Require To Produce Bank Reconciliation Statements

The frequency of preparing the bank reconciliation statement depends on the volume and nature of the business transactions that the business handles. Some of the key factors that you should know here are as follows:-

1. Daily Reconciliation

2. Weekly Reconciliation

3. Monthly Reconciliation

4. Quarterly or Yearly Reconciliation

Reasons For Preparing Bank Reconciliation Statements

There are several reasons for preparing the bank reconciliation statement that you must be well aware of. Some of the key factors that you should know here are as follows:-

1. To Identify Errors & Discrepancies

2. Helps To Prevent & Detect Fraud

3. Ensures Accuracy Of Financial Records

4. Helps To Identify The Timing Differences

.5. Enhances The Chances Of Managing Cash Flow Effectively

6. Helps In Detecting Bank Errors

7. Supports Financial Audits & Compliance

1. To Identify Errors & Discrepancies

Detects mistakes in recording transactions in either the cash book or bank statement (e.g., duplicate entries, incorrect amounts, or missing transactions). This is one of the crucial aspects of the Bank Reconciliation Statement you cannot just make your choices on the incorrect end.

2. Helps To Prevent & Detect Fraud

It helps to uncover all the unauthorized withdrawals, bank errors, and forged checks this could indicate all the fraudulent activities. However, you must make arrangements that reduce the fraudulent activities to a greater extent.

3. Ensures Accuracy Of Financial Records

BRS helps to maintain the correct financial records to a greater extent. As it ensures that all the bank balances must match with the cash book records. However, you must not make your selection or choices on the incorrect end.

4. Helps To Identify The Timing Differences

Resolves issues such as:

- **Outstanding Checks– Issued but not yet cleared by the bank.**
- **Deposits in Transit – Deposited but not yet reflected in the bank statement.**
- **Bank Charges & Interest– Deductions or credits not recorded in the company’s books.**

5. Enhances The Chances Of Managing Cash Flow Effectively

Helps businesses monitor their available cash balance, avoid overdrafts, and plan financial activities accordingly. A well-maintained BRS serves as proof of financial accuracy and helps in audits, tax filings, and regulatory compliance.

6. Helps In Detecting Bank Errors

BRS helps uncover all errors, such as any kind of unauthorized transactions, preventing fraud, double payment, and missed deposits. However, you should understand the realities while meeting your needs with complete ease and accuracy. Additionally, you should not make your selection and choices on the incorrect end.

7. Supports Financial Audits & Compliance

Reconciling accounts ensures that the company's books reflect the correct bank balance.

However, this can help you to keep track of your financial audits and compliance in perfect order while reaching your goals. During the time of audit, you will receive absolute clarity about the accounts that you want to maintain.

How To Prepare BRS In Accounting

A bank reconciliation statement is prepared to make the reconciliation between the cashbook maintained by the company and all the bank statements that are prepared by the bank. You need to follow the step-by-step guide by preparing BRS.

1. Gather All the Required Documents

Cashbook records all the transactions from your business as it comprises all the official statements from all banks detailing transactions. However, you should not make your selection and choices on the incorrect end.

2. Compare The Bank Statement With Cashbook

You must compare all the bank statements with the cashbook. Additionally, you should identify all the differences such as uncredited deposits, uncleared cheques, bank charges, or errors. However, this can boost the scope of your BRS to make things work perfectly well in your favor.

3. Identify All the Reasons For Differences

Some of the common causes for all your discrepancies include some crucial things that are essential for your business development. Some of the key factors that you should include here are as follows:-

- **Outstanding Cheques** – Cheques issued but not got the clearance from the bank.
- **Deposits/Receipts that are made in Transit** – All the Deposits are made but not credited by the bank.
- **Bank Charges & Interest** – Fees deducted by the bank but not recorded in the cash book.
- **Errors in Recording Transactions** – Mistakes in entering amounts in either the cash book or bank records.

4. Adjust The Cashbook If Necessary

You should adjust the cash book if any errors and omissions are reflected in the cash book. However, you must update it with the application of correct information. You need to update the Cashbook with the help of BRS from time to time.

5. Prepare All The Bank Reconciliation Statement

You must start with the bank balance as per the bank statement and cashbook. Additionally, you must add or subtract all the reconciling items to arrive at the adjusted balance that must match with correct bank balance. However, you should not make things happen on the wrong end.

6. Verify & Finalize

Ensure that all transactions are accounted for and properly adjusted. If discrepancies persist, review the entries again. This will help you to meet your goals with complete ease. However, maintaining the accuracy of the BRS in accounts can ease your audit pressure at the time of financial audit.

Basic Rules Of BRS In Accounting

- 1. Compare The Bank Statement With Cash Book /Cheque Memo**
- 2. Identify The Causes Of Difference**
- 3. Adjust For Outstanding Items**
- 4. All The Reconciliation Should End With Matching Balances**
- 5. Always Use A Proper Format**
- 6. Follow A Regular Reconciliation Schedule**
- 7. Maintain Accurate Records**

What Is The Formula Of BRS

There is no fixed formula for the calculation of BRS but still, if you want to calculate the BRS then you can follow the below-mentioned formula to calculate it.

Adjusted Bank Balance = Balance as per cash book \pm Adjustments

Or

Adjusted Cashbook Balance = Balance as per bank statement \pm Adjustment

Form CB 25
Refer Chapter III (E) Para

KERALA WATER AUTHORITY

Sub Division:

Division:

No:

Date:01-05-2026

BANK RECONCILLATION STATEMENT

AS ON 30/04/2026

Name of Bank \ Treasury \ A/C No: **SALARY A/C**

Particulars	Amount	Amount
Balance as per Bank Statement / Pass Book		
Amount deposited but not credited by Bank as per list A		
Non Operative Receipts not banked as per List B		
Amount credited by Bank but not accounted in Cash Book as per list C		
Cheques issued but not presented for payment as per list D		-
Transfer from Non-Operative Account not recorded in Cash Book as per list E		
Interest credite by Bank		
Bank charges / Interest debited by Bank		
BALANCE AS PER CASH BOOK		
TOTAL	-	-

Post Reconcillation Entries on

Prepared by

Verified by

LIST A

Deposit Date of	Cheque / DD No.	Received From	Amount	Date of subsequent credit
		Total		

LIST B

Date of entry of Cash Book	Particulars	Cheque / DD No.	Amount	Date of subsequent deposit
		Total		

LIST C

Date of Credit	Bank advice No.	Details as given by bank	Amount	Date of adjustment in cash book
		Total	0	

LIST D

Cheque No	Date	Issued to	Amount	Date of subsequent payment
		Total	0	

LIST E

Date of Transfer	Bank Advise Number	Details as given by Bank	Amount	Date of subsequent entry in cash book
		Total		

**KERALA WATER AUTHORITY
P.H.DIVISION , MUVATTUPUZHA
ACCOUNT BALANCE AS ON 30/04/2026**

Date.01/05/2026

SL No.	ACCOUNT No	NAME OF BANK	PURPOSE	BALANCE AMOUNT AS PER CASH BOOK	BALANCE AMOUNT AS PER BANK STATEMENT
1	67155596359	SBI	SALARY		
2	67242032927	SBI	O&M		
3	57021264195	SBI	DEPOSIT		
4	67242033125	SBI	NRDWP		
5	41096714521	SBI	JJM		
6	10090100451003	FEDERAL BANK	MPLADS		
7	10090100450419	FEDERAL BANK	AMRUT		
8	714101059412	CANARA BANK	DEPOSIT OTHER THAN LOCAL BODIES		
	TOTAL			-	0.00
9	57021212806	SBI	NOP		