20 One-Liners to Remember

Quick-fire facts for last-minute revision.

1. **A bank reconciliation statement (BRS) matches the cash book balance with the bank passbook balance on a given date.**
   BRS is prepared to explain and correct every difference between a business's own cash records and the bank's records.

2. **BRS is a core topic in the Accounting and Finance for Bankers (AFB) paper of JAIIB.**
   JAIIB is conducted by IIBF, and AFB regularly tests both BRS theory and numerical questions.

3. **Differences between cash book and passbook balances arise from timing differences, direct bank entries, errors, and dishonoured cheques.**
   These four categories cover almost every reconciling item tested in exam numericals.

4. **Timing differences include cheques issued but not yet presented, and cheques deposited but not yet cleared by the bank.**
   Such items appear in the books before the bank has processed them, causing a temporary mismatch.

5. **Direct bank entries such as bank charges, interest credits, and ECS transactions are recorded by the bank before the customer's cash book.**
   These items must be added or deducted while preparing the BRS since the cash book has not yet recorded them.

6. **A dishonoured cheque is one that was deposited but later returned unpaid by the drawee bank.**
   It must be treated as a reduction reversing the earlier deposit entry, not as a fresh transaction.

7. **Detection and rectification of errors is one of the seven key advantages of a bank reconciliation statement.**
   The matching process in BRS surfaces clerical mistakes before they distort financial accounts.

8. **BRS keeps accounting records up to date and accurate by revealing current collections and payments.**
   Accurate, current records are what auditors, regulators, and management expect from a well-run organisation.

9. **Preventing fraud and embezzlement is a major advantage of regular bank reconciliation.**
   Continuous comparison of the cash book with the passbook makes unauthorised manipulation likely to surface during reconciliation.

10 **BRS brings unrecorded bank transactions, like bank charges and interest credits, to light so the books can be updated.**
The bank often records such items before the customer enters them in the cash book.

11 **Tracking the status of every issued or deposited cheque is one advantage of preparing a BRS.**
BRS shows whether a cheque has been cleared, is still pending, or has been dishonoured.

12 **BRS strengthens internal control by creating a clean, dated audit trail of bank transactions.**
Independent verification against the bank's records discourages tampering and reassures auditors.

13 **A reliable cash position from BRS supports better decisions on payments, investments, and working capital.**
Management can plan with confidence when the true, verified cash position is known.

14 **A BRS is prepared by starting with the closing balance of the cash book or bank statement and adjusting for every difference.**
The standard format adds unrecorded deposits and bank credits, then deducts outstanding cheques and bank charges.

15 **The cash book is maintained by the account holder, while the passbook is the bank's official record of the account.**

Recognising which record belongs to whom prevents confusion over whether to add or deduct an item.

16 **In the cash book, receipts are debited and payments are credited, reflecting the business's own view of the account.**

The bank passbook instead credits deposits and debits withdrawals, from the bank's point of view.

17 **At the branch level, banks use reconciliation to match inter-branch transactions and suspense account items.**

Unreconciled entries beyond prescribed timeframes are flagged, investigated, and cleared as part of internal control.

18 **Outstanding cheques are payments recorded in the cash book that the bank has not yet debited.**

They are deducted from the bank statement balance while preparing a BRS to reconcile it with the cash book.

19 **Once a BRS reveals a genuine error in the cash book or bank statement, a correcting entry must still be passed in the accounts.**

Identifying the error alone is not enough; the books must be updated to reflect the correction.

20 **BRS is not a one-time task; its fraud-prevention benefit depends on regular, periodic reconciliation.**
Infrequent reconciliation weakens the internal control value that BRS is meant to provide.