



Dr. Vinoth S -Bank Reconciliation Statement – Case Study

Introduction

SA Petroleum Limited was formed in 20X5. Its shareholders are high net worth individuals who were educated in the US and formed the company after settling down in India. The company has headquarters in Delhi with branches around the globe.

Monthly Management Reports

In line with the Company's policy, a monthly profit and loss account, cash flow statement and balance sheet are prepared and presented to the Board. The Board reviews these financial statements and takes decisions based on them.

The Company has recently migrated to a new software called SAPLI which is a software developed in-house. This is the first time the company is generating the monthly reports in this software.

Finance Director.

You are the Finance Director of SA Petroleum Limited. You are sitting with the ERP functional team and technical team and trying to generate the first set of financial statements.

Your assistant is preparing the Bank Reconciliation Statement and has the following points to discuss:

The Company has the following Bank accounts at different locations:

| Name of the Bank | Account Type | Location | Amount in Rs. Lakhs (As per Books) | Amount in Rs. Lakhs (As per Bank Statement) |
|------------------|--------------|----------|------------------------------------|---|
| A Bank | Current | Chennai | 145.56 | 128.56 |
| B Bank | Current | Delhi | 974.45 | 975.46 |
| C Bank | Deposit | Delhi | 223.15 | 224.12 |

The Current Account maintained with A Bank, Chennai showed a balance of Rs. 146.56 lakhs in the Bank Book. The difference represents a receipt of a cheque from a customer which has been presented to the bank but not yet cleared.

The Current Account maintained with B Bank, Delhi showed a balance of Rs 974.45 lakhs in the Bank Book. The difference represents bank charges including processing fees, cheque book charges and finance charges.

The difference between the book balances in the Deposit account represents interest for the quarter.

Your assistant wants to know which balance should be reflected under Current Assets as at 30 June 20X1 and wants to know how these items are to be treated in the Bank Reconciliation Statement.

Requirements

You are required to address the issues and concerns of the assistant and help them fill out the Bank Reconciliation Statement. You are also required to justify your decisions and brief the accountants on the accounting entries to be passed (if any) for each of the adjustment.