

Difference Between Cash Book Balance and Bank Statement Balance

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Key Difference – Cash Book Balance vs Bank Statement Balance

Cash balance at the bank of a company and the cash balance maintained at the company's cash book often do not match due to a number of factors. Thus, companies are required to perform bank reconciliation that showcases the difference between the cash balance in company's cash account and the cash balance according to its bank statement. The key difference between cash book balance and bank statement balance is that **cash book balance states the cash balance recorded by the company in company's cash book** whereas **bank statement balance is the cash balance recorded by the bank in bank records**.

What is Cash Book Balance?

Cash book balance states the cash balance recorded by the company in company's cash book. Following transactions are generally included in the cash book but not in the bank statement, thus resulting in a discrepancy.

Deposits in Transit

These are deposits sent by the company to the bank but have not been received by the bank on time before issuing the bank statement.

Outstanding Checks

Outstanding checks refer to the checks issued by the company but were not presented or cleared prior to the issuance of the bank statement.

"Business Name"
 Bank Reconciliation Statement
 as at / /

	\$	c	\$	c
(1) Balance as per the "Cash at Bank" account				
(2) Balance as per the Bank Statement				
Add outstanding deposits				
<input checked="" type="checkbox"/> Date				
(3) Total Outstanding deposits				
Less unrepresented cheques				
<input checked="" type="checkbox"/> Cheque #				
(4) Total unrepresented cheques				
(5) add or (subtract) bank error				
(6) Reconciled bank statement amount $(2)+(3)-(4)+(5)=(1)$				

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Figure 01: Bank reconciliation statement

Given above is an image of a bank reconciliation form. Companies perform bank reconciliation to match the cash balance in company's cash account and the cash balance according to its bank statement.

What is Bank Statement Balance?

Bank statement balance is the cash balance recorded by the bank in bank records. Service charges, interest income and NSF (Not Sufficient Funds) checks are entries that result in a discrepancy since these are recorded in the bank statement but not included in the cash book.

Service Charges

Service charges are charges deducted by the bank. The company will come to know of such charges only when they receive the bank statement.

Interest Income

If interest income has been earned by the company on its bank account, it is not usually entered in company's cash account before the bank statement is issued.

NSF Checks

NSF checks are deposited by the company in the bank account; however, the bank is unable to proceed with making payments since the balance in the company's account is insufficient.

E.g. PQR Ltd.'s cash book balance and bank statement balance as of 31.12.2016 is \$ 42,568 and \$ 41,478 respectively. Consider the following information.

- Deposit of \$ 210 on 30.12.2016 is not reflected in the bank statement.
- A check issued for customer HIJ with the value of \$ 960 is still outstanding.
- A service fee of \$ 100 is charged as a bank charge.
- Interest income earned during the month of January is \$ 465.
- A check amounting to \$575 has been returned by the bank due to insufficient funds (NSF check).

The bank reconciliation statement for PQR Ltd is shown below.

PQR Ltd	\$	\$
Bank reconciliation statement as at 31.12.2016		
Balance in the Bank statement as at 31.12.2016		42,568
Deposits in Transit	210	
Outstanding checks	(960)	
Adjusted Bank Balance		41,818
Cash balance as at 31.12.2016		42,028
Interest income	465	
Service charges	(100)	
NSF checks	(575)	
Adjusted Book Balance		41,818

What is the difference between Cash Book Balance and Bank Statement Balance?

Cash Book Balance vs Bank Statement Balance

Cash book balance states the cash balance recorded by the company in company's cash book.

Bank statement balance is the cash balance recorded by the bank in bank records.

Nature

Cash book balance includes transactions that are not included in the bank balance.

Bank statement balance includes transactions that are not included in the cash balance.

Transactions

Deposits in transit and outstanding checks are examples of transactions entered in the cash balance, but not in the bank balance.

Examples of transactions included in the bank balance but not in the cash balance include service charges, interest income and NSF checks.

Summary – Cash Book Balance vs Bank Statement Balance

The difference between cash book balance and bank statement balance results due to certain transactions been recorded by either the company or the bank. Such discrepancies are regularly noted due to time lags in processing transactions and lack of knowledge of certain charges debited to the company account by the bank. These discrepancies have to be reconciled through preparing a bank statement.

References:

1. Jan Irfanullah. "Bank Reconciliation." Bank Reconciliation Statement | Process | Format | Example. N.p., n.d. Web. [Available here](#). 10 July 2017.
2. "Preparing Bank Reconciliation Statement" AccountingExplanation.com. N.p., n.d. Web. [Available here](#). 10 July 2017.

Image Courtesy:

1. “y2cary3n6mng-lbraej-bank-reconciliation-statement” by Peter Baskerville ([CC BY-SA 2.0](#)) via [Flickr](#)

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