Bank Reconciliation Statements, Accountability and Profitability of Small Business Organisation

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Abstract
The study examined bank reconciliation statement, accountability and profitability of small scale business entities. Bank Reconciliation Statement is a statement prepared to reconcile the difference between the balances as per the bank column of the cash book and cash book of the organization. Small scale business entities, despite the fact that the most tormenting problem of most of them is lack of finance yet they fail to keep proper accounting records and fail to reconcile their books. What prompted this research is the excessive charges made by the banks to the customers’ accounts without intimation and the need for Small Scale business entities to maintain proper books of account. Data were collected using questionnaire and analyzed statistically by using the Software Package for Social Science (SPSS) and chi-square technique. The results reveal that reconciling bank statements improve accountability and impact positively on the profitability of the small scale business entities. The implication of this study is that Small scale business entities should reconcile their bank statements on monthly basis, this will help them to know the following: their bank balances any particular point in time, when bank is charging them excessively and to avoid unnecessary cost. Use of professionals and development of software will be of credit to the business on the long run. Banks should encourage small scale business firms to reconcile their books by providing bank statements at appropriate time.

Keywords: Bank reconciliation statement, Excessive bank charges, accountability, profitability and small business entities

INTRODUCTION
The world is now a global village; as a result, there is increase in the volume of trades and investments. Due to numerous transactions and the problem of insecurity in the system, using cash in the daily transactions creates a very challenging situation. This calls for the use of cheques for buying and selling of goods and services because dealing with banks in business activities seems to be better the option. Hence, Institute of Chartered Accountants of India said that the Bank is an essential institution in a modern society. With the increase in the modern of trade, commerce and business, business entities face difficulties in transacting in cash for each business activity. Although, banks introduced the use of ATM and other electronic devices in the monetary transactions the devices have their own limitations. To confirm this, Jegede C.A (2014) said that the relationship between banking efficiency and the use of ATM (Automated Teller Machine) is a complex one. This is because the overall levels of efficiency and productivity influence an organization overall success.

People who have current accounts in the banks use cheques as a medium of exchange in settlement of debts, paying for the goods and services received or supplied. Use of cheques enhances proper accountability and record keeping; reduce high theft rate as a result of the use of cash for transactions, mismanagement of fund, insider abuse, and poor corporate governance. However, some organizations that operate bank accounts fail to understand the implications of reconciling bank and cash balances. Banks debit numerous charges to the customers’ accounts; the charges consist of commission on turnover, service charges, administrative charges, commission and as well credit interests, investment income and dividends to customers’ accounts. Anaeto E (2013) said that the excess charges or undercuts are so small that they go almost undetected or ignored by the victims. But when the fragments are pulled together, it not only amounts to huge income to the banks but also a huge loss to affected customers over a period of time. Banks debit or credit customers’ accounts without intimation to the customers neither do the bank inform the customers about the transactions, until the customers receive statement of account from the bank at the end of month. The result is that these transactions cause the bank and cash balances to differ. Customers may deposit cheques received from another persons and bank may delay in crediting the cheques to customers’ account. Customer may on the other hand collect cheque from another person and fail to present it to the bank for payment by the time the issuer of the cheque will prepare his account. All these charges can only be clearly shown when the customer is reconciling the account. Some customers that received loan or overdraft from the bank pay interest more that the initial loan or overdraft and can be sorted out during reconciliation. The problem of many business organizations is finance, yet many find it difficult to account for what comes in or goes out of their businesses. Banking is expected to enable the organizations to keep accurate records. Unfortunately, however, many, especially small firms fail to maintain accurate records of their transactions. Bank reconciliation statement
is a statement prepared to reconcile the difference between the balances as per the bank and the cash book on any given date. The major causes of bank and cash imbalances are the various bank charges and other transactions. Therefore, the researchers wish to evaluate bank reconciliation and the accountability of the small business organizations and the impact on the profitability of business firms.

OBJECTIVES OF THE STUDY
Bank Reconciliation Statement is a statement prepared to reconcile the difference between the balances as per the bank column of the cash book at a given date. The primary objective of this study is to evaluate the impact of bank reconciliation on the accountability and profitability of small firms. While the specific objectives are:

1. To determine the relationship between banks reconciliation and accountability of small firms.
2. To evaluate the relationship between banks reconciliation, accountability and profitability of small firms.

RESEARCH QUESTIONS:
1. Does reconciling bank and cash balances improve accountability of small scale business Entities?
2. Does reconciling bank and cash balances improve profitability of small scale business Entities?

RESEARCH HYPOTHESIS:

$H_1$: Reconciling bank and cash balances have significant relationship with the profitability of small scale business entities.

$H_0$: Reconciling bank and cash balances have no significant relationship with the profitability of small scale business entities.

2.0 REVIEW OF RELATED LITERATURE
2.1 PROBLEMS OF SMALL SCALE BUSINESS ENTITIES
Small-scale Business has no generally accepted definition. However, Small scale businesses are referred to as entities that may not have public accountability and their debt or equity instruments are not traded in a public market. There is no single criterion for classifying business enterprises as small or medium scale globally. In a study carried out by International labour Organization (2005), over 50 definitions were identified in 75 different countries. However, evidence from literature shows that in defining small-scale business, reference is usually made to some quantifiable measures such as: number of people employed by the enterprises, investment outlay, the annual turnover (sales) and the asset value of the enterprise or a combination of these measures. Small scale business in Nigeria is faced with numerous challenges as:

- Inadequate, inefficient, and at times, non-functional infrastructural facilities,
- Insufficient administration
- Absence of long-term finance to fund,
- lack of accountability and transparency/ Poor governance
- incomplete records,
Insufficient funds
- lack of scientific and technological knowledge,
- Lack of suitable training and leadership development and others.
- Poorly thought-out business ideas / concept
- Lack of separation of “owners pocket from business pocket”
- Adverse changes in total market demand
- Intensification of competition and poor response plan

The major problem of small scale business entities to be discussed here is the problem of finance. Although small business entities have numerous problems but the issue of finance is the concern of this study. Many small scale businesses emerge more by chance than by design. They lack sufficient funds to operate business activities. Some lack access to financial services of the formal financial sector. Those that obtain credit from financial institutions pay through their nose due to numerous charges banks debit in their accounts. The payments of these bank charges affect negatively the profit level of the business firms. Small scale entities have problem of finance and some find it difficult to keep proper records of accounts. Above all, some do not reconcile their banks and cash balances.

2.2 BENEFITS OF BANK RECONCILIATION STATEMENT TO SMALL SCALE BUSINESS ENTITIES.
The purpose of reconciling bank and cash book balances is to ensure that no wrong information is recorded by the banks. Again, it ensures that no transactions are being recorded in the wrong bank account. According to the
Accounting Tool, the purpose of bank reconciliation is to compare banks’ record of transactions of an account with the holder’s records. Preparing regular reconciliation of bank account helps to draw attention to differences, errors and fraudulent activities on the accounts. Variances that are common include bank charges, fees, insufficient funds and incorrect record of transactions. Organizations that do regular, half yearly or annual audit may find it beneficial to prepare bank reconciliation because it enhances audit process and reduces inconsistencies in the end of the bank reconciliation. On the same note, in Accounting Simplified.com it was stated that completion of bank reconciliation helps in cash management. It shows errors recorded and ensures that the discrepancies were satisfactorily resolved. Bank reconciliations can help a company to verify that its bank account ending balance per the bank matches the balance on hand of the business organization. The process of preparing bank reconciliation involves making adjustments to the balances in both the bank statement and the small scale business’s records to confirm that the ending balances match and that every item is properly accounted for. It is important to prepare bank reconciliations timely and on a regular basis, if questions regarding bank fees or bank errors arise, both the company and the bank can be made aware as soon as possible (Jessica K, 2012). The most affecting problem of the small scale business organization is lack of access to finance. The issue of bank reconciliation will enable the small scale business to keep proper record of accounts. Most of the firms that have opportunity to borrow from banks pay excess fees and commissions without knowing it. It is only during reconciliation can the firm know, actually what has been paid as interest as well as the money borrowed. Many business organizations have defaulted in the payment of their debts because the cheques they issued to their creditors are dishonoured as a result of insufficient balance which could have discovered if reconciliation is made. Again, many small business organizations have embarrassed their debtors whom they may have asked to pay money into their accounts because they do not reconcile their bank and cash balances to know whether the money has been paid, they constantly demand the money from their debtors who had already paid the money in the bank. No matter the size of business organisation, bank reconciliation is very necessary; it helps the business to know what they have both in the bank and in the cash book. The Institute of Chartered Accountant of India opines that bank reconciliation is a very important tool for internal control, discourages accountant of the bank from embezzlement and helps in finding out actual bank balance. It enhances planning, because any organization that does not know what it has at a particular point in time cannot plan properly and its decision will be distorted. Reconciling bank statement will enable the small scale business to know its available funds to avoid over or under budgeting. It helps to reduce unnecessary expenses, and increases profitability. In support of this view, Accounting Coach posits also that performing bank reconciliation results in improved internal control over the company’s cash.

However, there are some challenges faced by organizations as far as reconciliation is concerned. Small scale business may not have enough human and material resources to prepare bank reconciliation, hence introducing challenges and significant risk. Reconart maintains that Legacy and manual reconciliation processes are not well equipped to handle the bank reconciliation lifecycle. As far as small scale business is concerned, there is lack of man power, equipment and all that are needed to make reconciliation worthwhile. Some that are able to employ professionals find it difficult to pay them. Some feel so reluctant to indulge in bank reconciliation, believing that their businesses are very small and do not need such, yet they pay lots of bank charges without knowing and their state of finance, thus affected already.

Again, lack of automated daily bank account reconciliation, introduces unnecessary bottlenecks at month or period-end. Reports on account status are often obtained weeks or months after-the-fact causing delay in validating account activity.

### 2.3 CAUSES OF THE DISCREPANCY BETWEEN THE CASH BOOK AND BANK BALANCES

When comparing the Bank and cash balances of the business organization, there is often a difference. There may be also time difference between the period of preparing the transactions in the bank column of cash book and the cash column of bank.

Bank reconciliation is the process of matching individual transactions from bank statements against relevant internal data to ensure that all information recorded by the bank is accurate. Thus, the differences are caused by the following:

1. **Unpresented Cheque:** This can in order word be called cheque not presented for payment. When cheque is issued by the organization, it is immediately entered on the credit side of the bank column of the cash book. The receiver may not present the cheque for payment at the same time. There is usually a gap between the time of issuance of cheque and the time the cheque is presented to the bank for payment. The gap causes difference between bank and cash balances.

2. **Uncredited cheque:** A cheque deposited into a bank, the firm immediately enters it on the debit side of the bank column of cash book. It increases the bank balance as per the cash book. But, the bank credits the firm’s account after the cheque is actually realized. This is because some days are taken in clearing of local cheque and more days in case of interstate Thus, the difference between cash book and bank balance. Cheque received from a business entity’s customer and deposited into the entity’s bank account, but for one reason or the other has not
been credited in the entity’s account as at the time of issue of the bank statement to the entity will also create a difference between bank and cash balances. This is because though the cash book would have been debited in recognition of the receipt of the cheque, the bank statement balance will not agree with that of the cash book.

3. Direct deposit in the bank account or standing order:

Standing order is an instruction issued to a bank by its customer (the business entity) to pay specified amounts of money at a given date. On paying this amount, on behalf of the business entity, the bank will credit the entity’s accounts. The entity or customer will not know about it until the bank statement is received. Customers deposit the money directly into a firm’s bank account, or some firms may give their clients their account number for transaction purposes, it is only when the firm receives the bank statement that the information about the transaction will be known. In this case, the bank credits the firm’s account with the amount received but the same amount is not recorded in the cash book.

4. Bank Charges: The bank charge various forms of commission on turnover, commission and fees for services provided from the customers’ account without the consent of the firm. The firm records these charges after receiving the bank statement. After debiting all the charges and crediting all the interest, the bank and cash book will differ. Banks usually charge their customers for services rendered to them. This debit will reduce the bank balance and will be known to the customer (business entity) on receipt of the bank statement. This debit in the bank statement without a corresponding credit in the cash book will cause a discrepancy between the bank statement and cash book balances.

5. Interest and dividend received by the bank: Sometimes, the interest on debentures or dividends on shares held by the account holder is deposited directly by the company through Electronic Clearing System (ECS). However, the firm does not get the information till it receives the bank statement. As a result, the firm enters it in its cash book on a date later than the date it is recorded by the bank; thereby creating a difference between bank and cash balances.

6. Direct payments made by the bank on behalf of the customers or direct debit is a debit to an entity’s (customer) bank account as a result of the instruction given to the bank by the entity. Until bank statement is received by the entity (customer) cash book will not be credited. This will give rise to differences in the balances of the cash book and bank statement.

Sometimes, bank makes certain payments on behalf of the customer as per standing instructions. Telephone bills, rent, insurance premium, taxes, are some of the expenses. These expenses are directly paid by the bank and debited to the firm’s account immediately after their payment. This results in variance between bank and cash balances.

7. Bill discounted or Dishonoured cheque: On presenting a cheque for payment, the bank refuses to honour the cheque. The cheque is said to be dishonored. Cheque can be dishonoured due to the following reasons:
   - irregular signature
     - Insufficient funds in the customer’s account
     - Stale cheque
     - The amount written in words differ from the one written in figures

Cheque deposited by the firm or bill receivable discounted with the bank is dishonoured, the same is debited in the firm’s account by the bank. The firm records the same when it receives the information from the bank. As a result, the balance as per cash book and that of bank will differ.

8. Errors committed in recording transactions by the firm

There may be certain errors from the firm’s side, e.g., omission or wrong recording of transactions relating to cheques deposited, cheques issued and wrong balances etc. There would be a difference between Cash Book and bank balances.

9. Errors made by the Bank

Bank may also commit errors, e.g., omission, recording of transactions relating to cheques deposited in the course of recording the transactions. As a result, the balance of the bank and cash book will not agree.

2.4 PROCEDURE FOR THE PREPARATION OF BANK RECONCILIATION STATEMENT.

Researchers have shown the two ways by which bank reconciliation could be prepared especially as captured by Jessica Kent and Irfanullah Jan. Small scale business as should endeavour to prepare their bank reconciliation statement as this will go a long way to enhance accountability in the business organisation. Bank reconciliation can be prepared manually:

1. All the cheques drawn up to the last working day of the month in question must be entered into the cashbook. To ensure, tick all the cheque stubs one by one against the entries in the cashbook. If any of the cheques have not been entered in the cash book, update the cashbook by entering those cheques showing the correct dates shown on the cheque stubs.

2. All the receipts up to the last day of the month must be entered into the cashbook. To ensure this check all the bank deposit slips received during the month against the entries under the receipt column in the cashbook. If any
of these are not entered, update the cash book again by entering those receipts showing the actual date of receipts.

3. Confirm the opening balance in the bank statement for the month under consideration with the closing balance shown in the statement for the previous month. These two figures must be noted and be sure that the opening balance in the bank statement is correct.

4. The bank statement and the cashbook should be compared and match the entries. That is all the entries that appear in both the documents (Bank Statement and the Cashbook) are matched and ticked off.

5. The unticked items in the bank statement, are those that do not appear in the cashbook. Such items may be bank charges, fees, interest on loans etc debited by the Bank. The person making the entries in the cashbook will not be aware of these until the bank statement is received. Again, direct deposits into the account and the advice from the party who deposited the funds into the account are yet to be received.

6. Enter all the items noted into the cashbook. Items like charges and fees will be entered in the payment side of the cashbook and funds received will be entered in the receipt side of the cashbook. Now the cashbook is ready to be balanced and closed for the month. It can also be said that the cash book has been adjusted. Balance the cashbook by adding all the receipts for the month to the opening balance and deducting all the payments/charges. The net balance is the closing balance that will be reconciled with the closing balance shown in the bank statement.

7. Go through the cashbook and note down all the unticked entries in the cashbook. They are unticked because they do not appear in the bank statement. These entries will be either unpresented cheques or receipts entered in the cashbook but yet to be banked.

8. There may be contra entries in the bank statement. This happens when the Bank makes corrections of wrong entries made by human error or when cheques are dishonoured.

Contra entry means that there will be an entry on the receipt side as well as on the payment side for exactly the same amount and the description in the details column will be something to the effect that it is a reversal or correction of a wrong entry with some sort of cross-reference. But if it is a dishonoured cheque the description will be "Dishonored cheque number or unpaid item number." Where it is a correction of error by the bank “C” should be marked against the two entries instead of a tick. “C” means Contra. That is all to be done and these entries will not affect reconciliation exercise as long as all the entries against which “C” is marked should be ignored. If it is a dishonoured cheque, a corresponding entry should be made in the cashbook on the payments side (contra of a debit entry).

9. The bank statement and the cashbook should be cross checked once again, where there is no outstanding item, reconcile the bank statement.

2.5 PROCEDURES FOR PREPARING BANK RECONCILIATION USING SPREADSHEET.

Step 1
Create a spreadsheet template that can be used each month to perform the bank reconciliation. The heading should include the company’s name, bank name, bank account number, type of bank account, the period covered by the reconciliation and the date the reconciliation was prepared.

Step 2
Record the ending balance per the bank statement. Below the ending balance as per the bank statement, create a detailed list of deposits in transit—a deposit that was made but not yet recorded by the bank. Where a deposit is made using ATM on the last day of the month, that deposit will not be posted to your bank account until the next business day, which also happens to be the first day of the next month. Include in your list the date the deposit was made, from whom the cheque was received and the method of deposit.

Step 3
Calculate a subtotal by adding the deposits in transit to the ending balance per the bank statement.

Step 4
Prepare a detailed listing of all outstanding cheque as of the bank statement date below the subtotal. Include the cheque number, payee, value of the cheque and cheque date. Outstanding cheques are any cheques written by the company as at the bank statement date that have not yet cleared the bank. Since outstanding cheques are recorded in the company’s general ledger, they are included in the reconciliation as an adjustment to the bank balance as at the end of the period.

Step 5
Subtract the outstanding cheques from the subtotal previously calculated to arrive at the adjusted bank balance.

Step 6
Review the bank statement for account fees and error adjustments posted by the bank. Record these fees in the company’s general ledger if they have not already been posted.

Step 7
Compare the adjusted bank statement balance per your reconciliation to the adjusted cash balance per the general ledger. Discrepancies should not exist. If the two balances do not match, check the details of the reconciliation.
and verify that the bank balance has been adjusted for all deposits in transit and outstanding checks and that all activity has been properly posted in the company’s general ledger.

2.6 FORMAT OF BANK RECONCILIATION STATEMENT
The cash balance at the bank and the cash balance of the business organization, according to its accounting records, usually do not balance. The reason is that, at any particular date, cheques may be outstanding; deposits may be in transit to the bank, errors may have occurred and other charges debited to the customers’ accounts. There is need for firms to carry out bank reconciliation process which prepares a statement, accounting for the difference between the cash balance in the company's cash account and the cash balance according to its bank statement.

The following formats can be used to prepare the bank reconciliation statements:

1. When there is adjustment in the cash book, the bank statement will be reconciled thus:

   | Balance as per adjusted cash book | xx |
   | Add unpresented cheque | xx |
   | Less Uncredited Cheque | (xx) |
   | Balance as per Bank statement | xxx |

```
Commencing with bank statement

| Balance as per bank statement | xx |
| Add uncredited cheque | xx |
| Less Unpresented Cheque | (xx) |
| Balance as per adjusted cash book | xxx |
```

This illustration will explain it clearly.

Illustration 1

<table>
<thead>
<tr>
<th>Cash book (bank columns only)</th>
</tr>
</thead>
<tbody>
<tr>
<td>N</td>
</tr>
<tr>
<td>2/6/14 Balance b/d 10,000</td>
</tr>
<tr>
<td>6/6/14 Oma 6,000</td>
</tr>
<tr>
<td>18/6/07 Adibe 9000</td>
</tr>
<tr>
<td>25,000</td>
</tr>
<tr>
<td>Bal b/d 12,000</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Bank Statement</th>
</tr>
</thead>
<tbody>
<tr>
<td>Date</td>
</tr>
<tr>
<td>------</td>
</tr>
<tr>
<td>1/9/07</td>
</tr>
<tr>
<td>2/9/07</td>
</tr>
<tr>
<td>5/9/07</td>
</tr>
<tr>
<td>5/9/07</td>
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<tr>
<td>6/9/07</td>
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<tr>
<td>11/9/07</td>
</tr>
<tr>
<td>12/9/07</td>
</tr>
<tr>
<td>15/9/07</td>
</tr>
<tr>
<td>16/9/07</td>
</tr>
</tbody>
</table>

To prepare

1. adjusted cash book
2. Bank reconciliation statement
### Suggested solution

#### Adjusted cash book

<table>
<thead>
<tr>
<th></th>
<th>N</th>
<th></th>
<th>N</th>
</tr>
</thead>
<tbody>
<tr>
<td>Balance b/d</td>
<td>12,000</td>
<td>Dishonoured cheque</td>
<td>6000</td>
</tr>
<tr>
<td>Dividend</td>
<td>1000</td>
<td>Bank cheque</td>
<td>400</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Standing order</td>
<td>500</td>
</tr>
<tr>
<td></td>
<td></td>
<td>COT</td>
<td>700</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Balance b/d</td>
<td>5400</td>
</tr>
<tr>
<td></td>
<td>13000</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Bal. b/d</td>
<td>5400</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

#### Bank Reconciliation Statement

<table>
<thead>
<tr>
<th></th>
<th>N</th>
<th></th>
<th>N</th>
</tr>
</thead>
<tbody>
<tr>
<td>Balance as per adjusted cash book</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Add unpresented cheque</td>
<td>5400</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Ume</td>
<td>4000</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Ogba</td>
<td>1400</td>
<td>5400</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>10800</td>
<td></td>
</tr>
<tr>
<td>Less uncredited cheque</td>
<td></td>
<td>(9000)</td>
<td></td>
</tr>
<tr>
<td>Balances as per Bank statement</td>
<td>1800</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

#### Second format

Bank reconciliation Statement

<table>
<thead>
<tr>
<th></th>
<th>N</th>
<th></th>
<th>N</th>
</tr>
</thead>
<tbody>
<tr>
<td>Balance as per bank statement</td>
<td>1800</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Add uncredited cheque</td>
<td>9000</td>
<td>10,800</td>
<td></td>
</tr>
<tr>
<td>Less unpresented cheque</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Ume</td>
<td>4000</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Ogba</td>
<td>1400</td>
<td>(5400)</td>
<td></td>
</tr>
<tr>
<td>Balance as per adjusted cash book</td>
<td>5400</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Bank reconciliation can be done without adjusting the cash book thus:

**Illustration 11**

A small Rice Milling Firm in Abakaliki receive a bank statement as at 31st Dec, 2014 which shows a balance of N49,189.44. Balance as per cash records on the same date shows a balance of N46,393.58. The following are additional information:

1. The following cheques issued by the rice mill dealer to its customers are still outstanding:
   - Cheq. No. 846 issued on Dec, 21 N640.00
   - Cheq. No. 875 issued on Dec 26 N98.42
   - No. 878 issued on Dec 29 N550.00
   - No. 881 issued on Dec 31 N373

2. A deposit of N800.00 made on Dec 31 does not appear on bank statement.

3. An Cheque of N1700 was returned by the bank with the bank statement.

4. The bank charged N100 as service fee.

5. Interest income earned on the company's average cash balance at bank was N2,474.44

6. The bank collected a note receivable on behalf of the firm. Amount received by the bank on the note was N1,100. This includes N100 interest income. The bank charged a collection fee of N20.

7. A deposit of N860 was incorrectly entered as N680 in the firm's cash records.

Prepare a bank reconciliation statement using the above information.
Solution:
RICE MILL FIRM
Bank Reconciliation as at
31, December, 2014

Balance as per Bank, 31 Dec N49,189.44
Add: Deposit in Transit 800.00
N49,989.44

Less: Outstanding Cheque:
No. 846 issued on Nov 29 N640.00
No. 875 issued on Dec 26 98.42
No. 878 issued on Dec 29 550.00
No. 881 issued on Dec 31 373.00
1,661.42
Adjusted Bank Balance N48,328.02

Balance as per Books, Dec 31 N46,393.58
Add:
Interest Income from Bank N2,474.44
Receivable Collected by Bank 1,100.00
Interest Income from Note Receivable 100.00
Deposit Understated 180.00
3,744.44
N50,138.02

Less:
Cheque 1700.00
Bank Service Fee 100.00
Bank Collection Fee 20.00
1820.00
Adjusted Book Balance N48,328.02

3.0 METHODOLOGY
The study was carried out in Abia and Ebonyi State, some banks and small scale businesses were used as targets for the study. The researchers made use of primary sources to collect data. For the primary source, a structured questionnaire was used. 1400 respondents were randomly selected from the total population of 2000 which include the management staff (Internal Auditors, Managing and Board of Directors, Accountants and Supervisors) banks and small scale businesses of different kinds that have accounts with the banks. The reason for choosing both bankers and owners of small scale businesses is to avoid obtaining one sided response. There were two different sets of questionnaires – the first set solicited information from the management staff and the second set from the owners of small scale businesses. A Likert Scale of 5-points was used to measure the level of agreement or disagreement by the respondents. The response format is as follows:
A = AGREED
SA= STRONGLY AGREED
DA= DISAGREEED
SD= STRONGLY DISAGREEED

In order to analyze the data collected, the frequency distribution and Chi-square were used and examined the pattern of response to each variable under investigation. The Chi-square can be represented using the following formula:

\[ X^2 = \sum \frac{(O - E)^2}{E} \]

Where: \( O = Observed \ frequency \); \( E = Expected \ frequency \)
4.0 Presentation and analysis of Data
A total of 1400 questionnaires were administered and 1200 were answered and returned which represented 85% of the total respondents. Though the questionnaire covered various issues, only the relevant findings are reported in following tables.

4.1 RESPONSES FROM THE MANAGEMENT/STAFF OF THE BANK.
Table 1. Reconciling bank statement and cash book enhance small scale business accountability.

<table>
<thead>
<tr>
<th>Frequency</th>
<th>Percent</th>
<th>Cumulative Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Strongly Agreed</td>
<td>603</td>
<td>50</td>
</tr>
<tr>
<td>Agreed</td>
<td>400</td>
<td>33</td>
</tr>
<tr>
<td>Disagree</td>
<td>100</td>
<td>9</td>
</tr>
<tr>
<td>Strongly Disagree</td>
<td>97</td>
<td>8</td>
</tr>
<tr>
<td>Total</td>
<td>1200</td>
<td>100</td>
</tr>
</tbody>
</table>

Source: Authors’ calculations

The analysis whether Reconciling bank statement and cash book enhances accountability of small scale business in table above reveals that 50% of the sample size indicate strongly agreed, 33% of the population sample show agreed while 8% of the respondent strongly disagree and 8% of the respondent disagree that reconciling bank and cash balances help to maintain the accountability of the small scale entities. The overall results in the table show that reconciling bank and cash balances enhance accountability of small scale business.

Table 2: Reconciling bank statement and cash book impact positively on the profitability of Small scale business.

<table>
<thead>
<tr>
<th>Frequency</th>
<th>Percent</th>
<th>Cumulative Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Strongly Agreed</td>
<td>710</td>
<td>59</td>
</tr>
<tr>
<td>Agreed</td>
<td>400</td>
<td>33</td>
</tr>
<tr>
<td>Disagree</td>
<td>40</td>
<td>3.3</td>
</tr>
<tr>
<td>Strongly Disagree</td>
<td>50</td>
<td>4.2</td>
</tr>
<tr>
<td>Total</td>
<td>1200</td>
<td>100</td>
</tr>
</tbody>
</table>

Source: Authors’ calculations

On the table above, the responses from staff of the selected banks that strongly agreed indicate 59%, agreed show 33% that reconciling bank statement and cash book impact positively on the profitability of Small scale business and the remaining percent indicate strongly disagree and disagree. The issue of reconciling bank and cash balances will reduce unnecessary expenses for the business entities he bank balances at a particular point in time. Therefore, the result of the responses obtained show that reconciling bank statement and cash book improve the profitability of the small scale entities.

4.2 RESPONSES FROM THE SMALL SCALE ENTITIES

Table 3: Reconciling bank statement and cash book enhance small scale business accountability.

<table>
<thead>
<tr>
<th>Frequency</th>
<th>Percent</th>
<th>Cumulative Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Strongly Agreed</td>
<td>730</td>
<td>61</td>
</tr>
<tr>
<td>Agreed</td>
<td>300</td>
<td>25</td>
</tr>
<tr>
<td>Disagree</td>
<td>100</td>
<td>8.2</td>
</tr>
<tr>
<td>Strongly Disagree</td>
<td>70</td>
<td>5.8</td>
</tr>
<tr>
<td>Total</td>
<td>1200</td>
<td>100</td>
</tr>
</tbody>
</table>

Source: Authors’ calculations

The analysis whether Reconciling bank statement and cash book enhances accountability of small scale business in table above reveals that 61% of the sample size indicate strongly agreed, 25% of the population sample show agreed while 8.2% of the respondent strongly disagree and 5.8% of the respondent disagree that reconciling bank and cash balances help to maintain the accountability of the small scale entities. The overall results in the table indicate that reconciling bank and cash balances improve accountability of small scale business.

Table 4: Reconciling bank statement and cash book impact positively on the profitability of Small scale business.

<table>
<thead>
<tr>
<th>Frequency</th>
<th>Percent</th>
<th>Cumulative Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Strongly Agreed</td>
<td>650</td>
<td>54</td>
</tr>
<tr>
<td>Agreed</td>
<td>450</td>
<td>38</td>
</tr>
<tr>
<td>Disagree</td>
<td>52</td>
<td>4</td>
</tr>
<tr>
<td>Strongly Disagree</td>
<td>48</td>
<td>4</td>
</tr>
<tr>
<td>Total</td>
<td>1200</td>
<td>100</td>
</tr>
</tbody>
</table>

Source: Authors’ calculations
The analysis whether Reconciling bank statement and cash book enhances accountability of small scale business in table above reveals that 54% of the sample size indicate strongly agreed, 38% of the population sample show agreed while 4% of the respondent strongly disagree and 4% of the respondent disagree that reconciling bank and cash balances enhance the profitability of the small scale entities. The overall results in the table show that reconciling bank and cash balances impact positively on the profitability of small scale business.

4.3 TESTING OF HYPOTHESIS
The paper tested the hypothesis below to ascertain whether there is significant relationship between reconciling bank and cash balances and profitability of the business entities. Test.
\[ H_0: \text{Reconciling bank and cash balances have no significant relationship with the profitability of small scale business.} \]
\[ H_1: \text{Reconciling bank and cash balances have significant relationship with the profitability of small scale business} \]

The results of Pearson Chi-square test on the responses obtained from the Management/Staff of banks that there is no significant relationship between reconciling bank and cash balances as shown in table 2 indicates that there is significant relationship between reconciling the bank and cash balances and the profitability of small scale business at 5% significant level. Therefore, the Null hypothesis is rejected and alternate hypothesis accepted.

5. Conclusion and Recommendations
This study examined the reconciliation of bank and cash balances, accountability and profitability of small scale business entities. Our overall observations emanating from the statistical results indicate that reconciling bank and cash balances improve the accountability of small scale business entities.

The paper reveals also that reconciliation of bank and cash balances impact positively on the profitability of small scale business entities.

Base on the findings of this study, reconciliation of bank and cash balances, accountability and profitability of small scale business entities; the following recommendations are suggested:
- Small scale business entities should reconcile their bank statement and cash balances to avoid unnecessary cost.
- Small scale business entities should employ qualified personnel for the preparation of bank reconciliation statements.
- In order to improve the accountability of small scale business entities, there is need to prepare bank reconciliation statement.
- Small scale business of entities can develop customized software that will enable them create spreadsheet that will fasten the preparation of bank reconciliation statements.
- There is need for small scale business entities to ascertain from time to time the position of the accounts with the banks.
  - Small scale business entities should reconcile their accounts to help them know when excess charge is made in their accounts.
  - Banks should also encourage the preparation of bank reconciliation statements by making available to them at appropriate time and before request is being made the bank statement of small scale business entities.

References
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