

## What is "Reconciling the Bank Account"?

Reconciling the bank account(s) is simply the process of verifying that all the items you have entered into your books agree with what the bank statement shows and that you have accounted for all items such as checks written, bank charges and credits, and deposits made. Some of these items may have been created and entered in the books by you but have not yet been recorded by the bank. Or, the bank may have made adjustments to your account which you have not yet posted to your books. These items are referred to as "Outstanding Items".

The most common Outstanding Items are checks that have not yet cleared the bank and, as may often be the case, deposits in transit which the bank has not yet received or credited to your bank account. Other items may result from the bank charging or crediting your account with items which you have not yet recorded in your general ledger. Examine your bank statement and look for any such items (check charges, fees, interest earned, etc.). You must record and post these items to your general ledger bank account before you can accurately finish the bank reconciliation.

## Steps in Reconciling Your Bank Account

1. Make sure you have entered all checks, deposits, bank charges and bank credits, and any other adjustments effecting the bank account into your Journals (*bank charges, interest income, etc.*).
2. Make sure all checks, deposits, and adjustments from your Journals have been posted to their respective bank accounts in the general ledger.
3. Select "Mark Checks Cleared by Bank" or "Mark Deposits Cleared by Bank" from the Bank Reconciliation menu. Then select the bank account number to reconcile and the month to reconcile. This will produce a list on the screen of all Outstanding checks and/or deposits, depending on your selection. Two columns are provided on the list, one for items not yet marked as cleared and, a blank column into which items will be moved as you select them for clearing.
4. Look on your Bank Statement for the list of checks and deposits the bank shows as cleared. Make sure the amount of the check or deposit on the bank statement agrees with the amount shown on your list. If it differs you must correct the amount on your books (*assuming the error was made by you and not by the bank*) by an adjusting entry made through either the Check Journal or Deposit Journal. If there are amounts in error or there are charges or credits on the bank statement which you have not yet entered into you Journals and posted you must exit the Reconciliation process and make the appropriate entries and postings before attempting to complete the bank reconciliation process.

Please note; any discrepancies or errors by the bank, must be addressed within 30 days of receiving your bank statement by talking with your bank. When you do go to the bank to deal with any discrepancies, ensure you bring copies of any back up information to prove your case.

5. When all the amounts on the bank reconciliation agree to your bank balance listed on your Balance Sheet print out the reconciliation and attach it to your bank statement.

## Print Outstanding Check and Deposit List

The printed Bank Reconciliation Work Sheet will show all Outstanding Items and the current book balance calculated from the general ledger for this bank account. You must enter the ending balance from your bank statement in the window when requested.

When the outstanding checks have been subtracted from the bank's ending balance and any outstanding deposits have been added to the bank's balance, the result should agree with the balance calculated from the general ledger for this bank account. If it does not agree you have either entered an incorrect amount for a deposit or check, or have entered an incorrect ending balance from the bank's statement, or have not entered an item in your books. You may also have neglected to move a check or deposit to the cleared column in the reconciliation program. Correct the error and try the reconciliation again. (Note: It is highly unlikely that the bank has made a mistake on their statement.)

Dec 31 <sup>st</sup> <b>Bank Statement</b>	<b>Ending Bank Balance:</b>	<b>42, 315.50</b>
<b>Plus Outstanding Deposits:</b>	<b>150.00</b>	<b>+</b>
<b>Minus Outstanding Checks:</b>		<b>-</b>
Ck Number	Ck Amount	
128	1456.32	
129	15.32	
132	289.78	
135	898.70	
Total Outstanding Checks.	<b>2,660.12</b>	
	<b>Ending Book Balance:</b>	<b>39,805.38</b>
<b>The Book Balance (amount on the Balance Sheet) should match the bank balance listed on the Balance sheet as of Dec 31<sup>st</sup>.</b>		

## Why Reconcile Your Bank Accounts?

There is no substitute for a correct bank account reconciliation. It is one of the most important steps in the entire accounting process. If the bank account balance on your books does not agree with the ending balance on the bank's statement you may have serious problems and will not be able to get an accurate picture of your overall financial condition. That is why it is most important to do a complete and correct bank reconciliation each time you receive a new bank statement. Before attempting to generate any periodic financial report it is always advisable to reconcile the bank account(s).