

# **BANK RECONCILIATION**



## **BANK RECONCILIATION INSTRUCTIONS**

**Immediately after receiving each month's bank statement, a bank reconciliation should be prepared. The sooner the statement is reconciled after receipt, the easier the reconciliation will be to perform. A bank statement reconciliation assures locals that the transactions and balances entered into the books are correct, and that the bank has not made any errors in processing the local's transactions.**

**The steps in preparing a bank reconciliation are as follows:**

### **1. Bank Reconciliation Date**

- A. Determine a "Bank Reconciliation Date". Select one of the following dates and prepare only one bank reconciliation per month.**
  - i. The last date shown on the bank statement. Using this as the reconciliation date, the bank statement will be reconciled to the book balance as of the statement date. Selecting this date minimizes the number of outstanding checks and deposits in transit listed for reconciliation.**
  - ii. The date the bank statement is received. Using this as the reconciliation date, the bank statement should be reconciled to the current book balance. Selecting this date ensures a correct current book balance.**

**iii. The ending date of the month following the bank statement is the cut-off date. This should only be used if the statement ends slightly before or on the end of the month.**

**B. Determine all outstanding checks, deposits in transit and unrecorded bank adjustments per the book as of the reconciliation date.**

## **2. Deposits**

**A. Compare each recorded deposit in the books to the bank statement deposits. Resolve any differences.**

**B. List all recent deposits in the books that are not reflected on the bank statement. These are “Deposits In Transit” as of the reconciliation date.**

## **3. Checks**

**A. Compare cleared checks to book entries. All payees and amounts should be the same.**

**B. Indicate the checks on the prior month’s “Outstanding Checks List” which cleared this month.**

**C. List all checks issued that have not cleared per the bank statement. These are “Outstanding Checks.” Checks from the prior month’s list that did not clear should be included on this month’s list.**

- 4. Other Charges/Credits (Bank Fees and Interest Earned)**
  - A. Review all other charges and credits on the bank statement. Any improper charges should be brought to the bank's attention with a request that the items be reversed.**
  - B. All accurate fees and earnings need to be added to or subtracted from the book and incorporated into the balance so all statements reconcile.**
- 5. Balances**
  - A. Compute the adjusted bank balance using the "Bank Reconciliation Form."**
  - B. Compute the adjusted book balance using the "Bank Reconciliation Form."**
  - C. Compare the two balances. They should be equal. Evaluate and resolve any discrepancy.**
  - D. Enter required book adjustments as the next entry in the cashbook and checkbook.**

## HOW TO RECONCILE YOUR CHECKBOOK

		DEPOSITS	NOT CREDITED
1. Compare the enclosed check copies with the entries in your checkbook.		DATE	AMOUNT
2. Mark off in your checkbook register each of the checks paid by the bank. Deduct from your checkbook balance any charges (automatic debits, transfers, service charges, etc.). Add any interest earned to your checkbook balance.		<div style="border-bottom: 1px solid black; height: 15px; margin-bottom: 2px;"></div> <div style="border-bottom: 1px solid black; height: 15px; margin-bottom: 2px;"></div> <div style="border-bottom: 1px solid black; height: 15px; margin-bottom: 2px;"></div> <div style="border-bottom: 1px solid black; height: 15px; margin-bottom: 2px;"></div> <div style="border-bottom: 1px solid black; height: 15px; margin-bottom: 2px;"></div> <div style="border-bottom: 1px solid black; height: 15px; margin-bottom: 2px;"></div> <div style="border-bottom: 1px solid black; height: 15px; margin-bottom: 2px;"></div> <div style="border-bottom: 1px solid black; height: 15px; margin-bottom: 2px;"></div>	<div style="border-bottom: 1px solid black; height: 15px; margin-bottom: 2px;"></div> <div style="border-bottom: 1px solid black; height: 15px; margin-bottom: 2px;"></div> <div style="border-bottom: 1px solid black; height: 15px; margin-bottom: 2px;"></div> <div style="border-bottom: 1px solid black; height: 15px; margin-bottom: 2px;"></div> <div style="border-bottom: 1px solid black; height: 15px; margin-bottom: 2px;"></div> <div style="border-bottom: 1px solid black; height: 15px; margin-bottom: 2px;"></div> <div style="border-bottom: 1px solid black; height: 15px; margin-bottom: 2px;"></div> <div style="border-bottom: 1px solid black; height: 15px; margin-bottom: 2px;"></div>
		Total Deposits Not Credited (enter in Box 6)	\$
3. List in "Items Outstanding" column all checks that have been issued but not yet paid by the bank.			
4. List any deposits made but not shown on the bank statement in the "Deposits Not Credited" column.		ITEMS	OUTSTANDING
		CHECK #/DATE	AMOUNT
5. Enter the ending balance from the front of this statement	\$	<div style="border-bottom: 1px solid black; height: 15px; margin-bottom: 2px;"></div>	<div style="border-bottom: 1px solid black; height: 15px; margin-bottom: 2px;"></div>
6. ADD total amount of "Deposits Not Credited" on this statement	\$	<div style="border-bottom: 1px solid black; height: 15px; margin-bottom: 2px;"></div>	<div style="border-bottom: 1px solid black; height: 15px; margin-bottom: 2px;"></div>
7. SUBTOTAL (Add lines 5 & 6 above)	\$	<div style="border-bottom: 1px solid black; height: 15px; margin-bottom: 2px;"></div>	<div style="border-bottom: 1px solid black; height: 15px; margin-bottom: 2px;"></div>
8. SUBTRACT total amount of "Items Outstanding"	\$	<div style="border-bottom: 1px solid black; height: 15px; margin-bottom: 2px;"></div>	<div style="border-bottom: 1px solid black; height: 15px; margin-bottom: 2px;"></div>
9. BALANCE (subtract line 8 from line 7). This figure should agree with the balance in your checkbook.	\$	Total Items Outstanding (enter in Box 8)	\$

**If Your Account Does Not Balance:**

- ☐ Have you entered all automatic transfer transactions in your register?
- ☐ Have you correctly entered the amount of each check/withdrawal in your register?
- ☐ Have you deducted all appropriate service charges in your register?
- ☐ Are the amounts of your deposits entered in your register the same as this statement?
- ☐ Have you checked all additions and subtractions in your register?