

Bank Reconciliations

- A bank reconciliation is prepared to ensure that the business's accounting records agree with the bank's records.
- Bank reconciliations are an important aspect of internal controls and should be performed on a frequent basis, usually monthly.
- With modern technology they can be done in real time with some accounting software packages.
- Bank reconciliations should however be performed by someone who is not responsible for handling or accounting for cash.

Bank Reconciliation

- When preparing a bank reconciliation you will need the Bank's records for the period in question, this is usually the monthly bank statement that is prepared by the bank.
- First you review the bank statement to which cheques that you have written have been cashed, you then must make a list of outstanding cheques that have been written but not cashed.
- You must ensure that all deposits have been recorded by the bank and that any deposits in transit noted. (A deposit in transit is a deposit that is made on the day the bank statement is prepared so it is recorded in the company's books but not by the bank until the next day, so it will not show up on the bank statement.)
- Finally you must review the bank statement for any bank charges, interest charges, returned NSF cheques, or interest earned this is information that you will make

Bank Reconciliation Example

AB Company Bank Reconciliation June 30, 20x4

Balance Per Bank	\$1,215	Balance Per Books	\$1,565
Add: Deposit in Transit	<u>500</u>	Add: Interest Earned	<u>5</u>
	1,750		1,570
Deduct:		Deduct:	
Outstanding Cheques		Interest Paid on Loan	\$ 70
510 – Smith Supply	\$100	NSF Cheque N.O Pay	<u>100</u>
515 – Vern Co.	250		170
	<u>350</u>		
Balance	<u>\$1,400</u>	Balance	<u>\$ 1,400</u>

Bank Reconciliation

- Once you have completed the Bank Reconciliation you must complete the journal entries related to it.
- Only the right side of the reconciliation will require journal entries as these are the items that you have yet to record because you just found out about them doing the Bank Reconciliation.
- From our example, the journal entries would be as follows:

Date	Explanation	PR	Debit	Credit
June 30	Interest Expense		70	
	A/ R – N.O. Pay		100	
	Interest Earned			5
	Bank			165
	Per June 30 Bank Reconciliation			