



Cash

- Fortunately, we often have 2 sets of records to track cash
 - 1) Cash account in our general ledger ('books')
 - 2) Related bank account(s)
- <u>Unfortunately</u>, at any given time these 2 sets of records may not agree

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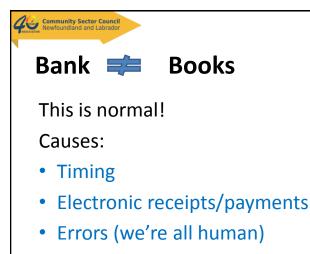
Other

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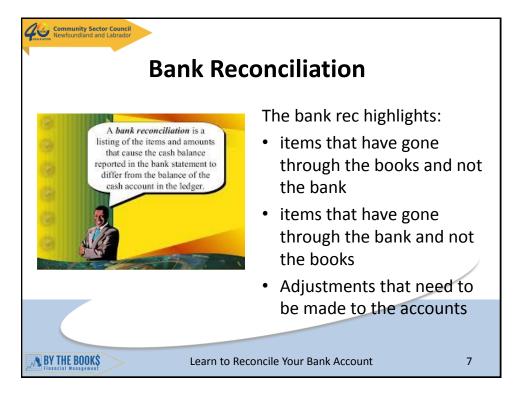
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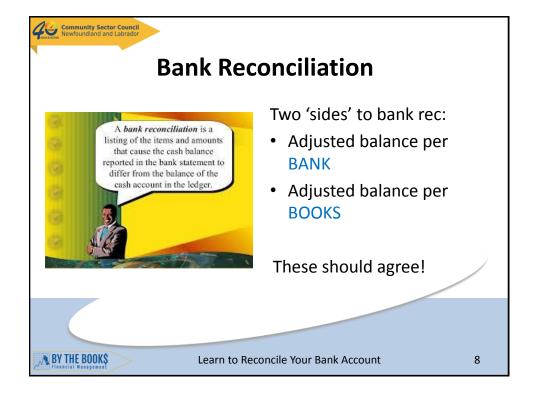
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Bank Rec - BANK Side

- Start with Balance per Bank (statement) at bank rec date
- Note any timing differences:
 - Add receipts recorded on books but not yet in bank
 - Subtract payments recorded on books but not yet deducted by bank
 - 'outstanding cheques'
- Add <u>or</u> subtract the effect of errors made by the Bank

TRACE FROM BOOKS TO BANK STATEMENT

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Bank Rec - BOOKS Side

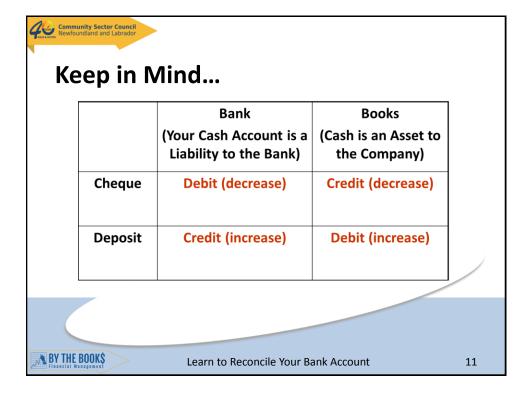
- Start with Balance per general ledger (books) at bank rec date
- Note any timing differences:
 - Add receipts on bank statement not yet recorded on books
 - Less payments on bank statement not yet recorded on books
- Add <u>or</u> subtract the effect of errors made by the ORGANIZATION

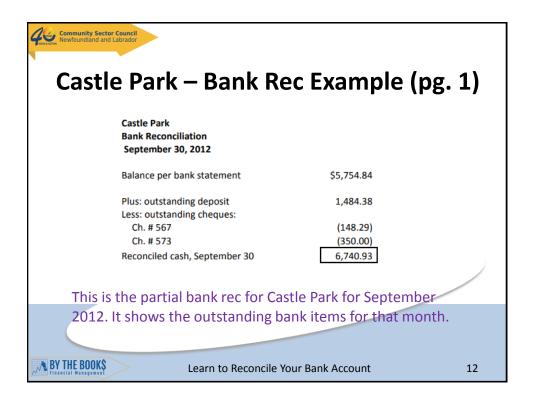
TRACE FROM BANK STATEMENT TO BOOKS

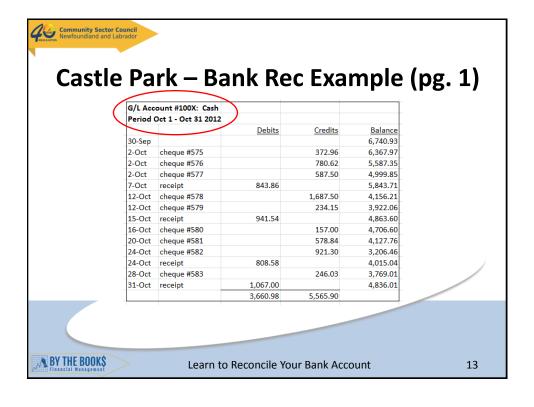
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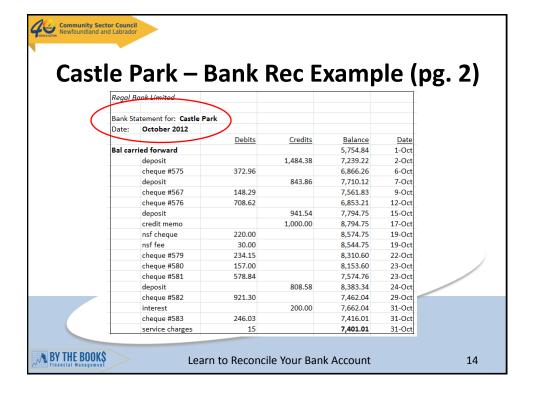
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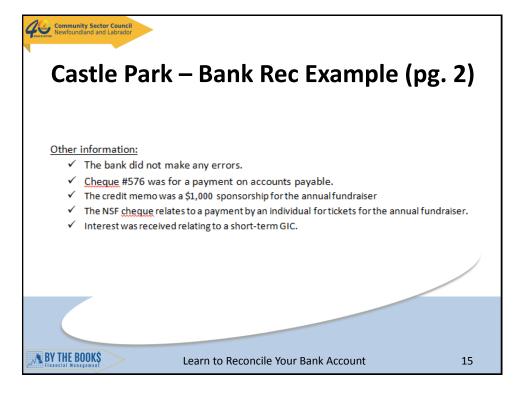
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Bank Rec – example (cont'd)

We will be completing the Bank Rec for **October 2012** (using the handout provided).

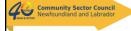
Start with the BANK side of the bank rec

- Hint: it will look very similar to the partial bank rec for September that you were given
- Enter the balance as per the bank statement at October 31.

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Bank Rec – example (cont'd)

BANK Side

- Next, add any cash receipts recorded on the books in Oct 2012 but not appearing in the bank
 - Called outstanding deposits or deposits in transit
 - Also check to see if outstanding deposits in the prior month (if any) 'cleared' the bank; if not, they are still outstanding and must be added again this month

Be sure to cross off items as you trace them through (it will benefit you when doing the 'Books' side)

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Bank Rec – example (cont'd)

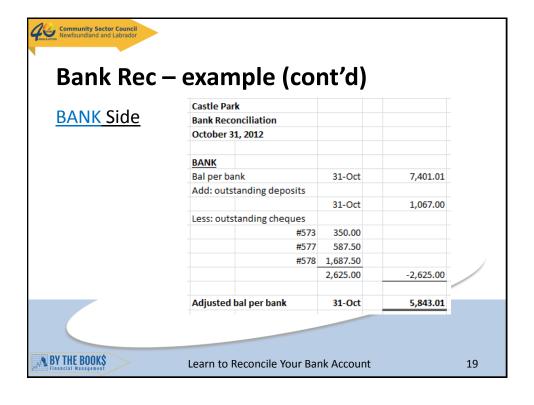
BANK Side

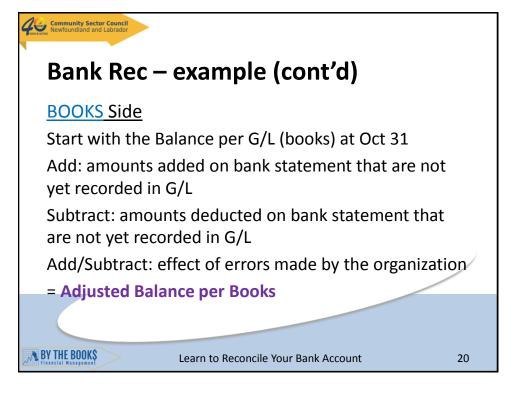
- Now subtract any outstanding cheques in Oct 2012 (cheques that were recorded on the books but have not yet cleared the bank)
 - Also check to see if outstanding cheques in the prior month cleared the bank (if not, they are still outstanding)
- Finally, add or subtract the correcting effect of any error made by the bank
 - The bank did not make any errors in our example

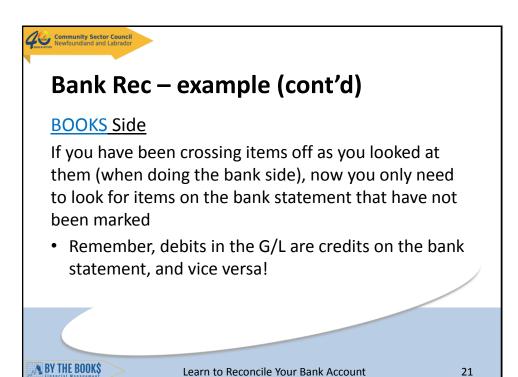
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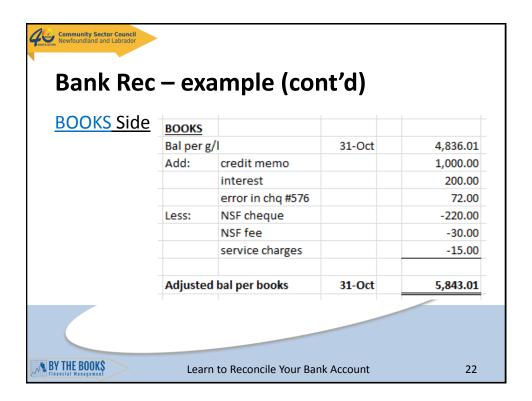
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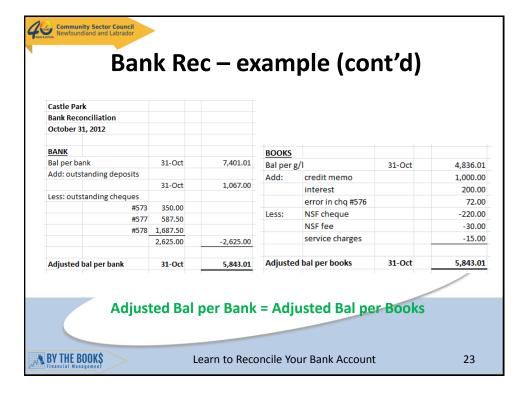
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Errors

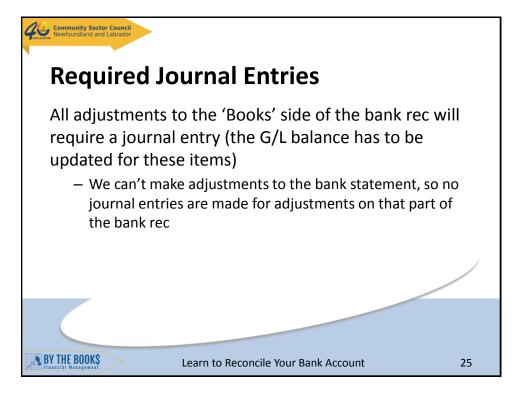
Whether errors are added or subtracted depends on the error and who made it

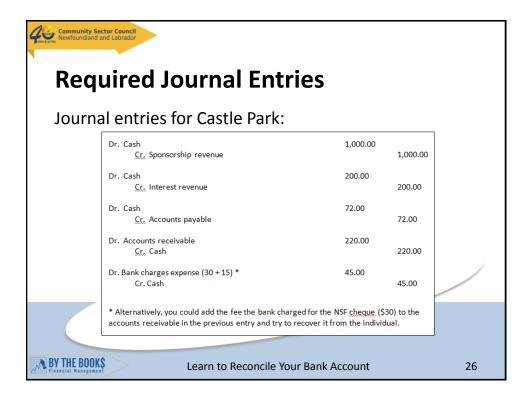
- Use logic
 - if the bank subtracted too much for a cheque (that was recorded correctly on the books), then the amount of the error (the difference in amounts) gets <u>added back</u> to the bank side of the bank rec
 - If the organization recorded cash receipts higher than they actually were (and the correct amount was deposited into the bank), the amount of the error gets <u>subtracted from</u> the *books* side of the bank rec

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Reviewing the Bank Rec

- The bank rec should be reviewed by a person independent from the preparer
- Verify that it reconciles! (Re-add, agree balances)
- Is it prepared on a timely basis?
- Reconciling items should be assessed for reasonableness i.e. are they common, expected, etc.

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Reviewing the Bank Rec

- Review the bank statement:
 - Ideally review copy received directly from bank
 - Ensure you have all pages
 - Scan bank statements for unauthorized electronic payments/transfers
 - Scan cancelled cheques for unauthorized suppliers, signatures, adjustments to amounts

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