

When your bank statement comes in the mail, what do you do with it?

Business Mathematics

Class notes

Bank Statement Reconciliation (section 5.3)

There are some problems that are very similar to those we have done in previous sections. However, the meat of this section is composed of problems that give you an entire page of a company's checkbook register and the accompanying bank statement. We are to **reconcile** them. Or rather, we will check the bank statement against the check register, making notes of any discrepancies. We are trying to get the two to match.

expl 1: Reconcile the checking account for this business. Compare items on bank statement with check register. Fill out the reconciliation form. A check mark on the register indicates that the transaction appeared on the previous month's bank statement (so ignore). (Codes indicate the following: RC means returned check, SC means service charge, IC means interest credit, CP means check printing charge, ATM means automatic teller machine.)

CHECK NO.	DATE	TRANSACTION DESCRIPTION	AMOUNT OF WITHDRAWAL	✓	AMOUNT OF DEPOSIT/CREDIT	BALANCE
BALANCE BROUGHT FORWARD →						7682 07
<i>elec.</i>	3/3	<i>Action Packing Supplies</i>	451 16			7230 91
663	3/3	<i>Crown Paper</i>	954 29	✓		6276 62
664	3/5	<i>ATM Cash</i>	80 00	✓		6196 62
	3/7	<i>Deposit</i>			913 28	7109 90
<i>elec.</i>	3/10	<i>Fairless Water District</i>	72 37			7037 53
665	3/12	<i>Audia Temporary</i>	340 88			6696 65
<i>elec.</i>	3/13	<i>Lionel Toys</i>	618 65			6078 00
666	3/14	<i>Fairless Hills Power</i>	100 50			5977 50
	3/16	<i>Deposit</i>			450 18	6427 68
	3/18	<i>Deposit</i>			163 55	6591 23
667	3/20	<i>Hunt Roofing</i>	238 50			6352 73
668	3/22	<i>Standard Brands</i>	315 62			6037 11
669	3/23	<i>Penny-Saver Products</i>	67 29			5969 82
	3/24	<i>Deposit</i>			830 75	6800 57

Above is the company's check register or their record of all transactions. Recall that we subtract withdrawals and add deposits to find each balance.

On the next page, we will see the bank statement. Notice the headings and detailed information.

Bank Statement						
ACCOUNT NUMBER	PREVIOUS BALANCE	CREDITS COUNT	DEBIT AMOUNT	COUNT	AMOUNT	PRESENT BALANCE
1278992431	\$6647.78	4	\$1549.49	7	\$1816.41	\$6380.86
Electronic Deposits						
Date	Amount	Description				
3/7	\$913.28	Credit from Nike				
3/20	\$22.48	interest credit from CD				
Total Electronic Deposits: \$935.76						
Other Deposits						
Date	Amount	Detail				
3/16	\$450.18	Invoice A65912				
3/22	\$163.55	John Tyler High School				
Total Other Deposits: \$613.73						
Checks Paid						
Number	Amount	Date Paid				
665	\$340.88	3/16				
667	\$238.50	3/26				
Total Checks Paid: \$579.38						
Electronic Withdrawals						
Date	Amount	Category	Description			
3/11	\$451.16	bill pay	Baseball Equipment, Inc			
3/20	\$72.37	debit	Office Max			
3/22	\$618.65	bill pay	Wells Fargo-mortgage			
3/16	\$82.15	debit	returned check			
3/26	\$12.70	bank fee	service charge			
Total Electronic Withdrawals: \$1237.03						

The first bit of information on the statement is a summary. Then we get to the specifics with the headings, starting with Electronic Deposits.

On the next page, you will see instructions for how to reconcile this checking account. The following page has the reconciliation form that you will use.

Reconcile a Checking Account:

First, place a check mark on the register next to any check or deposit on the bank statement. There is a special column for this on the register. Mark, on the bank statement itself, anything else that does *not* appear in the register. I usually start at the top of the bank statement and work my way to the bottom, marking everything on the register with a check mark or on the statement to be dealt with later.

We basically follow the instructions on the reconciliation form. Find the information for **line 1** on the bank statement. **Line 2** is asking for deposits in the check register that you did *not* check mark. **Line 3** tells us to simply add.

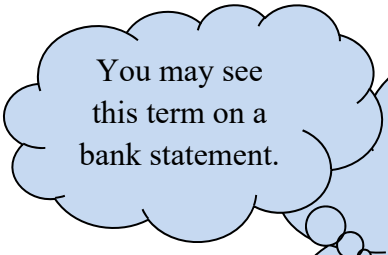
Now, **outstanding checks** are ones that you have written but have *not* been entered by the bank yet. So they appear on the check register but *not* on the bank statement. Find those, record them in the boxes on the upper left of the form, and then write their total for **line 4**. **Line 5** asks you to subtract “line 3 minus line 4”. The result on line 5 is supposed to be your true balance. Let’s see if it matches the checkbook.

Line 6 asks for the current checkbook balance, meaning the bottom-most one. **Line 7** has to do with any fees or other charges that were *not* recorded in the register but you find on the bank statement. **Line 8**, again, is asking for a calculation. **Line 9** gives you a space to enter any credit the account earned due to interest. This would *not* have been noted in the register so we add it in now. (It might be abbreviated as IC but is *not* here.)

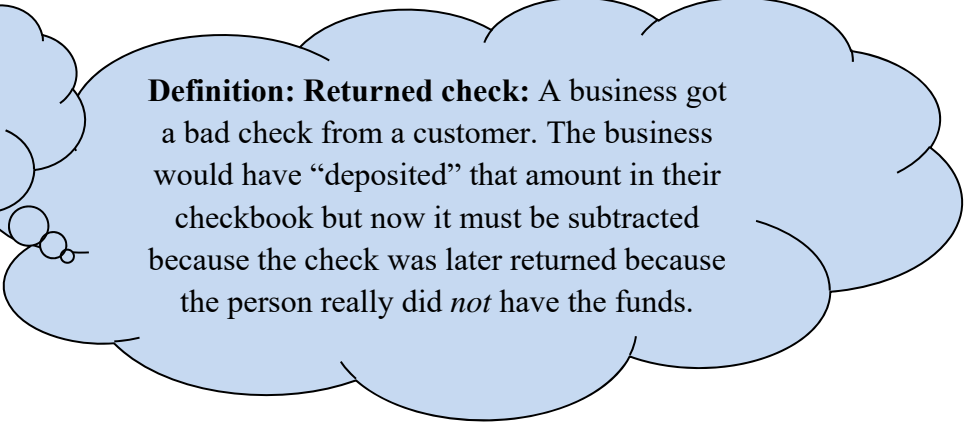
Line 10 has us add and we are done! Does line 5 match line 10? If not, you should check your numbers.

We should have dealt with every number on the bank statement, so give it a once-over to double-check.

On the next page is a bank reconciliation form to be used for this example. Also, an additional one is provided just in case. Also, you can get more copies at www.stlmath.com.



You may see this term on a bank statement.



Definition: Returned check: A business got a bad check from a customer. The business would have “deposited” that amount in their checkbook but now it must be subtracted because the check was later returned because the person really did *not* have the funds.

Bank Reconciliation Form

Checks Outstanding	
Number	Amount
Total	

Compare the list of checks paid by your bank with your records. List and total the checks not yet paid.

(1) Enter new balance from bank statement.

(2) List any deposits made by you but not yet recorded by the bank.

(3) Add all numbers from the lines above.

(4) Write total of checks outstanding.

To reconcile your records:

(6) Enter checkbook balance.

(7) Write the total of any fees or charges deducted by the bank but not yet subtracted by you from your checkbook.

(8) Subtract line (7) from line (6).

(9) Enter interest credit. (Also, add to your checkbook.)

(10) Add line (9) to line (8). Adjusted checkbook balance.

New balance of your account;
lines (5) and (10) should be the
same.

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