

What is a Bank Reconciliation?

A bank reconciliation is the process of checking transactions in the cash book against the bank statement and making sure they match up.

- If an item appears on the bank statement but **not** on the organisation's books (cash book), the item is an adjustment to the cash balance on the organisation's books.
- If an item is already in the organisation's cash account, but has **not** yet appeared on the bank statement the item is an adjustment to the balance as per the bank statement.

Terms

- **Unpresented Cheque:** A cheque you have written to make a payment that hasn't appeared in your bank statement. (compare cheque butts to bank statement identifying ones which are missing)
- **Outstanding Deposits:** Cash you have deposited which has not shown up on your bank statement.
- **Direct Debit/Credit:** Electronic receipt/payment of cash that only appear in the bank statement, not in the cash book.

Why Am I Doing This?

- Reconciliations are used to make sure all transactions are recorded in the cash book.
- Reconciliations are an important internal control over cash, highlighting errors in cash handling, possible thefts and other errors.
- The bank reconciliation gives a true representation of the bank balance.

How Often Should Reconciliations Be Performed?

- Reconciliations should be performed every month when the bank statement arrives or more frequently if required

¹ SOURCE: COMMUNITY RESOURCE KIT WWW.COMMUNITY.NET.NZ VERSION 1/OCTOBER 2006

How Do I Do It?

1. You will need your bank statement, cash book and bank reconciliation template
2. Compare your bank statement with your cash book highlighting any item that appears in both.
3. Once this is complete any item not highlighted on the bank statement needs to be entered in the cash book.
4. Payments not highlighted in the cash books are the **unpresented cheques** to be used in **step 11**
5. Receipts not highlighted in the cash book are the **outstanding deposits** to be used in **step 12**
6. Following your template, start with the opening balance of the cash book. (the balance at the start of the month or when you last performed a reconciliation)
7. Add the total receipts for the month taken from the cash book.
8. Deduct the total payments for the month taken from the cash book.
9. This is your cash book balance as at the date of your reconciliation and should match the balance in your cash book for this date.
10. Now take the balance as per the end of the bank statement.
11. Deduct from this all the **unpresented cheques** recording the cheque number and amount of each
12. Add any **outstanding deposits**
13. This is your adjusted bank balance for the month and must match the amount calculated in **step 9** for the reconciliation to be successful.

Example Group² Bank Reconciliation for the Month Ended 28 February 2010

Opening cash book balance as at 1 Feb 2010	\$	550.00
ADD total receipts for the month	\$	4131.20
	\$	4681.20
DEDUCT total payments for the month	\$	402.20
CASH BOOK BALANCE AS AT 28 FEB 2010	\$	4279.00
Balance as per bank statement as at 28 Feb 2010	\$	320.80
DEDUCT unpresented cheques		
No 123	\$	21.80
No 131	\$	20.00
	\$	41.80
ADD outstanding deposits	\$	279.00
	\$	4000.00
ADJUSTED BANK BALANCE AS AT 28 FEB 2010	\$	4279.00

Approved May 2010

² SOURCE: COMMUNITY RESOURCE KIT WWW.COMMUNITY.NET.NZ VERSION 1/OCTOBER 2006