![University of Missouri Extension logo] *County Accounting Manual*

Bank Reconciliation

Contents:

The Bank Reconciliation may be performed by the Bookkeeper, the County Program Director (CPD), or a Council Officer.   It is recommended that at least two individuals participate in the bank reconciliation.   The Bank statement envelope should be opened by the CPD and the bank statement initialed or signed by the CPD.

The Bank Reconcile is split in two screens:

In Screen 1, select or enter…
• Bank Account
• Bank Statement's Date
• Bank Statement's Ending Bal.
• Service Charge, if any, and account and class code.
• Interest, if any, and account and class code.
• Locate Discrepancies, if needed.

Press **Continue** to go to next screen

In Screen 2,
• Under **Columns to Display** button, select the items that you want to display.

• **Show transactions on or before statement ending date.**   Your choice.

From the bank statement, check off…
• checks that cleared the bank
• deposits that cleared the bank.

• **Modify button** – returns to screen 1.

Compare Bank statistics with Bank reconciliation calculations
When reconciling the bank statements in QuickBooks, compare the following data to ensure accuracy and a reconciled balance.
• Beginning balance as of xxxxxx
• Total Deposits
• Other Deposits (i.e. interest)
• Total Checks Paid (plus other bank charges)
• Ending balance as of xxxxxx

From

Bank Statement	
Beginning Balance as of xxxxx	14,662.51
Customer Deposits	3,435.83
Other Deposits	1.48
Checks Paid	3,827.35
Ending Balance as of xxxx	14,272.47 ←

the **Bank Statement**, review the summary data.

After checking off cleared transactions in the QB Bank Reconcile screen, the QB total deposits plus other credits and the total Checks plus other bank charges should match the Total Deposits and Checks on the bank statement.

QuickBooks Bank Reconcile (bottom half of second screen)

Beginning Balance	14,662.51	Modify	Service Charge	0.00
Items you have marked cleared			Interest Earned	0.00
2 Deposits and Other Credits	3,437.31		Ending Balance	14,272.47
14 Checks and Payments	3,827.35		Cleared Balance	14,272.47
			Difference	0.00

Exception: adjusting entry transactions or transfer transactions that appear on the bank reconcile screen will increase the deposit or check totals. The adjusting or transfer transactions should be equal in both the credit and deposit sections.

If a checkmark was not entered at the time **transfer transactions** were created, the transactions will appear in the bank reconcile screen. In the Reconcile screen, check off each **matching** transfer transaction. A transfer transaction should display on the check side; the second transfer transaction, with same amount, should appear on deposit side.

Review any uncleared transactions more than six months old!!!

If an outstanding check or deposit is more than 6 months old, followup on the transaction to determine if the transaction should be voided (if within the same calendar year). Review the **Voided Transactions** procedure for details.
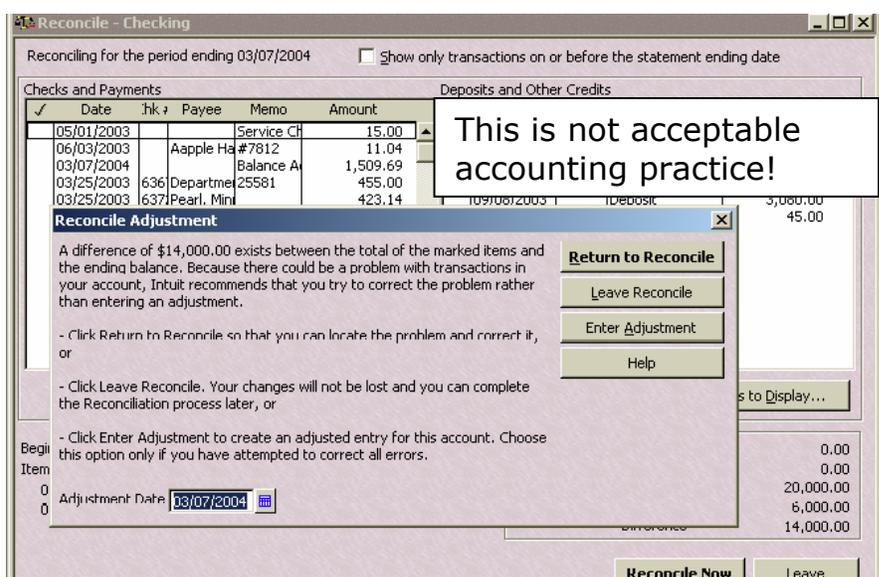
Review section, **"After Closing date is set,"** in the Voided Transactions procedure to learn how to reverse instead of voiding transactions for transactions dated in a prior year that has been closed.

Reconcile Now

The Reconcile Now button should be selected ONLY when the underline difference is equal to **Zero**. QuickBooks gives you a warning and choices when your bank statement and Quickbooks bank account are not reconciled (difference is not equal to Zero).

The **Reconcile Adjustment is NOT recommended**. The bookkeeper, county program director, or council officer must resolve the difference or

This is not acceptable accounting practice!

Reconcile Adjustment

A difference of $14,000.00 exists between the total of the marked items and the ending balance. Because there could be a problem with transactions in your account, Intuit recommends that you try to correct the problem rather than entering an adjustment.

- Click Return to Reconcile so that you can locate the problem and correct it, or
- Click Leave Reconcile. Your changes will not be lost and you can complete the Reconciliation process later, or
- Click Enter Adjustment to create an adjusted entry for this account. Choose this option only if you have attempted to correct all errors.

Adjustment Date: 03/07/2004

discrepancy BEFORE selecting Reconcile Now. A Reconciliation discrepancy transaction should NOT be created to force the bank statement and the checking register to balance!

Reconciliation Report

When the bank statement balance and the QuickBooks checking register are reconciled, a detailed bank reconciliation report should be printed and attached to the bank statement. The County Program Director or Council Officer should **sign the report**.
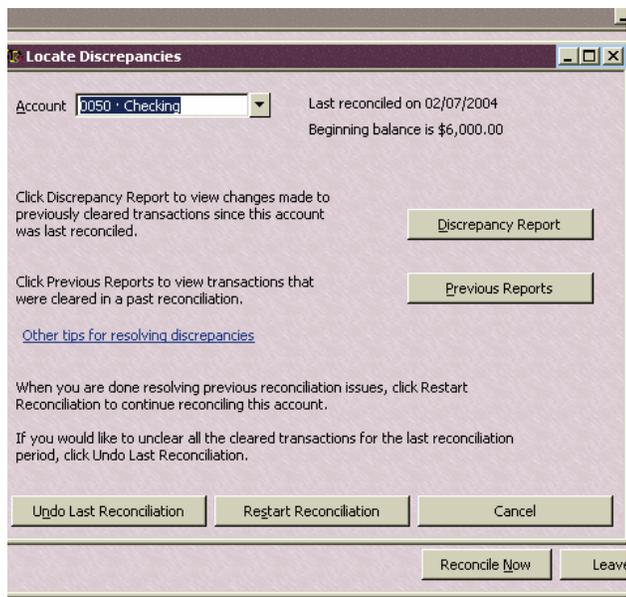
The **Register Balance** on the bank reconciliation report must **match** the checking register balance on the **same check register ending date**.

Locate Discrepancies
Possible causes of reconciliation discrepancies may be…

- Bank Error - the check or deposit cleared the bank for a different amount than the original check or deposit.   Review section, **Adjusting for Bank Errors**, at end of this document.
- Transfers created between two classes or two bank accounts; the amount was different on one of the transfer transactions.
- Transaction was posted to the incorrect bank account; posted to a money market bank account instead of checking.
- Interest or bank service charge was not posted in QuickBooks.

If you are unable to resolve a reconciliation discrepancy for a county, please contact the QuickBooks Administrator or one of your regional QuickBooks trainers.

If needed, from Bank Reconcile Screen 1, select the **Locate Discrepancies button** to:

- Generate a report listing changes made to previously-cleared transactions.
- Display or print the previous Reconciliation Report (see sample next page)
- Undo Last Reconciliation
- Restart Reconciliation.

Previous Reconciliation Report
The previous reconciliation report may be printed.   This goes back only one month. Select **Previous Reports button**, or Select **Reports** from the menu bar, **Banking**, **Previous Reconciliation**.

Reconciliation Discrepancy Report

County Program Director or the Council Officer can determine if there were changes to cleared transactions by generating the Previous Reconciliation Discrepancy Report.

Select **Reports** from the menu bar, **Banking**, **Reconciliation Discrepancy.**

08/25/04

Previous Reconciliation Discrepancy Report
0050 · Checking

Type	Date	Entered/Last Modified	Num	Name	Reconciled Amount	Type of Change	Effect of Change
Statement Date: 11/28/2003							
▶ Check	09/30/2003	08/25/2004 16:10:39	12736	Warren County 4-H...	-42.50	Amount	-10.00 ◀
Check	10/23/2003	08/25/2004 16:12:54	12796	Alarm 24, Inc.	-60.00	Amount	60.00
Total 11/28/2003							50.00
							50.00

Undo Reconciliation

If you cannot locate discrepancies when reconciling an account, you can **undo** your last reconciliation and start again.   The Undo Reconciliation reverts to the previous beginning balance and removes cleared status of **all transactions**, charges, interest, and balance adjustments.   Select **Undo last Reconciliation** button on the Locate Discrepancies screen.

If you want to change the date of your opening balance you'll need to undo your previous reconciliation.   When you redo the reconciliation you'll be able to enter the correct date.

1.   Make sure you back up your data before you begin.

2.   Go to the **Banking** menu and then click **Reconcile**.

3.   In the **Begin Reconciliation** window, click **Locate Discrepancies**.

4.   Click **Discrepancy Report** or **Previous Reports** to view the list of discrepancies or the previous reconciliation report, if necessary.

5.   Click **Undo Last Reconciliation**.

6.   Click **Restart Reconciliation** to repeat the reconciliation process from the beginning.

For assistance, contact your QB Administrator or one of the regional QuickBooks Trainers.

Adjusting for Bank Errors

If the bank incorrectly recorded a deposit or check transaction in the council's bank account,

- Notify the bank of the error. The bank adjustment will be included on next month's statement.
- In the checking register, create an Adjusting transaction to add or subtract the **difference** between the original deposit or check and the actual amount that the bank recorded.
    - Use the same Class Code and same Account Number that was recorded in the original transaction.
    - Enter the amount of the difference in either the payment or deposit column, depending on the type of error (to add to or subtract from the council's bank account).
    - In Memo, indicate that this is a bank error.
    - Record the transaction to save it.
- In the Bank Reconcile screen, check-off the adjusting transaction.

When the bank corrects the error in the following monthly statement,

- In the checking register, create a **reversing transaction** to add or subtract the difference. If you added the difference amount last month, now you will subtract the difference amount.
    - Use the same Class Code and same Account Number that was recorded in the adjusting transaction.
    - Enter the amount of difference in either the payment or deposit column.
    - In Memo, indicate that this is a bank correction.
    - Record the transaction to save it
- In the Bank Reconcile screen, check-off the reversing transaction.

The Adjusting transaction and the Reversing transaction will offset to zero.