

# What is a bank reconciliation and how do you do one?

Everything you need to know



**money**minder®



## What is a bank reconciliation?

A bank reconciliation is the method used to compare your accounting records to the information on your bank statement to ensure no mistakes were made. You may have also heard this referred to as “balancing your checkbook.”

## Why do you need to reconcile your account?

It's difficult to get an accurate picture of your overall financial condition if you don't make sure the bank and your records agree. Reconciling your bank account also helps to prevent fraud. When the board can see that the bank balance agrees with the checkbook register, and that each check and deposit are accounted for, they can be assured that nobody is absconding with your group's hard-earned money.

# Step-by-step instructions



## STEP 1

Locate your bank statement (from the bank) and your check/bank register that you've been keeping.

The bank statement tells you what the bank starting balance was at the beginning of the month, the deposits and withdrawals that cleared the bank during that time period, and the ending balance of the account on the close of the bank statement.

The check register will show all the deposits and withdrawals that were recorded in that same time period. There is one key difference between the bank statement and the check register.

The bank statement only lists transactions (deposits and withdrawals) that the bank processed during that time frame. The check register lists all of your transactions during that same time period, regardless of whether they have cleared.

If you're using MoneyMinder, simply go to:

**Banking > Reconcile > Begin Reconciliation**

and walk through the following steps. It will look something like this:

**Sunset Lane Checking**

View Register Import Transactions New Deposit New Withdrawal New Transfer **+** Reconcile

### Reconcile

Bank Statement Ending Date

Enter the ending date shown on your bank statement for the period. This determines the transactions that will display below. This date must be later than any prior reconciled statement end date.

Bank Statement Ending Balance

Enter the ending balance shown on your bank statement for the period. Do not adjust this amount just to satisfy the reconciliation. It must match your bank statement for your reporting to be accurate.

**Continue Reconciliation**

# Step-by-step instructions



## STEP 2

This is where you compare each and every transaction with your bank statement. The idea is to account for all the deposits and withdrawals that you have recorded and that have also cleared the bank.

We suggest highlighting or checking off the entries that are common among the two. In MoneyMinder you can simply just check off the entries to mark them as cleared. Cleared means that the item has been recorded in both the group's records and the bank's records.



# Step-by-step instructions



## STEP 3

Next, you'll want to make a list of any items that have been recorded in the check register but have not cleared the bank. Typically, an organization will have outstanding checks each month. Outstanding debits are checks and other withdrawals that have been recorded in your organization's bank register but have not yet cleared the bank. In other words, you know you wrote the check but the bank isn't aware of it yet.

In MoneyMinder, these will be the items that you don't check off. There may also be outstanding credits that need to be accounted for.

Outstanding credits are deposits that have been recorded in your check register but do not yet appear on the bank's records. This often happens when you make a deposit on the last day of the month, but the bank doesn't process it until the first day of the next month.



# Step-by-step instructions



## STEP 4

Now it's time to do the math. Any withdrawals (debits) that didn't get highlighted or checked off need to be deducted from the balance on the bank statement. Likewise, any deposits (credits) that didn't get highlighted or checked off will be added to the balance on the bank statement. In a perfect world, once this step is complete, the balance in the checkbook should match the bank statement balance.

What happens if these balances don't match? That's when your detective skills come into play. If the current balance in the checkbook does not match the bank statement balance, then you have to start looking for errors.



## The most common errors that occur are:

1. Transpositions
2. An unrecorded transaction (either a check or deposit)
3. Entering a transaction twice

You'll want to fix these to successfully complete your reconciliation.

## The most important step

The most important part of the reconciliation process happens after your check register matches your bank statement.

Remember those items that didn't clear the bank during the reconciliation process? Those uncleared items need to be reviewed. Why are they there?

For example, if your register shows a deposit that didn't clear why is that? If it was deposited on the last day of the month, it's probably OK. But if it was recorded early in the month and never cleared the bank you need to find out why. Was it recorded twice in your register? Did it never make it to the bank?

Likewise, you'll want to look at any uncleared withdrawals. Have these items been entered twice in your register? Or are you dealing with a very old check that is unlikely to clear the bank at all? If so, you'll need to review those and deal with them. If these uncleared items are due to an error in entry they will affect the accuracy of your financial report.

# Sample Reconciliation Report

## Reconciliation Report

**Reconciled Date:** 04/07/2022  
**Bank Statement Ending Date:** 07/31/2022  
**Bank Statement Ending Balance:** \$5,305.12

✓ These withdrawals cleared the bank during the period ending 07/31/2022.

Date	Reference	Details	Withdrawal
07/03/2022	2374	MoneyMinder Software	-\$179.00
<b>Total</b>			<b>-\$179.00</b>

⊗ These withdrawals had not cleared the bank as of 07/31/2022.

Date	Reference	Details	Withdrawal
07/28/2022	2375	Office Supply Store	-\$126.42
<b>Total</b>			<b>-\$126.42</b>

<b>Statement Opening Balance</b>	<b>\$5,484.12</b>
Plus: 0 cleared deposit(s)	\$0.00
Minus: 1 cleared withdrawal(s)	<u>-\$179.00</u>
<b>Bank Statement Ending Balance</b>	<b>\$5,305.12</b>
Plus: 0 uncleared deposit(s)	\$0.00
Minus: 1 uncleared withdrawal(s)	<u>-\$126.42</u>
<b>MoneyMinder ending balance</b>	<b>\$5,178.70</b>



Alone, we  
can do so  
little;  
**together,**  
we can do so  
much.

Helen Keller



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