

## Accounting 2303 Week 7 Resource

### Chapter 4 Part 2: Bank Reconciliations

Hello everyone! This we will be discussing bank reconciliations. Additionally, I will be providing Accounting group tutoring sessions from 6:30-7:30pm on Tuesdays over Microsoft Teams each week. If you would like to attend those sessions or want to schedule a 1-on-1 appointment with one of our fantastic accounting tutors, please visit [www.baylor.edu/tutoring](http://www.baylor.edu/tutoring) to make an appointment!

-Jerry

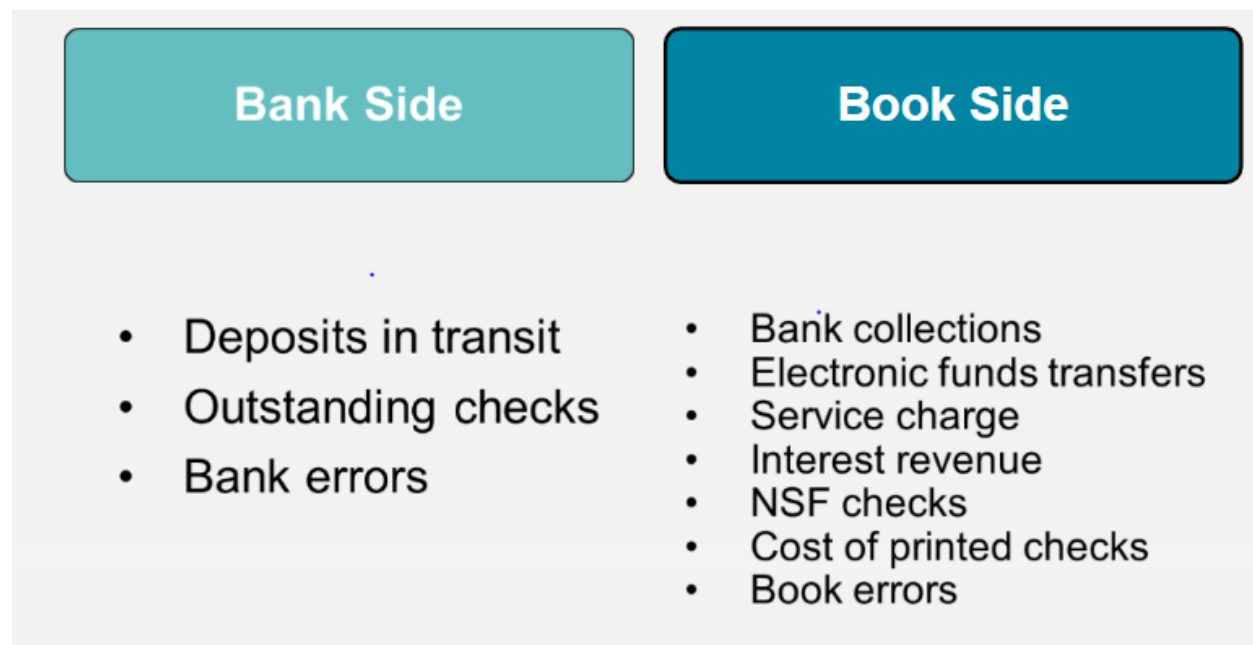
#### What are Bank Reconciliations?

Bank reconciliations help explain the differences between an organization's accounting records and a banks records that exist due to timing.

Gives us an accurate picture of the cash account's real balance

There are two sides that we need to reconcile: the bank side and the book side

The elements of each side are illustrated in the following chart:



(Pearson Education 2015)

### **What do we do on the bank side?**

Add:

- Deposits in Transit
- Bank errors (overstatement)

Subtract:

- Outstanding Checks
- Bank errors (understatement)

### **What do we do on the book side?**

Add:

- Bank Collections
- EFT Receipts (Revenue)
- Interest Revenue
- Book error (Overstatement)

Less:

- Service charge
- NSF Checks
- EFT payments
- Book error (understatement)

### **The ending balances of the bank and books should equal each other**

The following video gives a good example of working out a bank reconciliation:

<https://www.youtube.com/watch?v=9LfnIMz2Aic#action=share>

### **Vocabulary**

- Outstanding Checks:
- Deposits in Transit: checks that have been written but are in the process of being deposited
- EFT: Electronic funds transfer
- NSF checks: nonsufficient funds checks (eg bank balance is not enough to carry out payment or receipt)

### **Bank Reconciliation Problem:**

Bank statement balance \$10,200

Balance per books 9,559

Debit memo (NSF check) 259

Debit memo (service charge) 25

Credit memo (Note collection, including \$18 interest) 1,818

Deposit in transit, 8/31 4,434

Deposit in transit, 8/1, cleared 8/2 2,000

Outstanding checks 8/31 3,550

Check #102, a payment of \$223, was recorded correctly on the books; appears on the bank statement as \$232

**Using the information above reconcile the Bank and Books:**

**Bank:**

Balance: \$10,200

**Add:**

Deposits in Transit: \$4,434 (Note: Deposit in transit on 8/1 cleared on 8/2 so we ignore it)

Bank Error: \$9

**Less:**

Outstanding Checks: \$3550

Adjusted Balance: \$11,093

**Books:**

Balance: \$9,559

**Add:**

Note Collection: \$1,818

**Less:**

Service Charge: \$25

NSF Check \$ 259

Adjusted Balance: \$11,093

**Works Cited**

Bank Reconciliations and Journalizing. **Authored by:** marbullware. **Located at:** <https://youtu.be/9LfnlMz2Aic>. **License:** *All Rights Reserved*.

Financial Accounting by Harrison, Horngren, and Thomas, 12th Edition, Prentice Hall via Pearson Education 2015