Hello everyone! This week 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 to make an appointment!

-Jerry

What are Bank Reconciliations?

Bank reconciliations help explain the differences between an organization’s accounting records and a bank’s 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**
