

2-2

RECONCILE A BANK STATEMENT

You will need:

- Student Notes
- Textbook
- Calculator
- Homework
- Notebook Paper
- Pen or Pencil

OBJECTIVE

Analyze a bank statement for accuracy.

Understand why you should verify the accuracy of your account.

What would happen if the bank holding your money has made a mistake?

- Bounced checks
- Embarrassment
- Fees!

Is it possible that YOU made a mistake?

What problems could arise if you think you have more in your account than the bank knows you have?

- Bounced checks
- Embarrassment
- Fees!

How can you avoid these problems?

Reconciliation

What is Reconciliation?

It means to match all the entries in the register with the bank statement and correct any discrepancies.

Why reconcile?

So that both the bank and you know the real balance of your account.

Example 1A

These are the bank statement and check register for Michael Biak's checking account.

(They are on the back of your notes)

He needs to reconcile them.

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contains a terminology introduced by many of whom a checking account to be sure that a firm of these you want to call that lists to whom you can contact them as the issues.

ing a bank be new to it, it is important to walk through the steps necessary to determine this example. You should know how to do when the error made in the register is the of numbers.

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PLEASE BE SURE TO DEDUCT CHANGES THAT AFFECT YOUR ACCOUNT		SUBTRACTIONS		ADDITIONS		BALANCE FORWARD
ITEM NO. FOR TRANSACTION CODE	DATE	DESCRIPTION OF TRANSACTION	AMOUNT OF PAYMENT OR WITHDRAWAL	✓ OTHER	AMOUNT OF DEPOSIT OR INTEREST	
						748 95
1763	10/13	TO Deepdale Country Club FOR Swimming lessons	50 00			- 50 00 698 95
1764	10/13	TO Joe's Sporting Goods FOR Tennis Racket	48 00	✓		- 48 00 650 95
1765	10/14	TO Elio's Pizzeria FOR Pizza Party	19 50			- 19 50 631 45
1766	10/15	TO Bethpage Auto Parts FOR Air Filter	9 00	✓		- 9 00 622 45
	10/15	TO Deposit FOR		✓	100 00	+ 100 00 722 45
1767	10/16	TO Maple Place Garage FOR Inspection	18 00			- 18 00 704 45
1768	10/18	TO Ticket Man FOR Concert Tickets	46 50			- 46 50 657 95
1769	10/21	TO Caruso's Restaurant FOR Dinner	74 64			- 74 64 583 31
1770	10/22	TO Mickel's Home Center FOR Tool Chest	158 08			- 158 08 425 23
1771	11/4	TO Aunt Bella's Restaurant FOR Dinner	29 10			- 29 10 396 13
	11/5	TO Deposit FOR			35 00	+ 35 00 431 13
1772	11/9	TO Living Color Lab FOR Film Developing	15 00			- 15 00 416 13
	11/11	TO Deposit FOR			100 00	+ 100 00 516 13
	12/1	TO Deposit FOR			125 00	+ 125 00 641 13

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Michael Biak 17 Breeze Way Lake City, FL 32025		ACCOUNT NUMBER: 7843390 STATEMENT PERIOD: 11/01 - 11/30		
STARTING BALANCE				→ \$ 791.95
DATE	DESCRIPTION	CHECK NUMBER	TRANSACTION AMOUNT	BALANCE
11/05	DEPOSIT		35.00	\$ 826.95
11/11	DEPOSIT		100.00	\$ 926.95
11/13	W/D	1770	158.08	\$ 768.87
11/17	W/D	1768	46.50	\$ 722.37
11/19	W/D	1769	74.64	\$ 647.73
11/27	W/D	1765	19.50	\$ 628.23
ENDING BALANCE				→ \$ 628.23

Example 1A

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PLEASE BE SURE TO DEDUCT CHANGES THAT AFFECT YOUR ACCOUNT

ITEM NO. FOR TRANSACTION CODE	DATE	DESCRIPTION OF TRANSACTION	SUBTRACTIONS			ADDITIONS		BALANCE FORWARD		
			AMOUNT OF PAYMENT OR WITHDRAWAL	✓	OTHER	AMOUNT OF DEPOSIT OR INTEREST				
								748	95	
1763	10/13	TO Deepdale Country Club	50	00				- 50	00	
		FOR Swimming lessons						698	95	
1764	10/13	TO Joe's Sporting Goods	48	00	✓			- 48	00	
		FOR Tennis Racket						650	95	
1765	10/14	TO Elio's Pizzeria	19	50				- 19	50	
		FOR Pizza Party						631	45	
1766	10/15	TO Bethpage Auto Parts	9	00	✓			- 9	00	
		FOR Air Filter						622	45	
	10/15	TO Deposit				✓	100	00	+ 100	00
		FOR						722	45	
1767	10/16	TO Maple Place Garage	18	00				- 18	00	
		FOR Inspection						704	45	
1768	10/18	TO Ticket Man	46	50				- 46	50	
		FOR Concert Tickets						657	95	
1769	10/21	TO Caruso's Restaurant	74	64				- 74	64	
		FOR Dinner						583	31	
1770	10/22	TO Mickel's Home Center	158	08				- 158	08	
		FOR Tool Chest						425	23	
1771	11/4	TO Aunt Bella's Restaurant	29	10				- 29	10	
		FOR Dinner						396	13	
	11/5	TO Deposit					35	00	+ 35	00
		FOR						431	13	
1772	11/9	TO Living Color Lab	15	00				- 15	00	
		FOR Film Developing						416	13	
	11/11	TO Deposit					100	00	+ 100	00
		FOR						516	13	
	12/1	TO Deposit					125	00	+ 125	00
		FOR						641	13	

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Note what information is in his check register. (Look at the column headings)

Note that the check marks mean that that item has already been processed by the bank.

Example 1A

Step 1: See if each item listed in the register is listed by the bank.

- Put a check mark on the register if the item appears accurately in the bank statement.

DATE	DESCRIPTION	CHECK NUMBER	AMOUNT
10/13	TO Deepdale Country Club FOR Swimming lessons		50 00

DATE	DESCRIPTION	CHECK NUMBER	TRANSACTION AMOUNT	BALANCE
11/05	DEPOSIT		35.00	\$ 826.95
11/11	DEPOSIT		100.00	\$ 926.95
11/13	W/D	1770	158.08	\$ 768.87
11/17	W/D	1768	46.50	\$ 722.37
11/19	W/D	1769	74.64	\$ 647.73
11/27	W/D	1765	19.50	\$ 628.23

- Check #1763 is not in the bank statement so do NOT put a check mark.

Example 1A

Step 1:
Continued

1765	10/14	TO <i>Ellie's Pizzeria</i>	19	50	✓
		FOR <i>Pizza Party</i>			

DATE	DESCRIPTION	CHECK NUMBER	TRANSACTION AMOUNT	BALANCE
11/05	DEPOSIT		35.00	\$ 826.95
11/11	DEPOSIT		100.00	\$ 926.95
11/13	W/D	1770	158.08	\$ 768.87
11/17	W/D	1768	46.50	\$ 722.37
11/19	W/D	1769	74.64	\$ 647.73
11/27	W/D	1765	19.50	\$ 628.23

- Check #1765 is in the bank statement so put a check mark in the register.
- Finish this step.
- You should have also checked off check #1768, 1769 and 1770
- You should have also checked deposits on 11/5 and 11/11

Step 2: See if each item listed in the statement is listed on your register.

- Put a check mark on the statement if the item appears accurately in your register.
- Any accurate bank item that is not in your register needs to be added to the register and put a check mark on both. (example: Interest paid to you.)

In this case there are no items on the statement that are not in your register.

Step 3: Determine the real balance of your account.

a) List any outstanding Checks or other account **subtractions**. (Outstanding means it has not reached the bank yet.)

Reductions

Item	Amount
Total	

Step 3: Determine the real balance of your account.

a) List any outstanding Checks or other account **subtractions**. (Outstanding means it has not reached the bank yet.)

Reductions

Item	Amount
1763	50.00
Total	

Finish step 3a.

Step 3: Determine the real balance of your account.

a) List any outstanding Checks or other account subtractions

Reductions

Item	Amount
1763	50.00
1767	18.00
1771	29.10
1772	15.00
Total	112.10

Yours should look like this.

Step 3: Determine the real balance of your account.

b) List any outstanding Deposits or other account **additions.**

Additions

Date	Amount
Total	

Is anything “+” outstanding?

Step 3: Determine the real balance of your account.

b) List any outstanding Deposits or other account **additions.**

Additions

Date	Amount
12/1	125.00
Total	125.00

Yours should look like this.

Example 1A

Step 3: Determine the real balance of your account.

c) Find the real bank balance.

Item	Amount
Statement Ending Balance	
+ Total Deposits outstanding	
- Total Withdrawals Outstanding	
Revised Statement Balance	

Michael Biak
17 Breeze Way
Lake City, FL 32025

ACCOUNT NUMBER: 7843390
STATEMENT PERIOD: 11/01 - 11/30

STARTING BALANCE → \$ 791.95

DATE	DESCRIPTION	CHECK NUMBER	TRANSACTION AMOUNT	BALANCE
11/05	DEPOSIT		35.00	\$ 826.95
11/11	DEPOSIT		100.00	\$ 926.95
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11/19	W/D	1769	74.64	\$ 647.73
11/27	W/D	1765	19.50	\$ 628.23

ENDING BALANCE → \$ 628.23

Example 1A

Step 3: Determine the real balance of your account.

c) Find the real bank balance.

Item	Amount
Statement Ending Balance	628.23
+ Total Deposits outstanding	
- Total Withdrawals Outstanding	
Revised Statement Balance	

Michael Biak
17 Breeze Way
Lake City, FL 32025

ACCOUNT NUMBER: 7843390
STATEMENT PERIOD: 11/01 - 11/30

STARTING BALANCE → \$ 791.95

DATE	DESCRIPTION	CHECK NUMBER	TRANSACTION AMOUNT	BALANCE
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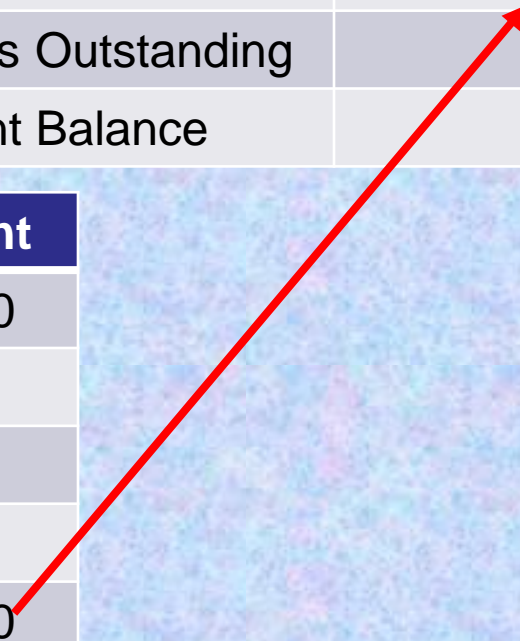
ENDING BALANCE → \$ 628.23

Step 3: Determine the real balance of your account.

c) Find the real bank balance.

Item	Amount
Statement Ending Balance	628.23
+ Total Deposits outstanding	125.00
- Total Withdrawals Outstanding	
Revised Statement Balance	

Date	Amount
12/1	125.00
Total	125.00




Step 3: Determine the real balance of your account.

c) Find the real bank balance.

Item	Amount
Statement Ending Balance	628.23
+ Total Deposits outstanding	125.00
- Total Withdrawals Outstanding	112.10
Revised Statement Balance	

Item	Amount
1763	50.00
1767	18.00
1771	29.10
1772	15.00
Total	112.10



Step 3: Determine the real balance of your account.

c) Find the real bank balance.

Item	Amount
Statement Ending Balance	628.23
+ Total Deposits outstanding	125.00
- Total Withdrawals Outstanding	112.10
Revised Statement Balance	

Do the math.

Step 3: Determine the real balance of your account.

c) Find the real bank balance.

Item	Amount
Statement Ending Balance	628.23
+ Total Deposits outstanding	125.00
- Total Withdrawals Outstanding	112.10
Revised Statement Balance	641.13

Do the math.

Example 1A

Step 3: Determine the real balance of your account.

d) Compare your register to the real bank balance.

Item	Amount
Statement Ending Balance	628.23
+ Total Deposits outstanding	125.00
- Total Withdrawals Outstanding	112.10
Revised Statement Balance	641.13

	12/1	TO Deposit					125 00	+ 125 00
		FOR						641 13

If they are the same then you now know the real amount of money in the account!

Example 2 – You try it!

Nancy has a balance of \$1,078 in her check register. The ending balance on her bank account statement is \$885.84. Not reported on her bank statement are deposits of \$575 and \$250 and two checks for \$195 and \$437.84. Does her checking account balance? Explain.

Item	Amount
Statement Ending Balance	
+ Total Deposits outstanding	
- Total Withdrawals Outstanding	
Revised Statement Balance	

Example 2 – You try it!

Nancy has a balance of **\$1,078** in her check register. The ending balance on her bank account statement is \$885.84. Not reported on her bank statement are deposits of \$575 and \$250 and two checks for \$195 and \$437.84. Does her checking account balance? Explain.

Item	Amount
Statement Ending Balance	885.84
+ Total Deposits outstanding	825.00
- Total Withdrawals Outstanding	632.84
Revised Statement Balance	1078.00

The account is **balanced** because they match.

Please work on you assignment.
It is due at the end of next class.

Grade goes here	Read Pg: 73 to 76 Do Pg 77: #2, 3, 6, 9-12	Last First P__ A:2-2