



## discuss and list the steps for preparing a bank reconciliation

A bank reconciliation compares the cash balance in your accounting records with the balance on the bank statement, then explains and corrects all differences so the adjusted balances agree. The process follows a clear sequence of steps that you repeat each period (usually monthly).<sup>[1]</sup>  
<sup>[2]</sup>

### Purpose of bank reconciliation

- Ensures the **accuracy** of your cash account by catching errors, omissions, or fraud in either the books or the bank records.<sup>[3]</sup>
- Identifies timing differences such as outstanding checks and deposits in transit that legitimately cause bank and book balances to differ at any point in time.<sup>[1]</sup>
- Produces an auditable reconciliation statement and any required journal entries that bring your ledger into agreement with the verified bank balance.<sup>[4]</sup>

### Preparatory steps

- Gather documents: current bank statement, cash book/general ledger for the same period, prior reconciliation, and any supporting items such as check stubs or deposit slips.<sup>[5]</sup>
- Confirm the period: ensure the bank statement dates match the accounting period being reconciled (for example, month-end to month-end).<sup>[5]</sup>
- Note unadjusted balances: write down the ending balance per bank statement and the ending cash balance per books as your starting points.<sup>[3]</sup>

### Core reconciliation steps

- Match transactions: compare deposits and payments in the bank statement to those in the cash book, ticking items that appear in both; identify anything recorded in one place but not the other.<sup>[1]</sup>
- Identify timing items: list deposits in transit (on books but not yet on bank statement) and outstanding checks or payments (on books but not yet cleared by the bank).<sup>[6]</sup> <sup>[1]</sup>
- Find errors and unrecorded items: look for bank charges, interest, NSF (bounced) checks, direct debits/credits, or recording errors that appear on the bank statement but are missing or mis-stated in the books.<sup>[7]</sup> <sup>[5]</sup>

## Adjusting bank and book balances

- Adjust bank balance: start with the ending bank statement balance, add deposits in transit, subtract outstanding checks, and correct any bank errors to compute the adjusted bank balance. [6] [5]
- Adjust book (ledger) balance: start with the ending cash balance per books, add bank credits such as interest and collections, subtract bank charges, NSF items, and correct any book errors to compute the adjusted book balance. [2] [5]
- Check agreement: verify that the adjusted bank balance equals the adjusted book balance; if not, recheck unmatched items and calculations. [3] [1]

## Recording and documenting

- Record journal entries: post entries for all items that required adjustments to the book balance (bank fees, interest, NSF checks, corrected amounts, etc.). [8] [1]
- Prepare a reconciliation statement: lay out the original balances, all reconciling items, and the resulting adjusted balances in a clear statement for internal control and audit purposes. [4] [5]
- File and review: retain the reconciliation with supporting documents and ensure it is reviewed and approved as part of the organization's internal control process. [4] [3]

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1. <https://tipalti.com/resources/learn/bank-reconciliation-steps/>
2. <https://www.netsuite.com/portal/resource/articles/accounting/bank-reconciliation.shtml>
3. <https://canons.sog.unc.edu/2024/04/the-bank-reconciliation-a-key-internal-control-in-financial-management/>
4. <https://www.numeric.io/blog/bank-reconciliation>
5. <https://www.solvexia.com/blog/bank-reconciliation-statement>
6. <https://justice.utah.gov/wp-content/uploads/Unallowable-vs.-Allowable-costs.pdf>
7. <https://www.highradius.com/resources/Blog/how-to-do-bank-reconciliation/>
8. <https://www.tsc.fl.edu/media/divisions/learning-commons/resources-by-subject/business/financial-accounting/Steps-in-Preparing-a-Bank-Reconciliation.pdf>
9. <https://www.youtube.com/watch?v=zhmO3DM3YiY&vl=en>
10. <https://www.freeagent.com/us/guides/bookkeeping/beginners-guide-to-bank-reconciliation/>