

## Bank Reconciliation

### What is Bank Reconciliation?

Bank reconciliation is the process of checking that all the items that make up the actual changes in the various business bank and credit card accounts are fully reflected in Liberty Accounts records.

Regularly performing reconciliation ensures that no items are missed. For example a debit card payment will show up in the bank statement, but you may have forgotten to update your accounting records. The bank reconciliation will highlight the omission. You may have misplaced a credit card slip which the reconciliation to the credit card statement will make clear; or may be you have inadvertently entered a transaction twice; the reconciliation will expose this error.


Performing regular bank reconciliations is vital to ensuring that your accounts are as up to date and accurate as possible. We strongly recommend that whenever a new bank statement is received it should be reconciled as soon as possible.

### Where is bank reconciliation performed?


Whenever a bank or credit card account is set up a bank reconciliation process will be available to manage that account.

Access to the reconciliation process can be via one of three potential routes.

From the **ACCOUNTS** menu

**ACCOUNTS** → **BANK/CREDIT ACCOUNTS** → click  on the relevant account.

or,

**ACCOUNTS** → click on the relevant **Account** → click the  button at the top of the date column.

or,

From the **ACTIVITIES** menu

**ACTIVITIES** → **RECONCILE ACCOUNTS** → select the relevant account and **SUBMIT**.

Any of these routes leads to a screen based process specially designed to help you complete the reconciliation as easily as possible.

### The Reconciliation Screen

The reconciliation screen lists all the un-reconciled transactions recorded in the selected bank account. All previously reconciled transactions are still visible in the normal view of the bank account, but as they are already reconciled they do not need to be shown again in the reconciliation screen.

**Key Features of the screen are:**

- ◆ **Last statement date** is the date of the previous bank statement to which the account had been reconciled.
- ◆ **Current Statement date** is the date of the bank statement which is now being reconciled.
- ◆ **Starting Balance** is the closing balance of the last reconciled bank statement
- ◆ **Ending Balance** is the closing balance on the bank statement now being reconciled.
- ◆ **Payments/Deposits reconciled** are the running totals in each category as they are marked as reconciled
- ◆ **Amount Unaccounted For** is the residual amount still to be reconciled. It is the difference between the Ending and Starting Balances plus the Payments reconciled less the Deposits reconciled. A reconciliation process **CANNOT** be completed until this is zero.

Last Statement Date	Current Statement Date	Starting Balance	Ending Balance	Payments Reconciled	Deposits Reconciled	Amount Unaccounted For
11/04/2003	18/08/2003	-75.00	0.00	£0.00	£0.00	£0.00

	Amount	Date	Account
Bank Charge	0.00		Select...
Interest Charge	0.00		Select...
Interest Earned	0.00		Select...

Date	Reference	Payee	Memo	Payment	Deposit	CLEAR
01/05/2003	100102	Motor Factors Ltd	Bill Payment	£1,250.00	£0.00	<input type="checkbox"/>
06/05/2003		VW Fleet Customer	Receive Payment	£0.00	£250.00	<input type="checkbox"/>
22/05/2003		BMW Customer	Receive Payment	£0.00	£1,000.00	<input type="checkbox"/>
01/06/2003	100103	Property Owner		£3,000.00	£0.00	<input type="checkbox"/>
01/06/2003			Transfer Funds	£0.00	£3,200.00	<input type="checkbox"/>
20/06/2003		BMW Customer	Receive Payment	£0.00	£6,500.00	<input type="checkbox"/>
30/06/2003			Transfer Funds	£3,200.00	£0.00	<input type="checkbox"/>
30/06/2003				£2,000.00	£0.00	<input type="checkbox"/>
30/07/2003		The Resturant		£65.80	£0.00	<input type="checkbox"/>
08/08/2003		The Resturant	Lunch with New Client	£84.60	£0.00	<input type="checkbox"/>

It is usual for Banks to show on Statements any bank charges or interest charged or earned. Often it is not until you receive the statement that you become aware of these figures. The system allows you to both account for these items and enter them as reconciled in one process.

- ◆ **Bank Charge**, enter the amount and date shown on the statement as the bank charge. Select the expense account required.
- ◆ **Interest Charge**; enter the amount and date shown on the statement as the interest charge. Select the expense account required.
- ◆ **Interest Earned**, enter the amount and date shown on the statement as the interest earned. Select the income account required.

The remaining section of the screen outlines the details of the un-reconciled transactions as recorded, making it clear as to whether they are payments or deposits.

The final column is where an item can be marked as reconciled. Simply click on the box. A check mark ✓ will appear. Clicking on it again removes the check mark. If you wish to remove a number of check marks simply click on **CLEAR** at the top of the column.

## Reconciling your account

- ◆ Ensure that you have the bank statement to hand.
- ◆ Enter the current statement closing date and balance.
- ◆ Enter any bank charges or interest items.
- ◆ There will now be a figure in the **Amount Unaccounted For** box, which represents the amount to be reconciled.

YOUR BANK				
Account Statement				
date	details	paid out	paid in	balance
11/04/03	opening balance			-75.00
01/05/03	cheque 102	1250.00		-1325.00
06/05/03	credits		250.00	-1075.00
22/05/03	credits		1000.00	-75.00
01/06/03	credits	3000.00		-3075.00
	Transfer		3200.00	125.00
20/06/03	credits		6500.00	6625.00
30/06/03	Transfer	3200.00		3425.00
	Drawings	2000.00		1425.00
	Charges applied	58.00		1367.00
	Net Interest Credit		60.00	1427.00
Total Payments/Receipts		9508.00	11010.00	

Amount	Date	Account
Bank Charge 58.00	30/06/2003	...Bank Charges
Interest Charge 0.00		Select...
Interest Earned 60.00	30/06/2003	Interest Received

Date	Reference	Payee	Memo	Payment	Deposit	CLEAR
01/05/2003	100102	Motor Factors Ltd	Bill Payment	£1,250.00	£0.00	<input type="checkbox"/>
06/05/2003		VW Finance Customer	Receive Payment	£0.00	£250.00	<input checked="" type="checkbox"/>
22/05/2003		BMW Customer	Receive Payment	£0.00	£1,000.00	<input checked="" type="checkbox"/>
01/06/2003	100103	Property Owner		£3,000.00	£0.00	<input checked="" type="checkbox"/>
01/06/2003			Transfer Funds	£0.00	£3,200.00	<input checked="" type="checkbox"/>
20/06/2003		BMW Customer	Receive Payment	£0.00	£6,500.00	<input checked="" type="checkbox"/>
30/06/2003			Transfer Funds	£3,200.00	£0.00	<input checked="" type="checkbox"/>
30/06/2003				£2,000.00	£0.00	<input checked="" type="checkbox"/>
30/07/2003		The Restaurant		£65.80	£0.00	<input type="checkbox"/>
08/08/2003		The Restaurant	Lunch with New Client	£84.60	£0.00	<input type="checkbox"/>

- ◆ From your bank statement locate each transaction with the matching one in the reconciliation screen. Click on the check box to reconcile.
- ◆ If you find that you need to break off to correct an amount or enter something missing, simply edit or enter the transaction in the usual way. When you return to the reconcile screen, it will be as you left it but with the change shown.
- ◆ When the figure in the **Amount Unaccounted For** box is zero a **SUBMIT** button is highlighted at the base of the screen (scroll down if necessary). Clicking on **SUBMIT** completes the reconciliation process.
- ◆ A message appears towards the top right of the next screen confirming the process, "The account reconciliation has been successfully performed".

## Changes and Deletions after reconciliation

In the unlikely event it is necessary to make changes or delete a transaction which has already been reconciled, it must first be un-reconciled. We recommend care in making changes.

- ◆ Locate the relevant transaction from the bank account screen. Select the date range which covers the transaction you are amending.
- ◆ All reconciled items have an edit option available. With the exception of the value of the transaction all other details may be amended.

- ◆ Click on the green check mark (✓) in the right hand side of the transaction to un-reconcile this item.
- ◆ Confirm the confirmation request.
- ◆ The item reappears with the **DEL** option now available.
- ◆ You can now either delete the item or amend the value.
- ◆ The system amends the closing balance of the last statement by the amount changed or deleted when reconciliation is next activated.
- ◆ If the item was only changed in value it will reappear as an un-reconciled item at the new value.

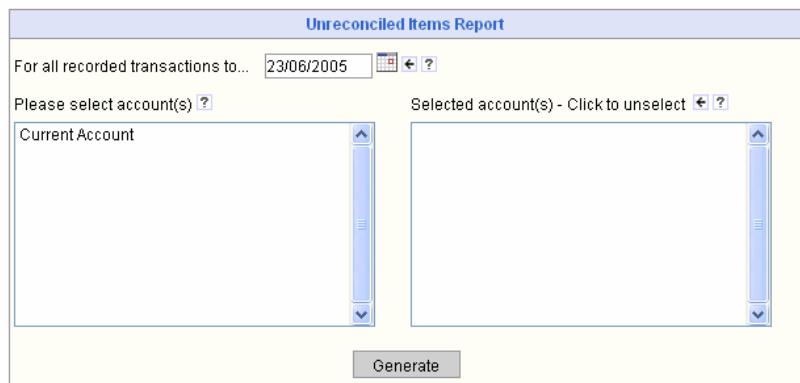
## Un-reconciled Items Report

At any time there will be items that have been recorded in the bank accounts that have not been reconciled to a bank statement. These are known as un-reconciled items. It is good practice to regularly review un-reconciled items to ensure that they are correct. If particularly the item is dated sometime in the past, perhaps a cheque has not been banked for example, and then perhaps some corrective action is necessary.

The report is accessed via the **REPORTS** menu.

### REPORTS → UNRECONCILED ITEMS

- ◆ Enter a date for which the report is to be run. Note that the report will prepare the list of un-reconciled items existing as that date.
- ◆ Click on the bank account or accounts you wish to prepare the report for.
- ◆ Click on **GENERATE** to prepare the report which is in pdf format and can be printed, saved or even e-mailed.



The screenshot shows a web-based form titled "Unreconciled Items Report". At the top, there is a date field labeled "For all recorded transactions to..." containing the date "23/06/2005". Below this, there are two list boxes. The first is labeled "Please select account(s) ?" and contains the text "Current Account". The second is labeled "Selected account(s) - Click to unselect ?" and is currently empty. At the bottom of the form, there is a "Generate" button.

**paul Consulting Ltd -TRIAL**  
**Unreconciled Items**  
For All Recorded Transactions to 23/06/2005

Account	Date	Reference	Type	Amount
<b>Current Account - Receipts</b>				
Suspense	28/02/2005		Opening Balance	15,850.00
Accounts Receivable	14/06/2005		Receipt	293.75
Receipts subtotal:				16,143.75
<b>Current Account - Payments</b>				
Wages & Salaries	01/03/2005	10035	Cheque	1,688.80
-Split-	01/03/2005	10037	Cheque	911.39
Pensions (Directors)	01/03/2005	10036	Cheque	80.00
Wages & Salaries	01/04/2005	10045	Cheque	1,688.80
-Split-	01/04/2005	10047	Cheque	911.39
Pensions (Directors)	01/04/2005	10046	Cheque	80.00
Vehicle - Fuel and Oil	13/04/2005		Debit Card	246.75
-Split-	22/04/2005		Debit Card	65.80
Wages & Salaries	01/05/2005	10055	Cheque	1,688.80
-Split-	01/05/2005	10057	Cheque	911.39
Pensions (Directors)	01/05/2005	10056	Cheque	80.00
Trade Creditors	08/05/2005	10071	Cheque	300.00
Wages & Salaries	01/06/2005	10065	Cheque	1,688.80
Pensions (Directors)	01/06/2005	10066	Cheque	80.00
-Split-	01/06/2005	10067	Cheque	911.39
Accounts Receivable	14/06/2005		Journal Entry	293.75
Payments subtotal:				11,627.06
Current Account subtotal:				4,516.69