

# Chapter 5

## Bank Reconciliation and Bank Transactions

### Topics

This chapter covers the following topics:

- Reconciling Bank Accounts
- Resolving Bank Reconciliation Errors
- Transferring Money between Accounts
- Handling Bounced Checks
- Bank Feeds

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### Teaching Tips

The bank reconciliation examples used in this chapter are for a checking account and credit card account. However, the same process can be used to reconcile most balance sheet accounts. (You can't reconcile Accounts Receivable, Undeposited Funds, Accounts Payable, and Retained Earnings.)

Emphasize to students that they should not click Reconcile Now in the Reconcile window unless the Difference field is equal to zero. Instead, they should research the source of the discrepancy and fix it.

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### Review Questions

Select the best answer(s) for each of the following:

1. What should you do if the *Beginning Balance* field in the *Begin Reconciliation* dialog box doesn't match the beginning balance on your bank statement?
  - a) Record a bank fee to make up the difference.
  - b) Record an adjustment to change the beginning balance in QuickBooks to match the bank statement's beginning balance.
  - c) **Use the *Discrepancy Report* and/or *Previous Reports* to see what changed since the last reconciliation. Fix the problem and then restart the reconciliation.**
  - d) Enter a statement charge to adjust the beginning balance.

2. Which features can you use to add bank service charges?
  - a) The *Enter Statement Charges* window.
  - b) The *Service Charge* field in the *Begin Reconciliation* dialog box.**
  - c) **Download the charges using *Bank Feeds*.**
  - d) **The *Write Checks* window before you reconcile.**
3. If a transaction amount in QuickBooks doesn't match the amount on your bank statement, which method should you use to correct the amount?
  - a) On the *Banking* menu, choose *Edit Transaction*.
  - b) In the account's register window, edit the transaction's amount.**
  - c) In the *Reconcile* window, click *Go To*, and then edit the transaction's amount.**
  - d) Ask the bank to change the amount in their records.
4. To record a voided check from a closed accounting period:
  - a) Void the check in the register.
  - b) Make a deposit in the current period assigned to the same account as the check you want to void. Then reconcile the deposit and the original check.**
  - c) In the register, right-click the check, and then select *Void Check*.
  - d) Change the check amount to zero.
5. To transfer money between accounts, you can:
  - a) In the *Write Checks* window, write a check and, in the *Account* field, choose the account you want to transfer money to.
  - b) Record a transfer in the first account's register window.
  - c) Use the *Transfer Funds* feature.
  - d) All of the above.**

# Bank Reconciliation Exercise 1

## Applying Your Knowledge

Note: For this exercise, restore Ch05\_reconcile\_forexercises 2015 (Portable).QBM if you are using QuickBooks 2015. If you run QuickBooks 2014, restore Ch05\_reconcile\_forexercises\_2014 (Portable).QBM.

- Using the bank statement shown below, reconcile the credit card account for 12/31/2018.

<b>Credit Card Statement</b>		Statement Date	12/31/2018	
		Previous Balance as of	11/30/2018	\$25.00
		New charges/fees	+	\$3,653.31
		Payments/refunds	-	\$3,552.10
		Ending Balance as of	12/31/2018	<b>\$126.21</b>
<b>Transactions</b>				
Ref. No.	Date	Description	Debits	Credits & Payments
109213	12/3/2018	Office supplies	\$201.34	
301625	12/10/2018	Delivery	\$69.20	
122481	12/10/2018	Equipment Rental	\$3,290.42	
432077	12/17/2018	Tools	\$92.35	
702362	12/18/2018	Office supplies		\$52.10
123920	12/29/2018	Payment - thank you!		\$3,500.00
			<b>\$3,653.31</b>	<b>\$3,552.10</b>

Figure 5-1 Bank statement to reconcile

Reconcile Credit Card - QuickBooks Credit Card

For period: 12/31/2018 ☐ Hide transactions after the statement's end date

Charges and Cash Advances				Payments and Credits				
DATE	REF #	PAYEE	AMOUNT	DATE	REF #	PAYEE	TYPE	AMOUNT
12/03/2018		Davis Business	201.34	12/18/2018		Davis Busin...	CC CRED	52.10
12/10/2018		Express Delivery...	69.20	12/28/2018		QuickBooks...	CC CRED	3,500.00
12/10/2018		Hopkins Constr...	3,290.42					
12/17/2018		East Bayshore T...	92.35					
12/20/2018		Hopkins Constr...	437.22					

☒ Highlight Marked

Beginning Balance	25.00	
Items you have marked cleared		
2 Payments and Credits	3,552.10	
4 Charges and Cash Advances	3,653.31	

Finance Charge	0.00
Ending Balance	126.21
Cleared Balance	126.21
Difference	0.00

Figure 5-2 Reconciled credit card account

2. Print a *Reconciliation Detail* report dated 12/31/2018.

Type	Date	Item	Name	Clr	Amount	Balance
<b>Beginning Balance</b>						<b>25.00</b>
<b>Cleared Transactions</b>						
<b>Charges and Cash Advances - 4 items</b>						
▶ Credit Card Char...	12/03/2018		Davis Business As...	✓	-201.34	-201.34
Credit Card Char...	12/10/2018		Hopkins Construct...	✓	-3,290.42	-3,491.76
Credit Card Char...	12/10/2018		Express Delivery S...	✓	-69.20	-3,560.96
Credit Card Char...	12/17/2018		East Bayshore Too...	✓	-92.35	-3,653.31
Total Charges and Cash Advances					-3,653.31	-3,653.31
<b>Payments and Credits - 2 items</b>						
Credit Card Credit	12/18/2018		Davis Business As...	✓	52.10	52.10
Credit Card Credit	12/28/2018		QuickBooks Maste...	✓	3,500.00	3,552.10
Total Cleared Transactions					-101.21	-101.21
Cleared Balance					101.21	126.21
<b>Uncleared Transactions</b>						
<b>Charges and Cash Advances - 1 item</b>						
Credit Card Char...	12/20/2018		Hopkins Construct...		-437.22	-437.22
Total Charges and Cash Advances					-437.22	-437.22
Total Uncleared Transactions					-437.22	-437.22
Register Balance as of 12/31/2018					538.43	563.43
<b>Ending Balance</b>					<b>538.43</b>	<b>563.43</b>

Figure 5-3 Reconciled credit card account

## Bank Reconciliation Exercise 2 (Advanced)

### Applying Your Knowledge

Note: For this exercise, restore Ch05\_reconcile\_forexercises 2015 (Portable).QBM if you are using QuickBooks 2015. If you run QuickBooks 2014, restore Ch05\_reconcile\_forexercises\_2014 (Portable).QBM.

- The check you received from *Anton Teschner* for his *Sun Room* job on 12/12/2018 bounced: check #306 in the amount of \$3,500 as payment for Invoice 1085 (assigned to class *New Construction*).
  - Record a bounced check transaction for this check. The bank charged a \$25 NSF fee to your checking account. Your company charges customers \$20.00 for bounced checks.

Manage Bounced Check

What did the bank charge you for this bounced check?

BANK FEE: 25.00    DATE: 12/15/2018

EXPENSE ACCOUNT: 60600 Bank Service Charges

CLASS: Overhead

How much do you want to charge your customer?

CUSTOMER FEE: 20.00    [Learn more](#)

Buttons: Back, Next, Finish, Help, Cancel

Figure 5-4 Recording bounced check

2. Record the transactions needed to record the receipt and deposit of *Mr. Teschner's* replacement check: check #315 for \$3,500. He didn't include the NSF charges in the replacement check.
  - Record the payment and apply it to the correct invoice on 12/17/2018. Record the deposit on 12/17/2018.

**Customer Payment** CUSTOMER BALANCE **4,085.95**

RECEIVED FROM: **Teschner, Anton:Sun ...**

PAYMENT AMOUNT: **3,500.00**

DATE: **12/17/2018**

CHECK #: **315**

Where does this payment go? **CHECK**

DATE	NUMBER	ORIG. AMT.	AMT. DUE	PAYMENT
11/28/20...	1085	8,305.95	4,065.95	3,500.00
12/15/20...	1100	20.00	20.00	0.00
<b>Totals</b>		<b>8,325.95</b>	<b>4,085.95</b>	<b>3,500.00</b>

UNDERPAYMENT: **\$565.95**

WHEN FINISHED:

☒ LEAVE THIS AS AN UNDERPAYMENT

☐ WRITE OFF THE EXTRA AMOUNT

VIEW CUSTOMER CONTACT INFORMATION

AMOUNTS FOR SELECTED INVOICES

AMOUNT DUE: **4,065.95**

APPLIED: **3,500.00**

DISCOUNT AND CREDITS APPLIED: **0.00**

MEMO:

Save & Close Save & New Clear

Figure 5-5 Recording replacement check

**Make Deposits**

Deposit To: **100 - Checking** Date: **12/17/2018** Memo: **Deposit**

Click Payments to select customer payments that you have received. List any other amounts to deposit below.

RECEIVED FROM	FROM ACCOUNT	MEMO	CHK NO.	PMT METH.	CLASS	AMOUNT
Teschner, Anton:Sun Room	12000 - Undeposit...		315	Check		3,500.00

Deposit Subtotal: **3,500.00**

To get cash back from this deposit, enter the amount below. Indicate the account where you want this money to go, such as your Petty Cash account.

Cash back goes to:  Cash back memo:  Cash back amount:

Deposit Total: **3,500.00**

Save & Close Save & New Revert

Figure 5-6 Recording deposit

3. Using the sample bank statement shown below, reconcile the checking account through 12/31/2018.

Checking Account Statement		Statement Date	12/31/2018
Previous Balance as of	11/30/2018		\$49,668.89
Total Deposits and Credits		+	\$46,775.50
Total Checks and Debits		-	\$38,543.22
Ending Balance as of	12/31/2018		<b>\$57,901.17</b>

  

Deposits		
date	description	amount
12/2/2018	Customer payment	\$4,706.01
12/3/2018	Customer payment	\$1,200.00
12/5/2018	Transfer from savings	\$25,000.00
12/5/2018	Customer payment	\$5,000.00
12/10/2018	Customer payment	\$1,000.00
12/10/2018	Customer payment	\$102.65
12/12/2018	Customer payment	\$4,936.12
12/14/2018	Customer payment	\$4,700.00
		<b>\$46,644.78</b>

  

Checks Paid		
number	date	amount
476	12/1/2018	\$711.15
477	12/1/2018	\$2,700.00
478	12/1/2018	\$62.00
10070	12/1/2018	\$1,325.15
10071	12/1/2018	\$890.57
10072	12/1/2018	\$1,033.99
479	12/2/2018	\$135.80
480	12/5/2018	\$1,938.00
481	12/5/2018	\$1,500.00
482	12/5/2018	\$950.00
483	12/5/2018	\$900.00
484	12/5/2018	\$5,325.00
485	12/5/2018	\$2,150.00
486	12/5/2018	\$2,445.00
487	12/7/2018	\$294.98
488	12/7/2018	\$2,142.78
489	12/7/2018	\$75.00
490	12/7/2018	\$805.83
491	12/8/2018	\$175.00
492	12/8/2018	\$700.00
493	12/10/2018	\$8,000.00
494	12/10/2018	\$2,400.00
495	12/10/2018	\$1,000.00
498*	12/12/2018	\$250.00
499	12/12/2018	\$532.97
500	12/12/2018	\$70.00
<b>TOTAL</b>		<b>\$38,513.22</b>

  

Interest		
date	description	amount
12/31/2018	Interest earned	\$130.72
		<b>\$130.72</b>

  

Other Withdrawals		
date	description	amount
12/19/2018	NSF charge	\$20.00
12/30/2018	Service charge	\$10.00
		<b>\$30.00</b>

**Figure 5-7 Bank statement to reconcile**

4. Print a *Reconciliation Detail* report dated 12/31/2018.

2:18 PM  
12/15/18

**Rock Castle Construction**  
**Reconciliation Detail**  
10100 · Checking, Period Ending 12/31/2018

Type	Date	Num	Name	Clr	Amount	Balance
<b>Beginning Balance</b>						<b>49,668.89</b>
<b>Cleared Transactions</b>						
<b>Checks and Payments - 28 items</b>						
Bill Pmt -Check	12/01/2018	477	Larson Flooring	✓	-2,700.00	-2,700.00
Paycheck	12/01/2018	10070	Dan T. Miller	✓	-1,325.15	-4,025.15
Paycheck	12/01/2018	10072	Gregg O. Schneider	✓	-1,033.99	-5,059.14
Paycheck	12/01/2018	10071	Elizabeth N. Mason	✓	-890.57	-5,949.71
Check	12/01/2018	476	Abercrombie, Kris...	✓	-711.15	-6,660.86
Check	12/01/2018	478	Gregg O. Schneider	✓	-62.00	-6,722.86
Check	12/02/2018	479	CalOil Company	✓	-135.80	-6,858.66
Bill Pmt -Check	12/05/2018	484	Patton Hardware S...	✓	-5,325.00	-12,183.66
Bill Pmt -Check	12/05/2018	486	Wheeler's Tile Etc.	✓	-2,445.00	-14,628.66
Bill Pmt -Check	12/05/2018	485	Washuta & Son Pa...	✓	-2,150.00	-16,778.66
Bill Pmt -Check	12/05/2018	480	Thomas Kitchen &...	✓	-1,938.00	-18,716.66
Bill Pmt -Check	12/05/2018	481	C.U. Electric	✓	-1,500.00	-20,216.66
Bill Pmt -Check	12/05/2018	482	Hamlin Metal	✓	-950.00	-21,166.66
Bill Pmt -Check	12/05/2018	483	Keswick Insulation	✓	-900.00	-22,066.66
Liability Check	12/07/2018	488	Great Statewide B...	✓	-2,142.78	-24,209.44
Liability Check	12/07/2018	490	State Fund	✓	-805.83	-25,015.27
Liability Check	12/07/2018	487	Employment Devel...	✓	-294.98	-25,310.25
Liability Check	12/07/2018	489	Sergeant Insurance	✓	-75.00	-25,385.25
Bill Pmt -Check	12/08/2018	492	Lew Plumbing	✓	-700.00	-26,085.25
Check	12/08/2018	491	City of Middlefield	✓	-175.00	-26,260.25
Bill Pmt -Check	12/10/2018	493	Timberloft Lumber	✓	-8,000.00	-34,260.25
Bill Pmt -Check	12/10/2018	494	Middlefield Drywall	✓	-2,400.00	-36,660.25
Bill Pmt -Check	12/10/2018	495	Gallion Masonry	✓	-1,000.00	-37,660.25
Bill Pmt -Check	12/12/2018	499	East Bayshore Au...	✓	-532.97	-38,193.22
Bill Pmt -Check	12/12/2018	498	Fay, Maureen Lyn...	✓	-250.00	-38,443.22
Bill Pmt -Check	12/12/2018	500	Express Delivery S...	✓	-70.00	-38,513.22
Check	12/17/2018	eft	Bank of Anycity	✓	-20.00	-38,533.22
Check	12/31/2018			✓	-10.00	-38,543.22
<b>Total Checks and Payments</b>					<b>-38,543.22</b>	<b>-38,543.22</b>
<b>Deposits and Credits - 9 items</b>						
Deposit	12/02/2018			✓	4,706.01	4,706.01
Payment	12/03/2018		Teachner, Anton S...	✓	1,200.00	5,906.01

**Figure 5-8 Completed Reconciliation**

5. Print a statement for *Anton Teschner's Sun Room* job for the period 11/1/2018 through 12/31/2018.

Rock Castle Construction 1735 County Road Bayshore, CA 94326		<b>Statement</b> <div style="border: 1px solid black; padding: 2px; width: fit-content; margin: 0 auto;">             Date              12/31/2018           </div>			
<div style="border: 1px solid black; padding: 5px; margin-bottom: 10px;">             To:              Anton Teschner              2424 Lisa Lane              Bayshore, CA 94326           </div>					
		<div style="border: 1px solid black; padding: 2px; width: fit-content; margin: 0 auto;">             Amount Due              \$585.95           </div>	<div style="border: 1px solid black; padding: 2px; width: fit-content; margin: 0 auto;">             Amount Enc.  </div>		
U/M	Date	Transaction	Amount	Balance	
	10/31/2018	Balance forward		1,960.00	
	11/28/2018	Sun Room- INV #1085. Due 12/13/2019.	8,305.95	10,265.95	
	12/03/2018	PMT	-1,200.00	9,065.95	
	12/05/2018	PMT #56321.	-5,000.00	4,065.95	
	12/12/2018	PMT #306.	-3,500.00	565.95	
	12/15/2018	GENJRNL #FAM2011. Bounced Check# 306	3,500.00	4,065.95	
	12/15/2018	INV #1100. Due 12/30/2018. Bounced Check# 306	20.00	4,085.95	
	12/17/2018	PMT #315.	-3,500.00	585.95	
CURRENT	1-30 DAYS PAST DUE	31-60 DAYS PAST DUE	61-90 DAYS PAST DUE	OVER 90 DAYS PAST DUE	Amount Due
565.95	20.00	0.00	0.00	0.00	\$585.95

**Figure 5-9 Statement**