

Steps in Preparing a Bank Reconciliation

Step 1 Start with two columns, one for the depositor's bank records and one for the bank statement. List the ending balances of both.

*This is an exercise for your records, at this point you are not making any actual changes to the records.

	Depositor's Bank Records	Bank Statement
Ending Balance From Records		

Step 2 Compare checks issued by depositor with checks paid by bank. Any outstanding checks issued, but not paid yet should be deducted from Bank Statement.

	Depositor's Bank Records	Bank Statement
Ending Balance		
Outstanding Checks		- deduct any outstanding checks not paid by bank

Step 3 Compare Deposits listed in the bank statement with the deposits shown in the accounting records. Any deposits not yet recorded by the bank are deposits in transit and should be added to the balance shown in the bank statement.

	Depositor's Bank Records	Bank Statement
Ending Balance		
Outstanding Checks		- deduct any outstanding checks not paid by bank
Deposits in Transit		+ any deposits not recorded

Step 4 Add to the balance per the depositor's accounting records any credit memoranda issued by the bank that have not been recorded by the depositor.

	Depositor's Bank Records	Bank Statement
Ending Balance		
Outstanding Checks		- deduct any outstanding checks not paid by bank
Deposits in Transit		+ any deposits not recorded
Credit Memoranda	+ any credits shown on bank statement	

Step 5 Deduct from depositor's accounting records any debit memoranda issued by bank that have not been recorded by the depositor.

	Depositor's Bank Records	Bank Statement
Ending Balance		
Outstanding Checks		- deduct any outstanding checks not paid by bank
Deposits in Transit		+ any deposits not recorded
Credit Memoranda	+ any credits shown on bank statement	
Debit Memoranda	- any debits shown on bank statement (ex. bank charges)	

Step 6 Make appropriate adjustments to correct any errors in either the bank statement or the depositor's accounting records. (1) Example - bank paid another company's check against your account.

	Depositor's Bank Records	Bank Statement
Ending Balance		
Outstanding Checks		- deduct any outstanding checks not paid by bank
Deposits in Transit		+ any deposits not recorded
Credit Memoranda	+ any credits shown on bank statement	
Debit Memoranda	- any debits shown on bank statement (ex. bank charges)	
Correct Errors		- subtract from bank balance (then call bank and ask them to correct the error)

Step 7 Determine that the adjusted balance of the bank statement is equal to the adjusted balance in the depositor's records.

	Depositor's Bank Records	Bank Statement
Ending Balance		
Outstanding Checks		- deduct any outstanding checks not paid by bank
Deposits in Transit		+ any deposits not recorded
Credit Memoranda	+ any credits shown on bank statement	
Debit Memoranda	- any debits shown on bank statement (ex. bank charges)	
Correct Errors		- subtract from bank balance (then call bank and ask them to correct the error)
ADJUSTED BALANCE		

Step 8 Prepare any journal entries to record any items in the bank reconciliation listed as adjustments to the balance per the DEPOSITOR's records.

*You do not (cannot) make changes to the bank statement, unless there is an error on the bank's behalf, the other differences will correct themselves in the next statement.

	Depositor's Bank Records	Bank Statement
Ending Balance		
Outstanding Checks		- deduct any outstanding checks not paid by bank
Deposits in Transit		+ any deposits not recorded
Credit Memoranda	+ any credits shown on bank statement	
Debit Memoranda	- any debits shown on bank statement (ex. bank charges)	
Correct Errors		- subtract from bank balance (then call bank and ask them to correct the error)
ADJUSTED BALANCE		