



2-2 Reconcile a Bank Statement

How Do Checking Account Users Make Sure That Their Records are Correct?

- A customer keeps a record of all transactions (hopefully 😊) and so does the bank.
- Every month, the bank sends you (or makes available online) a list of those transactions and your related account balance including:
 - Account #
 - Dates
 - Starting and ending balance in your account
 - Deposits, withdrawals and other transactions list
- NOTE: You should keep a record of all transactions in your checking account, including checks written, deposits made, fees paid, ATM withdrawals, and so on. This record is a **check register**.

Reconciling a Bank Statement

The image shows a close-up of a bank statement. At the top, there is an 'ACCOUNT SUMMARY' section with columns for 'BEGINNING BALANCE', 'CURRENT INTEREST PD', and 'ENDING BALANCE'. Below this is the 'ACCOUNT ACTIVITY' section, which is divided into three columns: 'DEPOSITS', 'CHECKS & OTHER DEDUCTIONS', and 'DAILY BALANCE'. The 'DEPOSITS' column lists several amounts, including 781.45, 503.00, 252.00, 182.00, 58.16, 0.50, and 40.43. The 'CHECKS & OTHER DEDUCTIONS' column lists 503.00, 252.00, and 182.00. The 'DAILY BALANCE' column shows a starting balance of 8940.07, followed by 837.07, 185.07, and a final balance of 866.50. A watermark 'CanStock' is visible over the document.

| ACCOUNT SUMMARY | | |
|-----------------|-------------------|----------------|
| | BEGINNING BALANCE | ENDING BALANCE |
| | | 1,120.97 |

| ACCOUNT ACTIVITY | | |
|------------------|---------------------------|---------------|
| DEPOSITS | CHECKS & OTHER DEDUCTIONS | DAILY BALANCE |
| 781.45 | | 8940.07 |
| | 503.00 | 837.07 |
| | 252.00 | 185.07 |
| | 182.00 | |
| | 58.16 | |
| | 0.50 | |
| | 40.43 | |
| | | 866.50 |

- Look at your bank statement and make sure that all of the information is correct.
- Compare the bank's list of activity with yours and your balance (\$ in bank) to make sure that you agree.
- I occasionally find errors that need to be corrected by me or the bank.


Example 1 – steps to reconcile statement

- Look at Michael's check register and bank statement and compare them to reconcile his account for November.
- STEP 1: Look at check register and bank statement (see next slide) and check off common transactions. See red x's on next slide.
- STEP 2: Find ALL transactions that are not listed on BOTH documents.

Example 1 continued – reconcile bank statement

STEP 3: Find ending bank balance (see red arrow below) = \$628.23

STEP 4: Find balance in Michael's check register at bottom right = \$641.13

| 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 X | \$ 826.95 |
| 11/11 | DEPOSIT | | 100.00 X | \$ 926.95 |
| 11/13 | W/D | 1770 | 158.08 X | \$ 768.87 |
| 11/17 | W/D | 1768 | 46.50 X | \$ 722.37 |
| 11/19 | W/D | 1769 | 74.64 X | \$ 647.73 |
| 11/27 | W/D | 1765 | 19.50 X | \$ 628.23 |
| | | | ENDING BALANCE → | \$ 628.23  |

| 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 W/D-DRAWAL | ✓ | OTHER | AMOUNT OF DEPOSIT OR INTEREST | |
| 1763 | 10/13 | TO <i>Deepdale Country Club</i> FOR <i>Swimming lessons</i> | 50 00 | | | | 748 95 - 50 00 698 95 |
| 1764 | 10/13 | TO <i>Joe's Sporting Goods</i> FOR <i>Tennis Racket</i> | 48 00 | ✓ | | | - 48 00 650 95 |
| 1765 | 10/14 | TO <i>Ellio's Pizzeria</i> FOR <i>Pizza Party</i> | 19 50 | X | | | - 19 50 631 45 |
| 1766 | 10/15 | TO <i>Bethpage Auto Parts</i> FOR <i>Air Filter</i> | 9 00 | ✓ | | | - 9 00 622 45 |
| | 10/15 | TO <i>Deposit</i> FOR | | ✓ | | 100 00 | + 100 00 722 45 |
| 1767 | 10/16 | TO <i>Maple Place Garage</i> FOR <i>Inspection</i> | 18 00 | | | | - 18 00 704 45 |
| 1768 | 10/18 | TO <i>Ticket Man</i> FOR <i>Concert Tickets</i> | 46 50 | X | | | - 46 50 657 95 |
| 1769 | 10/21 | TO <i>Caruso's Restaurant</i> FOR <i>Dinner</i> | 74 64 | X | | | - 74 64 583 31 |
| 1770 | 10/22 | TO <i>Mickel's Home Center</i> FOR <i>Tool Chest</i> | 158 08 | X | | | - 158 08 425 23 |
| 1771 | 11/4 | TO <i>Aunt Bella's Restaurant</i> FOR <i>Dinner</i> | 29 10 | | | | - 29 10 396 13 |
| | 11/5 | TO <i>Deposit</i> FOR | | X | | 35 00 | + 35 00 431 13 |
| 1772 | 11/9 | TO <i>Living Color Lab</i> FOR <i>Film Developing</i> | 15 00 | | | | - 15 00 416 13 |
| | 11/11 | TO <i>Deposit</i> FOR | | X | | 100 00 | + 100 00 516 13 |
| | 12/1 | TO <i>Deposit</i> FOR | | | | 125 00 | + 125 00 641 13 |

Example 1 continued – reconcile bank statement

- NOTE: Those two numbers are not equal because not all of his checks have gone to the bank and been subtracted from his account and his last deposit was on December 12th which is not on the bank statement.

- **OUTSTANDING WITHDRAWALS:**

| | |
|----------------|----------------|
| ○ Check # 1763 | \$50.00 |
| ○ Check # 1767 | \$18.00 |
| ○ Check # 1771 | \$29.10 |
| ○ Check # 1772 | <u>\$15.00</u> |
| ○ Total: | \$112.10 |

- **STEP 5: RECONCILIATION**

| | |
|----------------------------------|-------------------|
| ○ Bank statement ending balance | \$628.23 |
| ○ + Total deposits outstanding | + \$125.00 |
| ○ -Total withdrawals outstanding | <u>- \$112.10</u> |
| ○ Revised statement balance | \$641.13 |

- **STEP 6:** Does that adjusted balance agree with Michael's check register?
 - If yes, you are done RECONCILED 😊
 - If not, go back and find errors.

Example 2 – Formula for reconciling a bank statement (not required to memorize)

- Use algebraic formulas and statements to model the check register balancing process.

- SOLUTION:

- Bank statement ending balance a

- + Total deposits outstanding + b

- -Total withdrawals outstanding - c

- Revised statement balance = d

$$d = a + b - c$$

$$d = r ?$$

- STEP 6: Does that adjusted balance agree with Michael's check register (we will call this r)?

- If yes ($d = r$) , you are done RECONCILED 😊 GOOD!!!

- If not (\neq), go back and find errors.

Example 3 – Reconcile Using a Spreadsheet

- Marina and Brian have a joint checking account (together).
- Their check register balance says \$3,839.25.
- The bank statement has an ending balance of \$3,450.10.
- Not reported on the statement are deposits of \$2,000.00, \$135.67, \$254.77, and \$188.76 and four checks for \$567.89, \$23.83, \$598.33, and \$1,000.00.
- Reconcile the bank statement.

| | A | B | C |
|----|---------------------------|--------------------|----------|
| 1 | | | |
| 2 | Outstanding Deposits | Outstanding Checks | |
| 3 | 2,000.00 | 567.89 | |
| 4 | 135.67 | 23.83 | |
| 5 | 254.77 | 598.33 | |
| 6 | 188.76 | 1,000.00 | |
| 7 | | | |
| 8 | | | |
| 9 | | | |
| 10 | 2,579.20 | 2,190.05 | Total |
| 11 | | | |
| 12 | Check register balance | | 3,839.25 |
| 13 | Statement ending balance | | 3,450.10 |
| 14 | Revised statement balance | | 3,839.25 |
| 15 | | | |
| 16 | Statement is reconciled. | | |

Assignment: pg 77 #3, 5-8 all, 10, 12

○ #3

Ken filled out this information on the back of his bank statement. Find Ken's revised statement balance. Does his account reconcile?

| Checking Account Summary | |
|---------------------------|-------------|
| Ending Balance | \$ 197.10 |
| Deposits | + \$ 600.00 |
| Checks Outstanding | - \$ 615.15 |
| Revised Statement Balance | |
| Check Register Balance | \$ 210.10 |

Assignment: pg 77 #3, 5-8 all, 10, 12 continued

#5

Jill has not been able to maintain the \$1,000 minimum balance required to avoid fees on her checking account. She wants to switch to a different account with a fee of \$0.20 per check and a \$12.50 monthly maintenance fee. Jill wants to estimate the fees for her new account. Below is a summary of the checks she has written from May to August.

| Month | Number of Checks on Statement |
|--------|-------------------------------|
| May | 14 |
| June | 19 |
| July | 23 |
| August | 24 |

What is the mean number of checks Jill wrote per month during the last four months?

Based on the mean, estimate how much Jill expects to pay in per-check fees each month after she switches to the new account.

Estimate the total monthly fees Jill will pay each month for the new checking account.

Assignment: pg 77 #3, 5-8 all, 10, 12 continued

- #6 NOTE: Check register is on next slide.

Use Tina Weaver's monthly statement and check register to reconcile her account.

Tina Weaver
41 Slider Lane
Greenwich, CT 06830

ACCOUNT NUMBER: 76666600A
STATEMENT PERIOD: 3/01 - 3/31

STARTING BALANCE → \$ 871.50

| DATE | DESCRIPTION | CHECK NUMBER | TRANSACTION AMOUNT | BALANCE |
|------|-------------|--------------|--------------------|-------------|
| 3/3 | W/D | 395 | \$ 79.00 | \$ 792.50 |
| 3/4 | DEPOSIT | | \$ 600.00 | \$ 1,392.50 |
| 3/10 | W/D | 396 | \$ 51.10 | \$ 1,341.40 |
| 3/14 | W/D | 393 | \$ 12.00 | \$ 1,329.40 |
| 3/19 | W/D | 394 | \$ 133.81 | \$ 1,195.59 |
| 3/24 | DEPOSIT | | \$ 250.00 | \$ 1,445.59 |
| 3/30 | W/D | 398 | \$ 11.40 | \$ 1,434.19 |

ENDING BALANCE → \$1,434.19

Assignment: pg 77 #3, 5-8 all, 10, 12 continued

- #6 continued
- NOTE: question is on next page
- This is her check register.

| NUMBER OR CODE | DATE | TRANSACTION DESCRIPTION | PAYMENT AMOUNT | ✓ | FEE | DEPOSIT AMOUNT | \$ BALANCE |
|----------------|------|--------------------------|----------------|---|-----|----------------|------------|
| 392 | 2/20 | Conn Telephone Co. | \$ 76 80 | ✓ | | | 871.50 |
| 393 | 2/21 | Rod's Bike Shop | 12 00 | | | | 859.50 |
| 394 | 3/1 | Window's Restaurant | 133 81 | | | | 725.69 |
| 395 | 3/2 | Centsible Bank | 79 00 | | | | 646.69 |
| | 3/4 | Deposit | | | | 600 00 | 1,246.69 |
| 396 | 3/4 | Spear's Department Store | 51 10 | | | | 1,195.59 |
| 397 | 3/15 | Mary Lewis | 50 00 | | | | 1,145.59 |
| 398 | 3/21 | Sea Cliff Records | 11 40 | | | | 1,134.19 |
| | 3/23 | Deposit | | | | 250 00 | 1,384.19 |
| 399 | 4/2 | Ciangiola Motors | 39 00 | | | | 1,345.19 |
| | 4/2 | Deposit | | | | 700 00 | 2,045.19 |

Assignment: pg 77 #3, 5-8 all, 10, 12 continued

- #6 continued

What is the ending balance on the statement?

What is the total of the outstanding deposits?

What is the total of the outstanding withdrawals?

What is the revised statement balance?

What is the balance of the check register?

Does the account reconcile?

Assignment: pg 77 #3, 5-8 all, 10, 12 continued

- #7 Donna has a checking account that charges \$0.15 for each check written and a monthly service charge of \$9.75.
 - Write a formula that Donna can use each month to find the fees she will be charged.
 - Identify any variable (letter) you use in the formula.
- #8 Mason discovered that when he recorded a deposit of \$75 two weeks ago, he mistakenly subtracted it from the running total in his check register. He decided that he would write a new entry after his most recent entry and add \$75.
 - Will this correct his mistake?
 - Explain why or why not.

Assignment: pg 77 #3, 5-8 all, 10, 12 continued

- #10 See check register on next slide.

Use Allison Shannon's bank statement and check register to reconcile her account. Does Allison's account reconcile?

| Allison Shannon 3 Honey Drive Dallas, TX 75372 | | | ACCOUNT NUMBER: 76574709A STATEMENT PERIOD: 12/01 - 12/31 | | |
|--|-------------|--------------|--|---|-------------|
| | | | STARTING BALANCE | → | \$1,685.91 |
| DATE | DESCRIPTION | CHECK NUMBER | TRANSACTION AMOUNT | | BALANCE |
| 12/08 | W/D | 1502 | 147.28 | | \$ 1,538.63 |
| 12/10 | W/D | 1501 | 130.00 | | \$ 1,408.63 |
| 12/15 | DEPOSIT | | 749.00 | | \$ 2,157.63 |
| 12/23 | W/D | 1504 | 250.00 | | \$ 1,907.63 |
| 12/27 | W/D | 1503 | 72.00 | | \$ 1,835.63 |
| 12/29 | W/D | 1506 | 26.00 | | \$ 1,809.63 |
| | | | ENDING BALANCE | → | \$1,809.63 |

Assignment: pg 77 #3, 5-8 all, 10, 12 continued

○ #10 continued

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 | | | |
| | | | | | | | | 1,685 | 91 |
| 1500 | 11/20 | TO <i>Girl Scouts</i> | 32 00 | | | | | - 32 | 00 |
| | | FOR <i>Cookies</i> | | | | | | | |
| 1501 | 11/30 | TO <i>Bank of Scaford</i> | 130 00 | ✓ | | | | - 130 | 00 |
| | | FOR <i>Loan Payment</i> | | | | | | | |
| 1502 | 12/2 | TO <i>Lacy's Department Store</i> | 147 28 | ✓ | | | | - 147 | 28 |
| | | FOR <i>Radio</i> | | | | | | | |
| 1503 | 12/11 | TO <i>Charge Tix</i> | 72 00 | ✓ | | | | - 72 | 00 |
| | | FOR <i>Concert Tickets</i> | | | | | | | |
| | 12/15 | TO <i>Deposit</i> | | ✓ | | 749 00 | | + 749 | 00 |
| | | FOR | | | | | | | |
| 1504 | 12/16 | TO <i>FLASHCARD</i> | 250 00 | ✓ | | | | - 250 | 00 |
| | | FOR <i>Monthly payment</i> | | | | | | | |
| 1505 | 12/17 | TO <i>Red Cross</i> | 100 00 | | | | | - 100 | 00 |
| | | FOR <i>Donation</i> | | | | | | | |
| 1506 | 12/18 | TO <i>Daily Newspaper</i> | 26 00 | ✓ | | | | - 26 | 00 |
| | | FOR <i>Subscription</i> | | | | | | | |
| | 1/5 | TO <i>Deposit</i> | | | | 150 00 | | + 150 | 00 |
| | | FOR | | | | | | | |

Assignment: pg 77 #3, 5-8 all, 10, 12 continued

- #12 When comparing his check register to his bank statement. Donte found that he had failed to record deposits of \$55.65, \$103.50, and \$25.
 - a) What is the total of these amounts?
 - b) How will he use this information to reconcile his account?