

M.5

How to Prepare A Reconciliation Manually

The purpose of a reconciliation is to prove that all of the cash or credit card activity reported by a bank or credit card company appears in the business' bookkeeping system, and that all of the cash and credit card transactions in the bookkeeping system correspond to transactions that went through the bank or credit card.

If you want to do a manual bank or credit card reconciliation you should ask your bank or credit card company to give you statements as of the last day of the month, or as late in the month as possible.

There is a simple formula to follow, and you work the formula backwards and forwards to make sure you are correct:

A. Bank to Books - Last Day of Month

- a. Balance in Bank Account per Bank Statement on Bank Statement Date
- b. Plus: Deposits Not Yet Recorded by Bank as of Month-End Date
- c. Less: Uncleared Checks as of Month-End Date
- d. Equals: Balance in Bank Account per Bookkeeping System at Month-End Date

B. Books to Bank - Last Day of Month

- a. Balance in Bank Account per Bookkeeping System at Month-End Date
- b. Less: Deposits Not Yet Recorded by Bank Between Bank Statement Date and Month-End Date
- c. Plus: Uncleared Checks as of Month-End Date
- d. Equals: Balance in Bank Account per Bank Statement
- e. The process is similar for a credit card reconciliation:

C. Credit Card to Books - Last Day of Month

- a. Balance Due on Credit Card per Statement on Statement Date
- b. Plus: Payments Not Yet Recorded by CC Company as of Month-End Date
- c. Less: Additional Charges Through Month-End Date
- d. Equals: Balance Due on Credit Card per Bookkeeping System at Month-End Date

D. Books to Credit Card Statement - Last Day of Month

- a. Balance Due on Credit Card per Bookkeeping System at Month-End Date
- b. Less: Payments Not Yet Recorded by on Credit Card Statement Between Statement Date and Month-End Date
- c. Plus: Additional Charges as of Month-End Date
- d. Equals: Balance Due on Credit Card per Credit Card Statement