

How To Reconcile

Once a month you'll receive a statement listing of all the transactions on your account for the previous month. The worst thing you can do is stick your account statement in a drawer (or delete it from your email), ignoring it. Instead, stick it in your end-of-month-bills file. At the end of the month, gather the statement, your cheque-book register/accounts book and receipts for the previous month. Sit down, sharpen your pencil and haul out your calculator. You are now ready to begin reconciling your bank statement.

All money items charged to your account at the bank are called *debits*. These include cheques written, debit card purchases, ATM cash withdrawals, fees and charges. All money items put into your account at the bank are called *credits*. These include things like deposits you make and interest you earn.

When you reconcile your account you are simply accounting for each debit and credit that occurred during the previous month. Your aim is to find any items that you didn't know about (like a service charge) or that had not gone through your account (like a cheques written but not cashed) as of your statement date and list them. You're also looking for mistakes that may have been made.

You can do this manually or you can use the Reconciling My Bank Account form on the site. If you want to do it manually, grab a blank piece of paper. At the top of the paper on the left side write the title MY RECORDS. At the top of the paper on the right side write the word BANK.

Under the title MY RECORDS, write the amount your accounts book says you have in your account **as of the date of the bank statement**. Let's say your statement is for the month ending June 30th, then you would write under MY RECORDS the balance you have in your accounts book for June 30th. If you have no items for June 30 in your accounts book, then use the preceding date. For example, you might have paid a bill on June 28th and then not used your account again until July 3rd. Use the balance you show for June 28th and write it on your paper under MY RECORDS. Lets say it is \$1654.36 just as an example.

Under the word BANK, write the final balance that your bank statement shows for the same date. Again we will assume it is June 30th and as an example let's use a balance of \$1525.37.

Compare and check off all of the items in your accounts book against all of the items on your bank statement that match. Put a tick mark beside each so if you get called away to answer the phone or make a peanut-butter sandwich you'll know where you are when you get back to your desk.

Under MY RECORDS list any items from your bank statement that you forgot to note in your own records. You may have forgotten to add in that cheque for medical reimbursement you deposited on the way to the movies. Don't forget to add in any interest you earned.

Under BOOK, list anything in your accounts book that doesn't appear on your statement. It is possible that the cheque you wrote on June 28th has not yet cleared your account. There might be several cheques or debits that have not cleared. If you are also recording your credit card transactions (which you should be), there may be several that did not come through on your last credit card statement and still have to be carried forward.

Total the two columns. (If you're using the Reconciling My Bank Account form, this will be done automatically for you.) Remember: If it is a credit (i.e., a deposit), you add it to your balance. If it is a debit (i.e., a debit card transaction), you subtract it from your balance.

If the two amounts are the same, you have balanced and your job is over.

If there is a difference between your records and the bank's records, you know something is wrong. So you'll have to dig a little deeper. You may have miscalculated (if the difference is divisible by 9, you may have reversed your numbers). Or there may be a mistake on the statement or in your records. Verify everything until you balance.

Make any corrections/additions/deletions to your accounts book to bring it up to date.