Small Business Management Toolbox

Manage finances

How to prepare a bank reconciliation

1. Compare the amounts entered in the column headed ‘bank deposits’ or ‘totals’ in the cash receipts journal with the receipts listed on the credit column of the bank statement. Be careful to tick each item in both records.

2. Compare the cheques entered in the cash payments journal with the cheques listed on the ‘debit column’ of the bank statement. Tick each item in both records.

3. The unticked items in the ‘credit’ column of the bank statement will most likely be direct credit entries such as dividends from investments, amounts paid directly to the bank by debtors and bank interest. These amounts need to be entered in the cash receipts journal and ticked off in the bank statement. You have reconciled your receipts when all receipts in the bank statements equal all receipts in the cash receipts journal.

4. The unticked items in the ‘debit’ column of the bank statement will most likely be regular direct debits such as monthly rental of equipment, insurance and bank charges. Enter these amounts into the cash payments journal and tick them off the bank statement.

5. Once you have completed steps 1 to 4 the only causes of differences should come from the following.

   a) Deposits not yet credited.

      Unticked items in the cash receipts journal are likely to be deposits being made on or near the last day of the statement period. These items should be processed by the bank on the next day and will be recorded on the first day of the new statement period.

   b) Unpresented cheques.

      Unticked items in the cash payments journal represent cheques drawn but not yet presented to the bank for payment.

      Items a) and b) form the basis of the reconciliation statement.