DOAA
Georgia Department
of Audits & Accounts

Bank Reconciliations

An effective bank reconciliation involves comparing the bank's records with the organization's internal financial records to ensure accuracy. The following steps outline the process:

Step 1

Gather necessary documents:

- Bank Statement: Obtain the most recent bank statement, either in print or electronic form.
- Internal Records: Have the entity's cash book or general ledger that tracks cash transactions available.
- Previous Reconciliation If applicable, have the previous period's reconciliation on hand for reference.

Step 2

Compare Opening Balances:

- Verify that the beginning balance on the bank statement matches the opening balance in your internal records. If they don't match, investigate any adjustments or carryovers from the previous reconciliation.

Step 3

Tick Off Matching Transactions:

- Match Deposits: Compare each deposit listed on the bank statement to those recorded in your books. Mark off any deposits that appear in both records.
- Match Withdrawals/Payments: Similarly, match checks, withdrawals, or payments listed on the bank statement to those recorded in the internal records.

Step 4

Identify Outstanding Items:

- Outstanding Checks/Payments: List any checks or payments that have been recorded in your books but do not appear on the bank statement. These are considered outstanding and will clear in the next period.
- Deposits in Transit: Note any deposits made toward the end of the period that are recorded in your books but have not yet appeared on the bank statement.

Step 5

Account for Bank-Only Transactions:

- Bank Fees and Charges: Record any bank fees, service charges, or penalties that appear on the bank statement but are not yet in your books.
- Interest Earned: If applicable, add any interest earned to your internal records.
- Direct Debits or EFTs: Record any electronic transfers or automatic debits that weren't previously included in your internal records.

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Step 6

Check for Errors and Adjustments:

- Review both sets of records to ensure no errors were made in recording deposits, payments, or other transactions. Correct any discrepancies like data entry errors, duplicated transactions, or incorrect amounts.

Step 7

Adjust Internal Records:

- Adjust your internal cash book to account for any bank charges, interest earned, outstanding transactions, and errors found during reconciliation.

Step 8

Recalculate Ending Balances:

- After making the necessary adjustments, recalculate your internal book balance. Compare this final balance to the bank statement's ending balance.

Step 9

Resolve Any Discrepancies:

- If the balances still do not match, recheck the records for overlooked transactions or errors. Investigate any unexplained differences between the bank statement and internal records.

Step 10

Document and Retain Reconciliation:

- Once the reconciliation is complete, document the process by noting any adjustments, corrections, and outstanding items. Save a copy of the reconciliation for future reference and audit purposes.

By following these steps, you ensure that all discrepancies between the bank statement and internal records are identified and resolved, maintaining accurate financial data.

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