Reconciling Bank Statements: Why It Happens and How to Fix It

When paying for higher priced goods and services, many people choose to pay by credit card. For other smaller daily items, many people choose to pay be check.Debit cards have become a popular way to pay, too. They can be used instead of checks at most places. Many businesses no longer accept checks. **Today we will discuss** why there may be inconsistencies within bank statements and learn how to reconcile records.

**Everyone should know** how to make sure that his or her checking account records are accurate. Keeping track of your account balance and knowing what the bank has as a balance is very important. Everyone, including banks, make mistakes.

In addition to writing down all payments and deposits in a check register (last lesson), how does one make sure his or her records are accurate?

It is not as easy as it sounds because most often personal records and bank records are not the same. **How come these two records do not usually match**? **I will list four commons reasons.**

**First**, some payments or deposits may be outstanding. This means the bank may not know about them yet. **Second**, people simply forget to keep track of what they do. **For example,** it is quite common for people to forget to record debit purchases. **Third**, banks usually charge a monthly fee to keep track of your account and often this is not subtracted by account owners. **Finally**, sometimes your account earns interest. This is money you earn from the bank for keeping your money with them. Recording this amount is also frequently overlooked.

Now that we know that a person’s account and a bank’s knowledge of that account are not the same, **it is time to learn** how to bring them into agreementwith each other. This is a process called reconciling.

**You should know that** reconciling involves comparing the checkbook and the bank statement you receive in the mail or check online. To complete reconciling, **you should perform the following steps.**

**First**, look at the bank balance (the amount of money in an account). If there are any outstanding deposits, add them to the balance. If there are any outstanding payments, subtract them.

**Second**, look over the checkbook balance. If there are any fees that the bank has charged, subtract them from the balance. These fees are found on the bank statement.

**Third**, **check for any forgotten items.** Most often transactions performed at ATMs or online cause issues here.

**Finally**, make sure the most up to date balance is recorded in the checkbook.

**In conclusion,** if you follow these simple but helpful steps, you will experience fewer headaches in the future!

Reconciling Records

Why It Happens

 Outstanding payments or deposits

Bank may not yet know about them

 People forget

Do not keep track of what they do

 Monthly bank fees

Not often subtracted by owner

 Interest earned

Often overlooked

How to Reconcile

 Look at bank balance

Add outstanding balances Subtract outstanding payments

 Look at checkbook balance.

Subtract fees from balance

 Check for forgotten items

ATM or online transaction

 Record up to date Balance

In checkbook

Reconciling Quiz

Name: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ Date: \_\_\_\_\_\_\_\_\_\_\_

**True/False**

1. **T or F**  Reconciling means bringing a checkbook balance and a bank statement balance into agreement.
2. **T or F** Outstanding checks are subtracted from the bank balance.
3. **T or F** ATM transactions are one of the most often cause of errors in bank balances.
4. **T of F** The bank is always responsible for keeping someone’s checkbook up-to-date.

**Multiple Choice**

1. When reconciling a bank statement, which of the following is NOT a part of the process

1. Comparing bank records and personal checking account records
2. Adjusting the bank balance by keeping track of outstanding checks
3. Calling the bank if the account holder makes a mistake

2. In using a checking account, the most important thing to know is:

1. How to write the check
2. Having really pretty checks and debit card
3. Maintaining accurate records

3. A good reason why your checkbook may not be accurate is:

1. Monthly fee charged by the bank
2. Forgetting to keep track of transactions
3. Both A and B

**Short Answer**

1. List four reasons your checkbook balance and your bank statement may not agree.
2. In the space below, using your own words, describe how to reconcile a checking account.