

CHAPTER 3: RECONCILE BANK STATEMENTS

Objectives

The objectives are:

- Enter checkbook reconcile information and select bank transactions for reconciling
- Mark transactions that have cleared the bank
- Enter miscellaneous transactions during the reconcile process
- Reconcile a checkbook

Introduction

The Bank Reconciliation module in Microsoft Dynamics™ GP helps identify discrepancies that exist between the checkbook balance and the bank statement balance for a checkbook and provides the capability to reconcile the balances.

If a transaction clears the bank for a different amount than is recorded in Bank Reconciliation, users can enter the difference as an adjustment and distribute the amount to a posting account. Adjusting entries can also account for other transactions, such as interest income and service charges, enabling the checkbook to be properly reconciled.

Reconcile Bank Statements

Use the Reconcile Bank Statements window to enter reconciliation information for a selected checkbook. To open this window, click the **Financial** series button and then click **Reconcile Bank Statement** on the Transactions content pane.

After reconciling the checkbook, the ending balance and date entered in this window appear as the last reconciled balance and last reconciled date for the checkbook in the Checkbook Maintenance window.

After completing the fields in this window, click **Transactions** to access the Select Bank Transactions window and select documents that have cleared the bank.

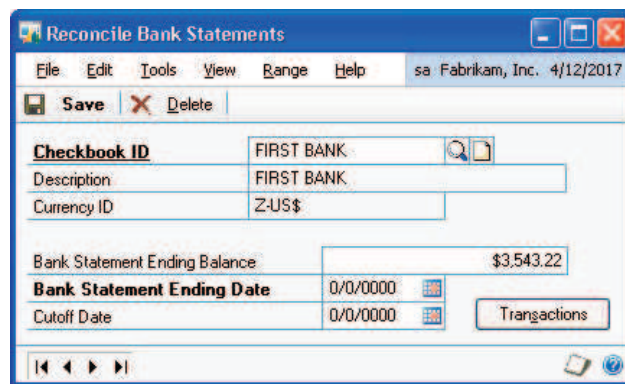


FIGURE 3.1 RECONCILE BANK STATEMENTS WINDOW

Checkbook Information

Use the **Checkbook ID** lookup window to select a checkbook to reconcile, or type the ID in the field. Both active and inactive checkbooks can be reconciled. If reconciliation information was previously saved for this checkbook, that information is displayed and available for editing when the checkbook is selected. The **Description** and **Currency ID** entered for the checkbook in Checkbook Maintenance default after the checkbook is selected.

Enter the ending balance and ending date reported on the bank statement in the **Bank Statement Ending Balance** and **Bank Statement Ending Date** fields. Positive, negative, and zero ending balances can be entered. Since a zero balance is possible, this field is not a required field to complete the window. An ending date must be entered: this date becomes the last reconciled date for the checkbook.

Cutoff Date

Enter a cutoff date for this reconciliation. Transactions with dates that fall on or before the cutoff date appear in the scrolling window in the Select Bank Transactions window. If this field is left blank, all posted transactions not reconciled or voided appear in the Select Bank Transactions window.

If editing previously saved reconciliation information, and the cutoff date is changed to an earlier date, any previously selected transactions that fall between the two cutoff dates are removed from the window automatically. For example, if the first cutoff date is January 18, and the cutoff is changed to January 15, any selected transactions between January 15 and January 18 are removed.

Saving Reconciliation Information

Click **Save** to save a reconcile that is in process. For example, if some transactions are selected, and it is necessary to come back later and finish the reconcile process, save the reconciliation information and return to the window later to finish the process.

Select Bank Transactions

Use the Select Bank Transactions window to select documents for reconciliation that have cleared the bank. To open this window, click **Transactions** on the Reconcile Bank Statements window.

All open transactions that have not been reconciled on or prior to the cutoff date appear in the scrolling window. If saved reconciliation information is being edited, previously selected transactions remain selected. Reconciled transactions do not appear. Voided payments appear until the void date. To limit the transactions that appear in the scrolling window, select to only display Marked, Unselected, or All transactions.

Sort the transactions in the scrolling window according to the transaction type or the date they were entered. If sorting by transaction type is selected, transactions appear sorted by transaction type, and then by number. Select the method that most closely matches the order of documents on the bank statement.

***NOTE:** After specifying a different sort or display, click **Redisplay** for the changes to take effect.*

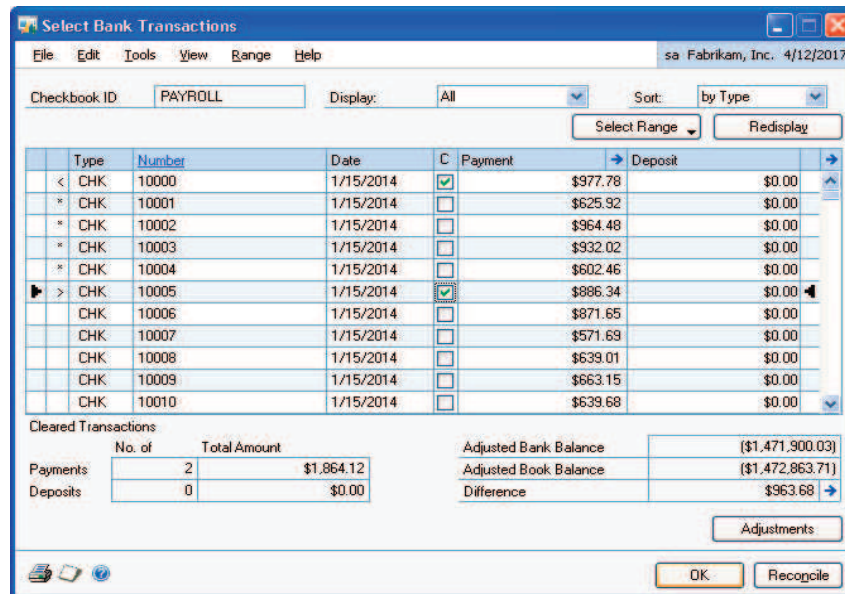


FIGURE 3.2 SELECT BANK TRANSACTIONS WINDOW

Select Transactions Individually

Select a transaction that has cleared the bank as reported on the bank statement by clicking the line item or by using the spacebar to select the check box. The arrow on the sides of the scrolling window shows which line has focus. As each transaction is selected for clearing, the number of cleared transactions and the total amount is updated.

***TIP:** Zoom to a transaction and view the original entries by selecting a transaction and clicking on the **Number** link field.*

Procedure - Select a Range of Transactions

Select a range of documents to clear using the **Select Range** button or the Range option on the window menu bar.

Follow these steps to select a range:

1. Select the transaction that identifies the beginning of the range.
2. Select **Begin Range** from the **Select Range** menu or press Ctrl + B. A left arrow symbol (<) appears next to the transaction in the **Type** column identifying the beginning of the range.
3. Select the last transaction in the range.
4. Select **End Range** from the **Select Range** menu or press Ctrl + E. A right arrow symbol (>) appears next to the transaction in the **Type** column indicating the end of the range. When the range is selected, an asterisk (*) appears in the **Type** column identifying all transactions that fall between the greater than and less than symbols.
5. Select **Mark** from the **Select Range** menu or Ctrl + K. All of the transactions for this range will be selected. You can select ranges of transactions by using the same process, then select **UnMark** or Ctrl + N from the **Select Range** menu to unmark a range of transactions.

Verify that the selected transactions match the amounts that cleared the bank, and that the adjusted bank balance and the adjusted book balance are the same (the difference is zero). Click **OK** to save; or click **Reconcile** to continue the reconciliation process.

Cleared Transaction Information

The Cleared Transactions information fields are used to compare to the bank statement totals. Many bank statements contain period totals that are compared to the totals displayed here to verify that all documents that cleared the bank have been selected in the Bank Reconciliation module.

The **Adjusted Book Balance** and **Adjusted Bank Balance** fields are used to calculate the amount in the **Difference** field, which needs to be \$0 before a checkbook can be successfully reconciled.

Reconcile Balances

Select the **Difference** expansion button to open the Reconcile Balances window. This window displays totals for the current reconciliation. Use this window to verify information when reconciling the bank statement.

If the difference is zero, the reconcile routine is completed by clicking **Reconcile**. If the difference is not zero, verify that all documents that cleared the bank are marked, and that adjustments for items such as interest income are accounted for in Bank Reconciliation. Refer to the following table for information on each of the fields in the window:

Field	What it Displays
Statement Ending Balance	Displays the statement ending balance as entered in the Reconcile Bank Statements window.
Outstanding Checks (-)	Displays the amount of checks, decrease adjustments, or withdrawal transaction types that have not cleared. The amount is updated each time you select or clear one of these transaction types. This total includes outstanding transactions up to the cutoff date, if a cutoff date was entered.
Deposits in Transit (+)	Displays the amount of deposits or increase adjustment transaction types that have not cleared. The amount is updated each time you select or clear one of these transaction types. This total includes outstanding transactions up to the cutoff date.

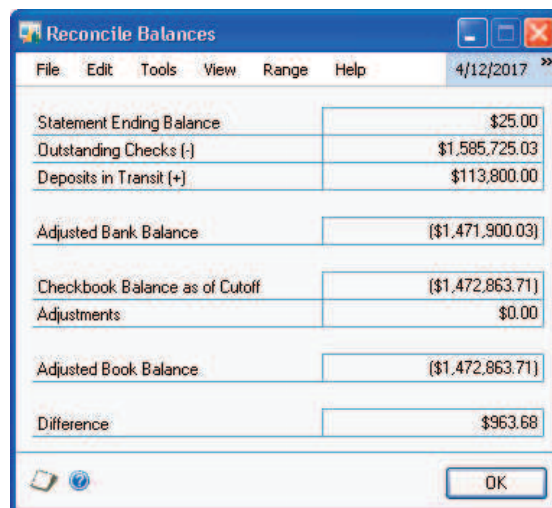


FIGURE 3.3 RECONCILE BALANCES WINDOW

Field	What it Displays
Adjusted Bank Balance	<p>The calculation for this field is: (Statement Ending Balance minus Outstanding Checks plus Deposits in Transit).</p> <p>This amount is recalculated when a transaction is selected or cleared in the Select Bank Transactions window. This field also appears on the Select Bank Transactions window.</p>
Checkbook Balance as of Cutoff	<p>This amount is calculated by taking the current balance from the Checkbook Maintenance window plus checks after the cutoff date, minus deposits after the cutoff date.</p>
Adjustments	<p>Displays the net adjustments total from the Reconcile Bank Adjustments window.</p>
Adjusted Book Balance	<p>The calculation for this field is: (Checkbook balance as of the cutoff date plus the Net Adjustment amount in the Reconcile Bank Adjustments window).</p> <p>This field also appears on the Select Bank Transactions window.</p>
Difference	<p>Displays the Adjusted Bank Balance minus the Adjusted Book Balance. The checkbook can be reconciled if the amount is zero. If the difference is not zero, verify that the correct transactions were selected to clear and that all adjustments have been entered in the Reconcile Bank Adjustments window. This field also appears on the Select Bank Transactions window.</p>

Type

Select the type of transaction to enter. The description for the reconcile adjustment types in the Bank Reconciliation Setup window appears in the Type list. **Interest Income** and **Other Income** transactions increase the checkbook balance; **Other Expense** and **Service Charge** transactions decrease the checkbook balance.

When entering a distribution for a cleared amount difference, use **Other Income** if the difference is positive, and use **Other Expense** if it is negative.

Date, Account, and Checkbook Amount

Enter a date for the transaction. The bank statement ending date entered in the Reconcile Bank Statements window appears as a default. This is the date used when posting within Bank Reconciliation. Use the expansion button to the right of the date header to adjust the posting date. Otherwise, the General Ledger posting date defaults to the transaction date.

Enter an account to offset the cash account, such as an interest income account. The offset account is debited when entering an Other Expense or Service Charge transaction type or credited when entering an Other Income or Interest Income transaction type. The adjustment updates General Ledger and Bank Reconciliation when checkbook balances are reconciled.

***NOTE:** You do not need to specify the cash side of the transaction. The cash distribution is performed by the system based on the transaction type selected. The transaction types can be changed in Bank Reconciliation Setup.*

Enter the adjustment amount. Only positive numbers can be entered. The account and the cash account are debited or credited by this amount according to the transaction type.

Number

Click the **Show Details** button to access additional lines of transaction information. The three-character code specified for the adjustment type in the Bank Reconciliation Setup window is used as a prefix for the transaction number, and zeros are added to create a 12-character number.

Each time a transaction is entered, the default increases to the next available number. Adjustment transactions can use duplicate document numbers, even if the numbers were used in the Bank Transaction Entry window.

Enter a reference for each account, if desired. This reference becomes the transaction's reference once it is posted to General Ledger. If a reference is not entered on this window, the system automatically includes the reference "Cash Account Offset" for the General Ledger transaction.

Reconciliation Fields

The **Net Adjustment** field shows all the adjustment amounts that have been entered. This field increases for Interest Income and Other Income and decreases for Interest Expense and Other Expense transactions.

The **Reconcile Difference** field shows the discrepancy between the checkbook and bank balance. When subtracted from the net adjustment, the difference, displayed in the **Difference** field, should be zero. If the difference is not zero, verify that all transactions are selected and entered correctly, and enter additional adjusting entries as needed. The **Reconcile Difference** field is not affected by any of the adjustments made in the Reconcile Bank Adjustments window. The **Difference** field is affected by adjustments entered in the Reconcile Bank Adjustments window.

Click **OK** to return to the Select Bank Transactions window and complete the reconciliation process.

Print Preview Reports

Reconciliation preview reports can be printed before reconciling to verify that the correct transactions are selected as cleared or view the adjustment transactions entered. To print preview reports, return to the Select Bank Transactions window.

To print any or all of the preview reports, select **Print** from the **File** menu or click the **Printer** icon located on the window. The Print Reconciliation Reports window opens, where the reports can be selected to print. Click **OK** to print the reports.

The available reports include:

- The Reconciliation Edit List, which displays checkbook and bank statement balance information.
- The Bank Adjustments Edit List, which displays adjustment transactions.
- The Marked Transactions Report, which displays transactions that have been selected as cleared.
- The Outstanding Transactions Report, which displays transactions that have not cleared the bank and fall between the cutoff dates entered in the Reconcile Bank Statements window.

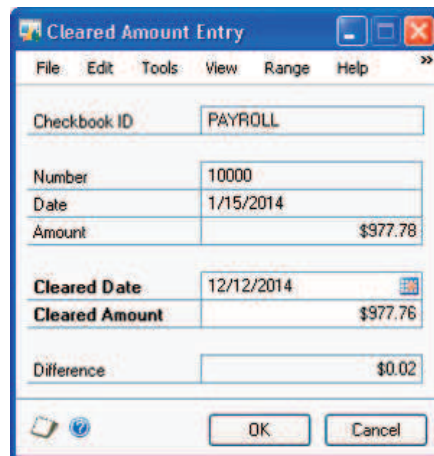
Enter Adjustments for Cleared Differences

Sometimes a transaction will clear the bank for an amount that differs from the amount that was recorded in Bank Reconciliation. To enter the difference, select the item and click on the **Payment** or **Deposit** expansion button on the Select Bank Transactions window to open the Cleared Amount Entry window.

When a transaction is recorded as clearing the bank for a different amount using this window, an Information icon appears next to the transaction in the Select Bank Transactions window. This indicates that the cleared amount for the transaction is different than the amount entered in the checkbook.

The posted amount appears in the Select Bank Transactions window, and the cleared amount is the amount that appears as the total amount for cleared transactions. However, an adjustment still needs to be manually entered to adjust the checkbook and General Ledger balances.

The date shown in the **Date** field is the date the transaction was originally entered. The amount shown is the amount of the original transaction.



Checkbook ID	PAYROLL
Number	10000
Date	1/15/2014
Amount	\$977.78
Cleared Date	12/12/2014
Cleared Amount	\$977.76
Difference	\$0.02

FIGURE 3.5 CLEARED AMOUNT ENTRY WINDOW

Cleared Date and Amount

Enter the date when the transaction cleared the bank. **The Bank Statement Ending Date** entered in the Reconcile Bank Statements window appears as the default.

The **Cleared Amount** is the amount that cleared the bank. The payment/deposit amount from the Select Bank Transactions window appears as the default. Enter the cleared amount; the **Difference** field recalculates when the **Tab** key is pressed.

Click **OK** to save any changes and return to the Select Bank Transactions window. If the cleared amount entered in the **Cleared Amount** field is different than the document amount shown on this window, a visual cue (Information Icon) appears to the left of the transaction amount.

Enter an adjustment to distribute the difference between the transaction amount and the cleared amount using the Reconcile Bank Adjustments window. Click **Adjustments** to open this window.

Distribute the Difference to Posting Accounts

From the Select Bank Transactions window, click **Adjustments** to open the Reconcile Bank Adjustments window, enter an adjustment for the difference, and distribute the difference to posting accounts.

For example, if the amount is a payment, select **Other Expense** from the Type list if the transaction cleared for more than the transaction amount or **Other Income** if the transaction cleared the bank for an amount that is less than the transaction amount.

Reconcile the Checkbook

Click **Reconcile** to begin the reconciliation process. Note the following when reconciling:

- If the adjusted bank balance and the adjusted checkbook balance are the same, and the difference is zero, the checkbook is reconciled.
- Any adjustment transactions update Bank Reconciliation, General Ledger, and the checkbook balance accordingly.
- All transactions selected as cleared and any adjusting entries are reconciled and transferred to history or deleted.

When the process is complete, the Reconciliation Posting Journal, Bank Adjustments Posting Journal, Cleared Transactions Journal, and Outstanding Transactions Report print if selected in Posting Setup.

The **Last Reconciled Balance** and **Last Reconciled Date** fields for the checkbook in the Checkbook Maintenance window are updated with the bank statement ending balance and the bank statement ending date. Once a checkbook is reconciled, these fields cannot be manually changed. In addition, the current checkbook balance is updated for any adjustments entered and posted.

Lab3.1 - Reconciling a Checkbook

Scenario

Company: Fabrikam, Inc.

A bank statement dated 01/31/14 was just received from Uptown Trust. Compare the transaction information entered in the Uptown Trust checkbook with the transaction information recorded on the bank statement. Make any adjustments for differences so that the checkbook can be properly reconciled.

Challenge Yourself

Reconcile the Uptown Trust checkbook using the following information:

Please refer to the table at the main page.

***HINT:** Remember, the **Select Range** button can be used to select a large range of checks.*

***HINT:** Check 10500 cleared for an incorrect amount. Post this amount and any service charges to the Miscellaneous Expense account.*

Need a Little Help?

- Open the Reconcile Bank Statements window (Transactions > Financial > Reconcile Bank Statements).
- Enter the following information in the Reconcile Bank Statements window:

Field	Value
Checkbook ID	UPTOWN TRUST
Bank Statement Ending Balance	\$313,288.02
Bank Statement Ending Date	01/31/14
Cutoff Date	01/31/14

Bank Reconciliation I in Microsoft Dynamics GP 10.0

- Click the **Transactions** button to open the Select Bank Transactions window. Enter the following information in this window:

Field	Value
Display	All
Sort	by Type

- Clear the transactions found on the following bank statement.

***HINT:** Remember, the **SelectRange** button can be used to select a large range of checks.*

Uptown Trust Bank Statement	Trans. Amt	Balance
Opening Balance: 01/01/14		\$191,989.17
01/09/14 Deposit # 20001	\$130,368.25	\$322,357.42
01/31/14 Check # 10500	(\$847.90)	
01/31/14 Check # 10501	(\$1,567.00)	
01/31/14 Check # 10502	(\$1,353.02)	
01/31/14 Check # 10503	(\$2,010.50)	
01/31/14 Check # 10504	(\$3,280.98)	\$313,298.02
01/31/14 Service Charge	(\$10.00)	
Ending Balance: 01/31/14		\$313,288.02

- Enter the adjustment for the service charge: \$10.00 to account 000-6780-00 Miscellaneous Expense.
- Click **OK** to close the window. Notice that you have a difference of \$.05.
- Notice that check number 10500 was recorded by the bank for \$847.90.

- **Optional Step:** Select the check and click the Payment expansion button and record the corrected cleared amount. Click **OK**.
- In the Reconcile Bank Adjustments window, enter the following information below the existing service charge:

Field	Value
Type	Misc. Income
Date	01/31/14
Account	000-7040-00 Miscellaneous Income
Amount	\$0.05

- Begin the reconciliation process, and print all reports to screen.

Summary

Some key points to remember from this course include:

- The reconciling process identifies discrepancies that exist between the checkbook balance and the bank statement for the checkbook.
- Use a cutoff date to manage the transactions that appear in the Select Bank Transactions window.
- Transactions can be selected individually or in a range.
- Adjustments can be made for items such as a bank service charge or interest earned during the reconcile process.

Test Your Knowledge

Test your knowledge with the following questions.

Reconcile Bank Statements

1. What Reconcile Bank Statements field should be used to restrict the amount of displayed documents when selecting documents to be cleared when reconciling?
 - Checkbook ID
 - Bank Statement Ending Date
 - Bank Statement Ending Balance
 - Cutoff Date
2. Which of the following could be entered as the Bank Statement Ending Balance? (Select all that apply.)
 - \$0
 - \$-1000
 - \$1000

Select Bank Transactions

3. How can documents be selected for clearing in the Select Bank Transactions window? (Select all that apply.)
 - Individually
 - A range using the Select Range button
 - Randomly using the Select Random button
 - Using the mass update window
4. Which is a requirement to complete the reconcile of a checkbook?
 - The checkbook must be marked as inactive
 - The checkbook must be active
 - The Difference must be \$0
 - The checkbook balance must be \$0

Enter Adjustments and Reconcile

5. Task: Categorize the following reconciliation preview reports:

<p>_____ 1. The Reconciliation Edit List</p> <p>_____ 2. The Bank Adjustments Edit List</p> <p>_____ 3. Marked Transactions Report</p> <p>_____ 4. Outstanding Transactions Report</p>	<p>a. Displays transactions that have been selected as cleared during the reconcile process</p> <p>b. Displays checkbook and bank statement balance information</p> <p>c. Displays transactions that have not cleared the bank</p> <p>d. Displays transactions recorded during the reconcile process</p>
--	--

Lab3.1 - Reconciling a Checkbook (Solution)

Scenario

Company: Fabrikam, Inc.

A bank statement dated 01/31/14 was just received from Uptown Trust. Compare the transaction information entered in the Uptown Trust checkbook with the transaction information recorded on the bank statement. Make any adjustments for differences so that the checkbook can be reconciled properly.

Step by Step

- Open the Reconcile Bank Statements window (Transactions > Financial > Reconcile Bank Statements).
- Enter the following information in the Reconcile Bank Statements window:

Field	Value
Checkbook ID	UPTOWN TRUST
Bank Statement Ending Balance	\$313,288.02
Bank Statement Ending Date	01/31/14
Cutoff Date	01/31/14

- Click the **Transactions** button to open the Select Bank Transactions window. Enter the following information in this window:

Field	Value
Display	All
Sort	by Type

- Select to clear the transactions found on the following bank statement.

HINT: Remember, the **SelectRange** button can be used to select a large range of checks.

Bank Reconciliation I in Microsoft Dynamics GP 10.0

Uptown Trust Bank Statement	Trans. Amt	Balance
Opening Balance: 01/01/14		\$191,989.17
01/09/14 Deposit # 20001	\$130,368.25	\$322,357.42
01/31/14 Check # 10500	(\$847.90)	
01/31/14 Check # 10501	(\$1,567.00)	
01/31/14 Check # 10502	(\$1,353.02)	
01/31/14 Check # 10503	(\$2,010.50)	
01/31/14 Check # 10504	(\$3,280.98)	\$313,298.02
01/31/14 Service Charge	(\$10.00)	
Ending Balance: 01/31/14		\$313,288.02

- Enter the adjustment for the service charge: \$10.00 to account 000-6780-00 Miscellaneous Expense.
- Click **OK** to close the window. Notice there is a difference of \$.05.
- Notice that check number 10500 was recorded by the bank for \$847.90.
- **Optional Step:** Select the check and click the Payment expansion button and record the corrected cleared amount. Click **OK**.
- Click **Adjustments**.
- In the Reconcile Bank Adjustments window enter the following information below the existing service charge:

Field	Value
Type	Misc. Income
Date	01/31/14
Account	000-7040-00 Miscellaneous Income
Amount	\$0.05

- Click **OK**.
- Click **Reconcile** on the **Select Bank Transactions** window to start the reconciliation process and print the posting reports to the screen.

Quick Interaction: Lessons Learned

Take a moment and write down three Key Points you have learned from this chapter:

1.

2.

3.

Solutions

Test Your Knowledge

Reconcile Bank Statements

1. What Reconcile Bank Statements field should be used to restrict the amount of displayed documents when selecting documents to be cleared when reconciling?
 - Checkbook ID
 - Bank Statement Ending Date
 - Bank Statement Ending Balance
 - Cutoff Date
2. Which of the following could be entered as the Bank Statement Ending Balance? (Select all that apply.)
 - \$0
 - \$-1000
 - \$1000

Select Bank Transactions

3. How can documents be selected for clearing in the Select Bank Transactions window? (Select all that apply.)
 - Individually
 - A range using the Select Range button
 - Randomly using the Select Random button
 - Using the mass update window
4. Which is a requirement to complete the reconcile of a checkbook?
 - The checkbook must be marked as inactive
 - The checkbook must be active
 - The Difference must be \$0
 - The checkbook balance must be \$0

Enter Adjustments and Reconcile

5. Task: Categorize the following reconciliation preview reports:

<p><u>b</u>_1: The Reconciliation Edit List</p> <p><u>d</u>_2: The Bank Adjustments Edit List</p> <p><u>a</u>_3: Marked Transactions Report</p> <p><u>c</u>_4: Outstanding Transactions Report</p>	<p>a. Displays transactions that have been selected as cleared during the reconcile process</p> <p>b. Displays checkbook and bank statement balance information</p> <p>c. Displays transactions that have not cleared the bank</p> <p>d. Displays transactions recorded during the reconcile process</p>
--	--