

Self Employment Bank Account - Bank Reconciliations

When a new client sets up as self employed there is often the temptation to use a personal account.

If this occurs there will be a mix in personal finance and business transactions.

This can be very difficult for an accountant to manage, and often the only solution to get an income figure for sales is from the monies banked from the Bank Statements, and for purchases and costs from a listing and details of the purchase invoices.

Where the client has a discrete bank account, managing the accounts is much easier and a Bank Reconciliation is possible. The client should be encouraged to reconcile their cash book at the end of each month, with the bank statements.

The net brought forward figure from the cash book will include the outstanding cash book transactions; these will need to be checked in the following month's bank statements. If not presented, to the bank they will then be carried forward to the following month. Un-presented cheques over 6 months old should be investigated to see if they have been lost.

A reconciliation, can be either the cash book to bank statement or bank statement to cash book

	Cash Book (£)	Bank (£)
Closing balance	350.00 *	250.00 **
Un-presented deposits	(150.00)	150.00
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	200.00	400.00)
Un-presented cheques	50.00	(50.00)
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Adjusted balance	250.00 **	350.00 *
Must equal the bank statement		
Closing figure		

The Cash Book figures include all the outstanding cheques written, and all receipts received in the cash book but not in the bank.