Working in Practice
Bank Reconciliation

The Bank reconciliation is an essential part of the working papers.

All limited companies should have their own bank accounts as a separate entity. When dealing with smaller sole traders and partnerships, there can sometimes be a high degree of personal monies also going through the bank statements.

Where there is a dedicated bank account, and computerised accounts are being used, the bank reconciliation should be fairly straightforward and it should balance.

Areas to watch for are:

Bought forward figure – have all the outstanding cheques/credits been banked?

Receipts – are all the monies banked Sales Receipts or are there non sales?

Payments – are all the monies paid out for purchases/wages/dividends?

Carried forward figure – have all the outstanding cheques/credit been accounted for in the final bank figure?

Where there is an unfortunate mixture of company and personal banking through the same account, it is often very hard, if not impossible, to weed out the two to produce a reliable bank reconciliation. When this happens, it is essential to check the sales invoiced versus the bank receipts, and the purchase invoices against payments. Make sure that the amounts are not too far apart and, where there are anomalies, ask the client for explanations that can be attached to the bank details.

Always take a copy of the last bank statement, and attach to the reconciliation.

An example is the best way of explaining what is required

Example:

	£	£
Bank Balance b/f		4557
Receipts	45673	
Payments	(43671)	
		2002
Cheques issued but not banked	(560)	
Receipts banked but not on Statement	293	(267)
Cash Book Balance c/f		6292
Bank Balance c/f		6559