

## Balancing your bank account

When you enter records of money paid into and out of your bank account into the cash book, there is a delay of at least a couple of days until these transactions are cleared through the banking system and appear on your bank statement. Therefore, the bank balance according to the cash book will normally be different from that on your bank statement at any given date.

To ensure that the difference between the two balances is due merely to the time difference in entering items, you should draw up a bank reconciliation statement:

|   |           |
|---|-----------|
| 1: Bank balance per the cash book:        | £         |
| Balance at beginning of month (in hand)   | 654.20    |
| Add cash book receipts (total for month)  | 3421.06   |
| Less cash book payments (total for month) | (2189.70) |
| Balance at end of month (in hand)         | 1885.56   |

|   |         |
|---|---------|
| 2: Bank reconciliation from the bank statement:   | £       |
| Balance at end of month (from bank statement)   | 2189.65 |
| Add outstanding bankings (bankings made in the last few days of the month that do not appear on the statement until after the end of the month) | 561.20  |
|   | 2750.85 |

Less outstanding cheques written before the end of the month but not yet presented to the bank

| Cheque No. | Amount |
|------------|--------|
| 001378     | 69.25  |
| 001381     | 686.19 |
| 001384     | 50.00  |
| 001385     | 59.85  |

(865.29)

Balance at end of month: 1885.56

If after your reconciliation there is still a difference between the two balances, check the cash book and bank statements in detail to find the discrepancy.

**Common mistakes are:**

- Cheques either not recorded in the cash book or entered twice
- Standing orders or direct debits not recorded
- Bankings or giro credits not recorded
- Mis-additions in the cash book
- Cheques still outstanding from the previous month

You should amend the cash book to agree with your bank reconciliation.

Do call us if you would like further help or advice in this area.

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