



BANK RECONCILIATION

And Using Quickbooks Bank Feed

David Bowes FICB PM.Dip
info@booksmart.co

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The Purpose of a Bank Reconciliation

A bank reconciliation is used to compare your records to those of your bank, to see if there are any differences between these two sets of records for your cash transactions. The ending balance of your version of the cash records is known as the book balance. The bank's version is called the bank balance. If you were to ignore these differences, there would eventually be substantial variances between the amount of cash that you think you have and the amount the bank says you actually have. The result could be an overdrawn account, bounced cheques, overdraft fees, etc. In some cases, the bank may even elect to close your account.

It is also useful to complete a bank reconciliation to see if any customer cheques have bounced, or if any cheques you issued were altered or even stolen and cashed without your knowledge. Thus, fraud detection is a key reason for completing a bank reconciliation. When there is an ongoing search for fraudulent transactions, it may be necessary to reconcile the account on a daily basis, in order to obtain early warning of a problem.

When it comes time for an annual audit, the auditors will always examine the company's ending bank reconciliation as part of their testing procedures, so this is yet another reason to complete a reconciliation.

Here are some of the areas in which your records could vary from the bank records:

- Fee. The bank has charged fees for its services
- Cheques. The bank may have rejected some of your deposited cheques because the person or business issuing the cheques did not have sufficient funds in their account to cover this. This is known as a Not Sufficient Funds (NSF) cheque.
- Recording errors. Either you or the bank may have recorded a cheque or deposit incorrectly.
- Transaction fee. There may be a fee for a particular transaction especially if you use services like PayPal.
- Conversion rates. These occur when you trade with people or businesses that deal in currencies other than your own. Banks, PayPal, software all have their own currency conversion rates. This means that the rate you thought the transaction would convert at, is not necessarily the same as the rate the bank has on the day the transaction clears your account.

Some organisations consider the bank reconciliation to be so important that they conduct one every day, which they accomplish by accessing the latest updates to the bank's records on their secure website. This is of particular importance if a company is operating with minimal cash reserves and needs to ensure that its recorded cash balance is correct. A daily reconciliation may also be necessary if you suspect that someone is fraudulently withdrawing cash from the bank.

Quickbooks Online Bank Feed

Firstly, you need to connect your bank account to the software. To access this facility, hover on the 'Banking' option on the right menu. Then select 'Banking' from the pop-up menu.

You now need to connect your account. Click on the green button to proceed. Enter all or part of your bank's name. Alternatively, if it's one of the most popular one's click on it from the selection.

Follow the on-screen prompts for the required information. The details will be the same as those you use to connect directly from your online banking. You only have to do this once, unless you are using Barclay's, their current security procedures mean that you will have to periodically log in again.

You will need to do this for each bank account that you use in your business and with some banks you may be able to connect your company credit card account too.

Once this step has been completed you will see all the bank accounts listed across the top of the screen. At the bottom of the screen is where the transactions appear from the bank. If there are none or no recent ones, choose the update button in the top right corner of this page. This will instruct the software to connect to the bank and import the latest transactions.

Note: In the first instance, Quickbooks online will only load 90 days in the past. After this the software will update from the last import. If you are setting up Quickbooks and want more historic transactions, the quickest way is to log on to your online banking and download the transactions from the date of your choosing and save the file as a .csv file.

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When Quickbooks imports the bank transactions, it checks to see if there are similar amounts already entered into the software.

If the bank transaction matched the Quickbooks transaction then all you have to do is click on 'match'

If there is more than one transaction with the same amount, then you will have to 'view' the imported transaction and select the correct one. For example, if you have marked an invoice as paid, Quickbooks will put this at the top of the matched list. Once you have selected the correct transaction, all you have to do is 'match' it.

If there is no transaction in Quickbooks, the software will ask you to 'add' it. Select the transaction this will drop down an area to categorise this transaction. You can also select whether it has VAT or not. If the amount is different but you think there is a transaction already entered you can select the 'find match' option and go look for it. This also works if you have more than one entry in Quickbooks but only the total was transferred from/to the bank.

The more you do, the more Quickbooks learns. Learned transactions will be highlighted in green in the category or match column.

If there are regular transactions on your statement then you can set up your own 'bank rules' to let Quickbooks know how to categorise them.

Under banking, go to rules. Click the 'new rule' button in the top right of the screen. Then:

- Give it a name that you can identify the rule by

- Whether it appears in the money in or money out column of the statement.
- Which account it appears in

Then you need to decide what conditions the transaction needs to meet:

- Are there multiple conditions or just one?
- Decide whether there is the same text on the bank statement and whether you want to match exactly or in part.
- Is this a unique amount on a regular basis?

Add as many lines to this rule as you need to identify it.

- Then you need to tell Quickbooks how to post the transaction.
- Is it an expense or transfer?
- Who the payee is (you can leave this blank)?
- Which category the amount needs to be posted to
 - If multiple categories, then choose the 'split' option – you can then split the amount between multiple categories by amount or percentage.
- The memo is just for the transaction and will not affect it in any way.
- If you choose to check the 'automatically add to my books' option, then this is exactly what Quickbooks will do and you will not see it on the bank feed list. If you do not check this option, Quickbooks will match the criteria you set and wait for you to click 'match'

Once this section is completed and there are no more transactions you are done.

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What Quickbooks does with these transactions is mark them as tentatively reconcile them. They are marked with a 'c' – they are basically cleared transactions. This is extremely helpful when you come to do a bank reconciliation.

When you are reconciling the accounts whether it's weekly, monthly or however frequently, the transactions that you dealt with through the bank feed will automatically be ticked as matched.

If you only enter transactions through the bank feed, then all should be well otherwise there may be some discrepancies to deal with.