

Cash Training

November 2025



Quick Refresher

| What is Bank Reconciliation?

The Definition

A Bank Reconciliation Statement (BRS) is a summary that explains the difference between the bank balance shown in an organization's bank statement and the corresponding amount shown in the organization's own accounting records (cash book).

The Core Concept

It acts as a bridge between two sets of records: what the bank says you have, and what your books say you have. The goal is to identify discrepancies, correct errors, and ensure both balances match precisely.

| Why It Matters



Fraud Detection

Regular reconciliation helps identify unauthorized transactions or forged checks early, protecting assets.



Error Correction

It uncovers data entry mistakes, duplicate payments, or missed deposits in both internal and bank records.

Accurate Cash Flow

Provides a true picture of available cash, which is critical for operational planning and financial reporting.

Controls & Concepts

Internal Controls: Safeguarding Cash

Effective internal controls prevent fraud and ensure accuracy.

Segregation of Duties

The person reconciling the bank statement should not be the same person who processes payments or handles cash receipts.

Authorization

Require dual signatures for high-value checks and strict approval workflows for all electronic transfers.



Cash Classification & Concepts

Cash in Trust

Funds held by the company on behalf of a third party (e.g., client funds). These are **liabilities**, not company assets.

Restricted Cash

Cash set aside for specific purposes (e.g., bond sinking funds) or legally restricted. Must be reported separately if material.

Off-Balance Sheet

Items like Letters of Credit or contingent assets. True controlled cash must always appear on the Balance Sheet.

Discrepancies

Common Discrepancies

Discrepancies usually fall into three categories:

- **Timing Differences:** Transactions recorded by one party but not yet processed by the other (e.g., checks in the mail).
- **Omission:** Items on the bank statement not yet in the company books (e.g., fees).
- **Errors:** Calculation or recording mistakes by either the bank or the accountant.



Timing Differences



Outstanding Checks

Issued by company, not yet cleared by bank.

A deposit slip form titled "Deposit" is shown. It has handwritten entries for Date ("TODAY'S DATE"), Name ("YOUR NAME"), Account Number ("H H H H H H H H"), and Signature ("Your Signature"). To the right is a table with columns for Currency, Checks, Subtotal, Less Cash, and Net Deposit. The table contains the following values: Currency (25.75), Checks (150.00), Subtotal (276.00), Less Cash (25.00), and Net Deposit (251.00). Red arrows point from the handwritten entries to the corresponding fields in the form. A red arrow points from the "Net Deposit" value to the "Total" label at the bottom right. Another red arrow points from the "Subtotal" value to the "Subtotal (Cash and Checks)" label. A third red arrow points from the "Less Cash" value to the "Cash Withdrawal (If Applicable)" label. A fourth red arrow points from the "Currency" value to the "Cash (Bills and Coins)" label. A fifth red arrow points from the "Checks" value to the "Checks (Listed Individually)" label.

Currency	Checks	Subtotal	Less Cash	Net Deposit
25.75	150.00	276.00	25.00	251.00

Deposits in Transit

Received by company, not yet processed by bank.



Processing Lag

Delays due to clearing times or holidays.

| Bank-Initiated Transactions

 **Service Charges:** Monthly maintenance fees or wire fees.

 **NSF Checks:** "Bounced" checks from customers.

 **Interest Earned:** Interest paid by the bank on balances.

 **Direct Collections:** Payments collected directly by the bank.

| The Reconciliation Formula

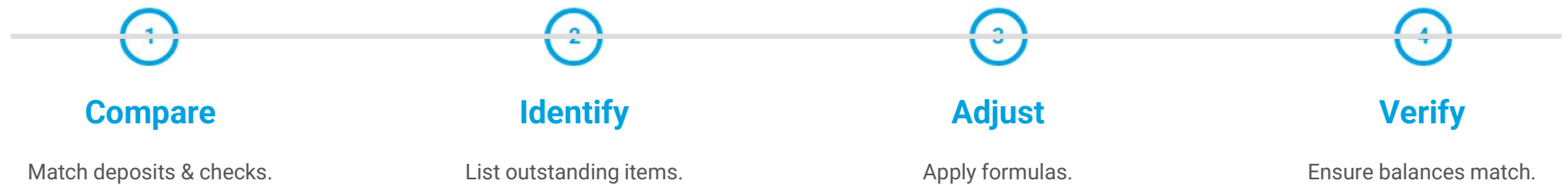
1. Adjusted Bank Balance

Bank Bal + Deposits - Out. Checks

2. Adjusted Book Balance

Book Bal + Collections - Fees - NSF

| The Reconciliation Process



Practical Examples

| Example 1: Bank Error

Scenario

The bank accidentally deducts a check for \$500 from your account that was actually written by a different company with a similar name.

Resolution

This is a **Bank Error**. You must **ADD** \$500 back to the Unadjusted Bank Balance to correct it. You also need to notify the bank immediately.



Example 2: EFT Payments

Recipient Credentials
Supplied



Bank Networks Hold Funds
& Verify Transaction



Scenario

The electric utility company automatically withdraws \$350 for the monthly bill via Electronic Funds Transfer (EFT). The company accountant hasn't recorded this yet.

Resolution

This is an **Omission on the Books**.

- **Action:** Deduct \$350 from the Book Balance.
- **Journal Entry:** Debit Utilities Expense, Credit Cash.

Example 3: Direct Collection

Scenario

A customer pays off a \$1,000 Note Receivable by transferring funds directly to the company's bank account. The statement shows the \$1,000 deposit plus \$50 interest income.

Resolution

Add \$1,050 to the Company Book Balance.

Impact: Increases Cash and closes the Note Receivable asset.



Sample Reconciliation Statement

Bank Statement Balance	Company Book Balance
Ending Balance (Bank): \$12,500	Ending Balance (Book): \$10,800
(+) Deposits in Transit: \$2,000	(+) Interest Earned: \$50
(-) Outstanding Checks: (\$1,500)	(-) Service Charges: (\$30)
	(-) NSF Check: (\$20) / (+) Note: \$2,200
Adjusted Balance: \$13,000	Adjusted Balance: \$13,000

Visualizing the Balance



Bridging the gap to the verified "True Cash Balance".

Best Practices

Regularity

Perform monthly. High-volume businesses should reconcile weekly or daily.

Documentation

Keep cancelled checks, deposit slips, and statements filed for audit trails.



Thank you

