

Bank Statement Reconciliation Part 1

Once you have reconciled your checks to determine which have not yet cleared your bank account, you are ready for the next step: Bank Reconciliation.

Bank reconciliation is the process of identifying the differences between your bank account transactions and the overall balance of the cash records held internally by your organization.

There are many reasons that cause these differences in balances and more than likely they come from different sources, such as uncashed checks, direct debits, and bank fees, just to mention a few.

It is important to perform bank reconciliation every month, if not more often, to make sure you have an accurate view of your cash assets.

It is also helpful in detecting errors or even potential internal or external fraud.

In today's course, we will explain how to activate the Bank Reconciliation function in your Eagle for Windows system, as well as explore the different sources from which bank reconciliation transactions are generated.

Topics

- Activating Reconciliation
- Transaction Sources

Activating Reconciliation

In order to utilize the bank reconciliation function in Eagle for Windows, you must have the AP module activated in your system.

MSY option 1619 is responsible for this function.

Next you need to activate Option ID 8063 – Bank Reconciliation enabled.

While you are changing options make sure to double-check that option 9031 – Create GL Trx's for Cash Drawer Short/Over is set to E.

This tells Eagle to post any cash over/short adjustments completed via the cash drawer balancing viewer to the General Ledger file.

In this way, the adjustments are eligible to also be passed off to the Bank Reconciliation viewer.

If this feature has not been enabled on your system and you don't know how to take care of it, make sure to view the Cash Drawer Balancing Pass Off class to complete the necessary set up for this function to work properly.

And lastly, you need security bit 748 – Access to Bank Reconciliation Viewer, set to Yes, to be able to access the Bank Reconciliation file.

Transaction Sources

Any of the checks processed and recorded in the Eagle for Windows system via Accounts Payable and Payroll, including voided checks, will automatically display in the Bank Reconciliation Viewer once they are posted to the General Ledger file via the General Ledger Passoff report.

While this includes all the checks you would normally be writing as a business, there are other entries that you post directly to the General Ledger that affect your cash balance.

Such entries normally are interest earned, bank fees, overdraft charges, cash over/short entries, and adjustments.

Typically, these entries are manually processed in the General Ledger Journal and posted to the General Ledger file with the rest of the General Ledger entries via the RGGG report.

If you are using the Bank Reconciliation feature, then it's important to set up your General Ledger passoff to keep cash and checks separate from bank cards.

Also both of these groups of transactions should be kept in clearing accounts.

As each deposit is made to the bank account, the cleared amount should be moved from the clearing account to the permanent bank account via a manual journal entry in General Ledger.

You have the ability to pass off these manual entries as well as your daily deposits through the General Ledger Detail Viewer.

Start by displaying the cash account under which the entries were posted.

Display the checkboxes on the grid by right clicking on any of the column headers and selecting Checkboxes.

Then mark the transactions you want to pass-off to the Bank Reconciliation viewer.

For quicker processing, filter out APIN and PRIN entries, as they already exist in the Bank Reconciliation viewer, then check all the remaining transactions.

Click Bank Reconciliation or press F4.

Answer Yes to the "Post to Bank Reconciliation" prompt.

Before we continue, let me tell you a little more about the entries with an APIN and PRIN source.

These entries are from AP and Payroll and are automatically posted to the Bank Reconciliation viewer via the General Ledger Passoff report.

Posting them again would result in duplicate entries, which is why we recommend filtering them out.

The system WILL warn you if you try to post such entries via the General Ledger Detail viewer.

However, it will NOT prevent you from posting the duplicate entry.

Do your best to avoid any such duplicate entries, as it will make the bank reconciliation process more cumbersome and less accurate.

Once the entries have been passed off to the viewer, the Bank Rec status under the specific entry in the General Ledger Detail viewer changes to Y.

As we will see in the next Bank Reconciliation class, the viewer itself allows you to manually create transactions that do not come from the Accounts Payable or Payroll applications.

Although this may be useful, it is advisable to first create the transactions in the General Ledger under your Cash Accounts and then use the above manual process to pass them off to the Bank Reconciliation viewer.

This recommendation stems from the fact that the Bank Reconciliation Manual entries cannot be posted to the GL.

Therefore, if you manually enter these transactions in the Bank reconciliation viewer, you will also have to enter them in the General Ledger which increases the chance of data inaccuracy and duplication.

If you do not use Eagle for Windows General Ledger, but you do use AP and Payroll, you can still utilize the Bank Reconciliation viewer to reconcile your bank account.

Instead of creating the manual entries mentioned earlier in the General Ledger, you can manually add them in the Bank Reconciliation viewer itself as we'll describe in the next module.

As we come to the end of this class, you should have a good understanding of how the Bank Reconciliation viewer is populated.

By following the set up instructions we discussed today, you will be ready to take advantage of the bank reconciliation function, which we will further explore in the next class.

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Corporate Office

804 Las Cimas Parkway
Austin, TX 78746
USA

Toll Free: +1.888.448.2636
Direct: +1.512.328.2300
Fax: +1.512.278.5590

Latin America and Caribbean

Blvd. Antonio L. Rodriguez #1882 Int. 104
Plaza Central, Col. Santa Maria
Monterrey, Nuevo Leon, CP 64650
Mexico

Phone: +52.81.1551.7100
Fax: +52.81.1551.7117

Europe, Middle East and Africa

No. 1 The Arena
Downshire Way
Bracknell, Berkshire RG12 1PU
United Kingdom

Phone: +44.1344.468468
Fax: +44.1344.468010

Asia

238A Thomson Road #23-06
Novena Square Tower A
Singapore 307684

Singapore
Phone: +65.6333.8121
Fax: +65.6333.8131

Australia and New Zealand

Suite 2 Level 8,
100 Pacific Highway
North Sydney, NSW 2060
Australia

Phone: +61.2.9927.6200
Fax: +61.2.9927.6298