



Bank Reconciliation Script

Clip Link: http://www.eshbel.com/Movie_Search/Bank_Reconciliation_clip.htm

Note: Yellow highlights indicate action instructions.

Introduction (00:00-00:36)

In this clip, we'll demonstrate how to reconcile the entries in your bank statement against journal entries recorded in **Priority**. Before performing the reconciliation, you can first record the statement you received from the bank in **Priority**. You can then choose to reconcile the recorded statement either manually or automatically. Alternatively, you can manually reconcile journal entries with a paper statement (without first recording the statement in **Priority**). We'll begin by demonstrating the reconciliation process for a recorded bank statement and will then demonstrate the same process for a paper statement.

Setting Up Bank Statements (00:37-01:22)

Before you begin working with bank statements in **Priority**, you must make sure that the banks and bank accounts you work with are defined in **the Bank Accounts form**. If a given bank account is not yet defined, define it now using the instructions provided in the **Set Up Bank Accounts Wizard**. Similarly, make sure that all bank transactions are defined in **the Bank Transaction Codes form**, using the codes that are used by the relevant bank when issuing statements. Note that the descriptions defined for each transaction code in this form will appear automatically when the transaction in question is recorded in a **Priority** bank statement, so try to be as precise as possible when recording these descriptions.

Recording Bank Statements (01:23-03:01)

Now, we'll record the statement received from the bank in **the Record Bank Statements form**. We'll first retrieve any previous statements recorded for the bank account in question. **In a new line**, we'll begin recording the new statement by **selecting the relevant Bank Account Code**. Note that a number of details have been filled in for us automatically; for instance, the **Statement Number** column receives the next consecutive statement number for this bank account, or, if you're recording a statement for a new year, will receive "1". In any case the number can be revised manually. The **Opening Balance** has been filled in based on the closing balance of the preceding statement. Of course, the first time you record a statement for a given account, all of these details will need to be written manually. Next, **enter the sub-level form, Itemized Statement**, and record all transactions that appear on your bank statement, one per line. **For each transaction, indicate the transaction date and Due Date and select a Transaction Code from the Choose list**. While **Details** are filled in automatically for each transaction code, you may want to **add a few brief remarks in this column**, describing each item in greater depth, **as well as a Reference number**, where appropriate, in order to facilitate reconciliations. Finally, **record the transaction amount in the Debit or Credit column, as appropriate**.

Once you're done recording all statement items, return to the upper-level form. Note that the statement's **Closing Balance** has been updated automatically, based on the recorded items.

Checking Bank Statements (03:02-03:30)

At this stage, it's recommended that you check for problems, such as breaks in date continuity or differences between the closing balance of one statement and the opening balance of the next. To do so, run the **Check Bank Statements** report for the bank account and year in question. Any problems that appear in the report should be corrected manually in the relevant bank statement before you proceed with the reconciliation.

Preparing for Reconciliation (03:31-04:22)

Once you have recorded any recent bank statements in *Priority*, you'll need to prepare all of the relevant transactions for reconciliation. If you work with post-dated checks, you must first make sure to update the bank's GL account with any post-dated checks that have come due. The dual-currency system offers a designated program, **Cash Postdated Checks**, that can be run for this purpose.

Once all journal entries and statement items are up-to-date, we're going to load them into the reconciliation worksheet by running the **Prepare for Reconciliation** program. Select the internal code of a single bank account and indicate today's date. All unreconciled journal entries and statement items recorded against this account dated up to today's date are prepared in the reconciliation worksheet.

Performing Reconciliation with a Recorded Bank Statement (04:23-04:58)

You are now ready to perform reconciliation. You can choose between two types of reconciliations: automatic and manual. In either case, reconciliation is not final until you run the **Finalize Reconciliations** program.

In this video, we'll begin by demonstrating how to perform reconciliation manually inside the reconciliation worksheet, and then run a program that provisionally reconciles the bank account against journal entries automatically. Afterwards, we'll review and then finalize pending reconciliations.

Performing Manual Reconciliation (04:59-07:21)

Let's open the **Reconciliation Worksheet** and manually reconcile a few of the items appearing in the worksheet, by assigning two or more matching items the same reconciliation number.

One way of locating a match is by using the **Entries for Reconciliation** sub-level form. The items appearing here are potential matches for the item selected in the upper-level form.

Once you locate the matching item, assign it a reconciliation number that has not yet been used. As a result, the same number is filled in automatically in the upper-level form.

Another option is to sort all items in the worksheet by sum, by clicking the relevant column title. Note that the same amount also appears in either the **Statement Amount** column or in

the **Journal Entry Amount** column; this distinction can be used to differentiate between bank statement items and journal entry items.

Let's **begin with a bank statement item**: note the transaction amount recorded in the bank statement and, further to the right, the number of the bank statement in which this transaction appeared. Next, we'll **look for an item with a matching amount in the Journal Entry Amount** column. Now, we'll **assign the two items the same reconciliation number**. Make sure that the number you choose is one that has not yet been used in the worksheet. **In the Reconciliation Status sub-level form**, you can see a message confirming that the entries match. If the entries do not match, you would instead see a message indicating that debit and credit sums are not equal.

You can now return to the upper-level form and select the **Finalize Reconciliation** program from the list of Direct Activations. The journal entries and statement items in question will be reconciled in the ledger and in the recorded bank statement and deleted from the worksheet. Note that you should run the program with the cursor placed on the topmost line of the reconciliation you wish to perform. To help locate that line, you can retrieve the reconciliation by its **Reconciliation Number**.

It may, however, be more convenient to prepare multiple reconciliations in the worksheet, and later run the **Finalize Reconciliations** program from the menu, finalizing them all at once.

Dealing With Service Fees (and Similar Bank Entries) (07:22-09:36)

Some lines in the bank statement may require special treatment. For example, your statement may contain several items, such as service fees, that do not have corresponding journal entries. In order to balance your accounts regardless, you can use the **Adjustment Entry** sub-level form of the **Reconciliation Worksheet** to create the "missing" entry and then reconcile it with its matching bank statement item.

Begin by **assigning the same reconciliation number to all relevant bank statement items**, as you would for any other reconciliation. Then, **from the last statement item in question, enter the Adjustment Entry Definitions** sub-level form to create a corresponding adjustment entry. **Select an Account Number** for the journal entry and **specify the relevant Account Number, Transaction Date and Due Date**. Finally, **return to the upper-level form** and finalize the reconciliation. Subsequently, the items in question are reconciled together, and a new journal entry is created that debits or credits the adjustment account with the variance.

There may be cases where you wish to record a more complex journal entry for a line in the bank statement that lacks a corresponding entry. To do so, **use the same Adjustment Entry Definitions** form, **recording the first account in the Account Number** column, then **moving to the Add'l Accounts** tab and recording the other accounts in the other two **Adjustment Account** columns. Finally, record relevant amounts in the **Sum 1, Sum 2** and **Sum 3** columns.

Alternatively, you can define the adjustment entry while you are finalizing a given reconciliation. **When you run the Finalize Reconciliation** program from the upper level

form, if debit and credit sums do not match, an input screen appears in which you can record the details of the adjustment entry. Like in the sub-level form, you can define up to three adjustment accounts. While this method is quicker, it does not allow you to provide more advanced definitions, such as cash flow codes, budget items or profit centers, which do appear in the sub-level form. So you should select the method best suited to your needs.

Setting Up the Automatic Reconciliation Process (09:37-10:59)

You can also have the system automatically select matching account items for reconciliation using an automated multi-step process, represented by a reconciliation code. Two default reconciliation codes are provided by the system, one for bank reconciliations and one for account reconciliations. You can also define as many custom reconciliation codes as you need. For instance, if you work with different banks, you may need a different code for each one. Proper use of well-defined reconciliation codes minimizes the remainder of odd items that need to be reconciled manually after running the **Automatic Reconciliation** program.

Reconciliation is carried out in a series of steps, listed **in the Itemized Code sub-level form**, each of which attempts to reconcile an increasingly narrow selection of unreconciled items by applying broader criteria than the previous ones. Each step employs one of a set of predefined reconciliation methods (such as "match by amount" or "match by reference number"), whose functional parameters (e.g., date range and permitted variance) are set specifically for the relevant step in the reconciliation process. To view an explanation of a particular reconciliation method, **press F6** from this column to activate the **Reconciliation Methods** form. The help text appears in the help text sub-level form.

Performing Automatic Reconciliation (11:00-13:01)

Instead of manually reconciling the items, you can run an automatic reconciliation, then deal individually with the items that were not reconciled. To perform automatic reconciliations, **run the Automatic Reconciliation program**, designating the desired **reconciliation code**. When the program finishes running, it displays a notification indicating the number of reconciliations that have been created. Such reconciliations are considered pending until they have been finalized.

At this point, you can finalize all pending reconciliations in a batch by running the **Finalize Reconciliations** program; however, you may prefer to review them first. Pending reconciliations can be reviewed and reconciled one by one from within the reconciliation worksheet, or you can **run the Pending Reconciliations report from the Reconciliation Reports menu** for a quick, overall view of all pending reconciliations. As you can see, successfully matched journal entries and statement items are assigned the same reconciliation number. If any of these reconciliations are incorrect, they can now be canceled from **within the Reconciliation Worksheet**.

For instance, say that the statement items that are assigned the reconciliation number 1 should not be reconciled with the entry item assigned the same reconciliation number. We can easily locate the corresponding items in the worksheet by their reconciliation number. To cancel the pending reconciliation, **replace the reconciliation number with 0, in all the**

involved lines, or run the **Cancel Pending Reconcil'ns** program from the list of Direct Activations.

You may now want to rerun the reconciliation program using a different reconciliation code, or reconcile the rest of the items manually. Once you are satisfied with all pending reconciliations, you can finalize them using either of the programs mentioned earlier.

Results (13:02-13:52)

As a result of the reconciliation process, whether manual or automatic, all the selected items have been reconciled, and adjustment entries have been recorded as necessary. Returning our attention for a moment to the bank statement itself, we can see that the itemized statement now shows a reconciliation number next to each item that has been successfully reconciled. Similarly, if you **retrieve the relevant bank account** and adjustment account in the **Chart of Accounts** form, reconciled transactions appear in a sub-level of this form with the same reconciliation number.

Should you need to cancel a reconciliation for any reason, you can do so at any time by running the appropriate program from the **Cancel Reconciliations** menu, even after the reconciliation has been finalized .

Reconciling a Paper Statement with Journal Entries (13:53-14:08)

If bank statements have not been recorded in **Priority**, you can still manually reconcile journal entries with the paper statement received from the bank, if desired. This process is similar in many ways to manual reconciliation with a recorded bank statement.

Preparing Transactions for Reconciliation (14:09-15:23)

Here, too, you will need to prepare the relevant entries for reconciliation and then proceed to reconcile these entries in a designated work area. When you are done preparing pending reconciliations in the worksheet such that all designated journal entries are properly balanced against the received statement, you can run a second program to finalize these reconciliations. Once the reconciliation process is complete, a bank statement is constructed based on the final reconciliations and can be viewed in the **Reconciled Paper Statements** form.

Remember that if you work with post-dated checks, you must first update the bank's GL account with any post-dated checks that have come due, using the **Cash Postdated Checks** available in the dual-currency package.

Once all journal entries and statement items are up-to-date, we're going to load them into the reconciliation worksheet by **running the Prep for Recon. w/Paper Statemt program**. **Select the internal code of a single bank account [X] and indicate the range of dates which the statement covers, as well as the statement's opening and closing balances, the statement number and the year in which the statement was prepared.**

Performing Reconciliation with a Paper Statement (15:24-20:06)

All unreconciled journal entries recorded against this account for the dates indicated are prepared for reconciliation. Let's **enter the reconciliation work area for paper statements** in

order to select those entries that are actually covered by this bank statement. **Note the opening and closing bank balances** appearing in this form; these should match the corresponding amounts appearing on the bank statement to be reconciled. The difference between these two amounts appears **in the Statement Amount column**. You can view a running total of the journal entries being reconciled with this statement **in the Total Reconc Amount column** as you select entries for reconciliation; this amount should eventually match the statement amount.

As you can see, this work area has two sub-level forms: **Entries to Reconcile and Reconciled Entries - Paper Statemt**. As their titles indicate, the **Entries to Reconcile** form displays potential matches for the items in the current bank statement, any of which can be flagged for reconciliation with this statement. Once you finalize one or more of these reconciliations, they are deleted from this form and appear instead in the parallel sub-level form, **Reconciled Entries - Paper Statemt**.

Let's **enter the Entries to Reconcile sub-level form** in order to begin flagging journal entries that match the items in the current bank statement. For instance, if the bank statement shows a bank transfer that was ordered on xx/yy/zz in the amount of \$A, we'll **look for a journal entry for the same amount with a Transaction Date falling on or around the xx/yy/zz**. The **Details** recorded for the entry we've located also indicate that this entry was recorded for a bank transfer, so we'll **flag this entry for reconciliation**. Note that as you flag more and more entries, several columns in the upper-level form are being updated automatically:

- **ClosingBal in Ledger** – This balance is calculated by adding the amount of the entries that are flagged for reconciliation to the opening balance in the ledger.
- **Flagged for Reconcil** – This column displays the total amount of those journal entries that have been flagged for reconciliation with the current statement.
- **Total Reconc Amount** – The total amount of the journal entries to reconcile with the current statement. This amount consists of the amount flagged for reconciliation plus any amount that has already been reconciled, as displayed in the parallel sub-level form, **Reconciled Entries-Paper Statemt**.

You can finalize pending reconciliations at any time, even if you have not yet finished flagging all of the relevant journal entries, by **returning to the upper-level form and selecting Finalize Recon. w/Paper Statemt from the list of Direct Activations**. As a result, bank statement items are reconciled with the flagged journal entries and are added to a simulation bank statement, which can be viewed **in the Reconciled Paper Statements form**. You can then continue with the reconciliation at a later time, if necessary. To view a report displaying any journal entries that still appear in the **Entries to Reconcile** sub-level of the reconciliation work area, select **Entries in Reconcil Work Area** from the list of Direct Activations and choose whether to view all entries or only those that are flagged for reconciliation.

Should you need to cancel a reconciliation for any reason, you can do so at any time from the relevant sub-level form.

To cancel a pending reconciliation, enter the **Entries to Reconcile** sub-level form, move to the line whose reconciliation you want to cancel and remove the check mark from the **Reconcile** column. Alternatively, you can remove the check marks from all entries in the **Entries to Reconcile** sub-level form in a batch by selecting **Remove Flags From Entries** from the list of **Direct Activations** in the upper-level form.

To cancel reconciliations after they have been finalized, move to the **Reconciled Entries-Paper Statemnt** sub-level form to view all journal entries that have been reconciled with the current bank statement. Move to the line you want to cancel and flag the **Cancel** column. Return to the upper-level form and select **Cancel Reconcil w/Paper Statemnt** from the list of **Direct Activations** to cancel the reconciliation of all flagged items. The entries for which reconciliation has been canceled reappear in the **Entries to Reconcile** sub-level form and can again be reconciled, and the amount in the **ClosingBal in Ledger** column is updated automatically.

Viewing the Progress of Reconciliations (20:07-20:26)

Priority provides a variety of reports that allow you to view different cross-sections of reconciled bank transactions, as well as items that have not yet been reconciled. These reports can all be accessed from either the **Reconciliation Reports** menu or the **Bank Reconcils-Paper Statement** menu.

Cancelling and Restoring Reconciliations (20:27-21:06)

If necessary, you can cancel reconciliations, as well as restore those that have been canceled, from the **Cancel Reconciliations** menu. Run a program to cancel reconciliations, even those that are already final.

You can view final reconciliations that have been canceled by running the **Canceled Final Reconciliations** report for one or more accounts. If you want to restore a canceled reconciliation, simply run the **Restore Canceled Reconciliations** program, rather than going through the reconciliation process once again.

This concludes our demonstration of the bank reconciliation tools available in **Priority**. It should be noted that a similar process works for credit card statements.

Related Documentation

- Set Up Bank Accounts Wizard
- Bank Reconciliation Wizard