

## **Bank Reconciliations - Tips, Tricks and Traps Or The Secret to a Good Accounting System**

The financial year has just about ended for most of you, so we are probably a little late to improve our bank reconciliation skills for the past year.

However, now or very soon you'll probably be cringing with fear whilst waiting on your external tax accountant's invoice to arrive. I'm sure that like everybody else in small business you wonder every year why the bill is so high and how can they justify it. But of course, most of you will just accept it and pay it, no questions asked.

Now don't get me wrong, I'm not suggesting that you ditch your accountant, as Kerry Packer once famously said "Anybody that doesn't minimise their tax should be charged with a crime".

So with that out of the way, if your accountant was truly honest with you, he or she would tell you their bill is so high because of the RUBBISH (read accounts) that you dump on his desk every year.

So what's the point you ask.

Well most of your accountant's time and bill is probably spent reconciling your bank account or accounts. That's right; the key to a good accounting system and the best way to lessen the pain of the Annual Accounting Fee is in the Bank Reconciliation.

The word Bank Reconciliation probably has most of you cringing already, and most of you are probably ready to turn the page (STOP, probably just some boring Provet ad anyway).

Bank Reconciliations needn't be painful, the SECRET is to do them regularly, not just once a year (this is the most painful of all bank recs.)

For a small clinic, once a month is probably reasonable, for a medium sized clinic at least weekly would be ideal, for a large clinic DAILY would be recommended. In this day and age of internet banking and the availability of statements online doing a daily bank reconciliation is not impractical. Five or ten minutes spent daily reconciling the bank can save lots of pain later on. The earlier any differences are detected, the easier they will be to track down.

### **What do you need to make bank reconciliations simple?**

#### **Tips**

- Ensure that the "Account Defaults" in maintenance are pointing to the correct system control accounts
- Ensure you have a copy of current bank statement (imperative)
- Ensure you have the correct opening balance (closing balance from last bank statement)
- Ensure that any queries relating to Till Balance, Safe Balance, Eftpos deposits and Direct Credits are resolved
- Ensure that Debtors and Creditors are reconciled correctly, also that aged reports for Debtors and Creditors equal the General Ledger balances for those control accounts
- Once you have reconciled all the entries on your statement, check the closing balance on your reconciliation, to make sure that it matches the closing balance, on the physical statement.

- If for some reason the closing balance does not equal the physical bank statement, don't panic, it is always something simple. Recheck off all the entries on the reconciled side versus the physical bank statement to see what you may have missed. Failing that, un-reconcile every item by double clicking on the previously reconciled items to put them back on the un-reconciled side and start again. If you are still unsuccessful have another staff member have a look with you, a second set of eyes often finds a transposition error that the original user keeps missing.
- Next time you go into the Reconciliation screen the bank statement number showing will be the next consecutive statement number

### Tricks

- Bank fees can be entered off this screen by using the INSERT button, which opens the Cashbook window. Any GL Cashbook entries can be entered in this manner but not DEBTORS OR CREDITORS which must be entered under the correct module.
- EFTPOS DEPOSITS that are incorrect need to be resolved. Eftpos deposits cannot be edited. If you only edit the eftpos holding account and don't find where the error has occurred (in a client's account) then the two areas will be out of balance. Eftpos errors must be fixed from the client's account. If the error can't be found, do a journal to the Unders and Overs account until it can be resolved.
- Always print out the statement after saving, and always print the un-presented list. Attach both these to the back of the physical bank statement.

### Traps

- 'DEPOSIT TO BANK' entries CANNOT BE EDITED! You should insert a Negative Cash book entry (Deposit) for the full wrong amount, and make the GL Code your Unders and Overs Account. Then insert a Positive Cash book entry (Deposit) for the Correct amount – once again to the Unders and Overs Account.  
To reconcile items from right hand side to left – you simply double click on each item as it appears on the bank statement
- NEVER save a statement if the opening balance & closing balance are incorrect.

Once you have all of the above in hand then it becomes as easy as going into the Bank Reconciliation screen and on the right hand screen (un-reconciled items) and selecting the items that appear on the bank statement for that period of time.

Once you have selected all the items that have been presented on that statement click the Reconcile Button to move them to the reconciled items screen. Ensure that you "mark off" the same items on your paper based bank statement. Check that the closing balance at the bottom of the screen equals the balance as per your bank statement. Simple eh!

Oh! And don't forget that reconciling the bank isn't just for your cheque account. Your credit cards, petty cash and deposit accounts should also be set up as bank accounts and also need to be reconciled.

If a bank reconciliation has never been done in your VisionVPM system before please call us for a Tip Sheet.

The secret to a good accounting system is the bank reconciliation; nearly all transactions that you perform in VisionVPM will have an ultimate effect on the bank account at some point. There are very few transactions in any business that will not end up in or out of the bank at some point. Once you have grasped that basic concept then you will be well on the way to mastering not only your bank reconciliation but also having a well presented and informative accounting system. You will also start to get a much better grasp of your business's cash flow and this can only lead to a better and more efficient (let alone profitable) business.

So be a **VISIONary** (pardon the pun) get a firm grip on that bank reconciliation and watch the smile on your accountant's face turn to despair when he can't bill you for doing your bank reconciliation for you.