Bank Reconciliation:

Step 1: Identify outstanding deposits and bank errors that need to be added to the current bank statement balance.

Step 2: Identify outstanding checks and bank errors that need to be subtracted from the current bank statement balance.

Step 3: Identify amounts collected by the bank (notes), amounts added to our balance by the bank (interest on account), and any errors made by the company, when recording the transactions, that need to be added to the current book balance.

Step 4: Identify bank service charges, NSF checks, and any errors made by the company that need to be subtracted from the current book balance.

Bank Reconciliation format:

<table>
<thead>
<tr>
<th>Bank</th>
<th>Books</th>
</tr>
</thead>
<tbody>
<tr>
<td>Balance $X</td>
<td>Balance $X</td>
</tr>
<tr>
<td>Add:</td>
<td>Add:</td>
</tr>
<tr>
<td>Outstanding Deposits $X</td>
<td>Bank Collections $X</td>
</tr>
<tr>
<td>Bank Errors $X</td>
<td>Interest Revenue $X</td>
</tr>
<tr>
<td></td>
<td>EFT Receipts $X</td>
</tr>
<tr>
<td></td>
<td>Book Errors $X</td>
</tr>
<tr>
<td>Subtotal $X</td>
<td>Subtotal $X</td>
</tr>
<tr>
<td>Less:</td>
<td>Less:</td>
</tr>
<tr>
<td>Outstanding Checks $X</td>
<td>Service Charges $X</td>
</tr>
<tr>
<td>Bank Errors $X</td>
<td>NSF Checks $X</td>
</tr>
<tr>
<td></td>
<td>EFT Payments $X</td>
</tr>
<tr>
<td></td>
<td>Book Errors $X</td>
</tr>
<tr>
<td>Adjusted Bank Balance $X</td>
<td>Adjusted Book Balance $X</td>
</tr>
</tbody>
</table>

Amounts must balance

Journal entries must be done to record all adjustments made to the book balance. For all of the adjustments made to increase the book balance cash will be shown as a debit in the entries. For all of the adjustments made to decrease the book balance cash will be shown as a credit in the entries.
Accounting Notes
Bank Reconciliation, Petty Cash

Cash Short and Over

Any differences between the cash register tape totals and the actual cash receipts is charged against the cash short and over account.

If the ending balance of the account is a debit it is shown on the Income Statement as a miscellaneous expense.

If the ending balance of the account is a credit it is shown on the Income Statement as Other Revenue.

Journal Entry:

For a cash shortage:
Cash Actual cash received
Cash Short and Over Difference
Sales Revenue Cash register tape totals

For a cash overage:
Cash Actual cash received
Cash Short and Over Difference
Sales Revenue Cash register tape totals

Petty Cash:

Petty cash is a fund containing a small amount of cash that is used to pay for minor expenses. The amount of the petty cash fund is dependent on how much a company feels it needs to have on hand to pay for this expenses. The fund is replenished on a regular basis, normally at the end of the month unless it is necessary to replenish it sooner. The amount of the fund may be increased or decreased after it is setup, if necessary.

Journal Entries:

For the setup of Petty Cash:
Petty Cash Amount of fund
Cash in bank Amount of fund
Accounting Notes
Bank Reconciliation, Petty Cash

Petty Cash:

Journal Entries:

*For replenishment of petty cash:*
Office Supplies  Amount spent
Delivery Expense  Amount spent
Postage Expense  Amount spent
Misc. Expense  Amount spent
Cash in bank  Total of receipts