

Bank and Credit Card Reconciliation

What is Reconciliation?

Reconciliation is the process of matching transactions you entered in QuickBooks with your bank or credit card company's records. It is highly recommended that you reconcile your bank/credit card accounts in QuickBooks on a regular basis to ensure accuracy of your accounting records. More specifically, reconciliation helps ensure that:

- All your transactions such as payments, deposits and bank fees are accounted for in QuickBooks.
- All transactions in your QuickBooks bank register, as well as its ending balance, match what you have in your actual bank account.

Before you start reconciling the account, make sure you have:

- Created a **backup** copy of the company file.
- Setup the bank or credit card account in QuickBooks with the correct beginning balance.
- Entered all uncleared transactions for the statement period.
- Received a copy of your bank or credit card statement.

Note: A pencil for marking the selected items on your statement may also be handy.

The Reconciliation windows

You will come across two main screens as you start and complete the reconciliation process.

The Begin Reconciliation screen

In this window, you choose the account to reconcile and review information about it including the beginning and ending balance as well as the statement date. It is important that all information in this window is accurate before you proceed to the next step.

To go to the Begin Reconciliation window, go to the **Banking** menu and click **Reconcile**.

Begin Reconciliation

Select an account to reconcile, and then enter the ending balance from your account statement.

Account: business checking (A)

Statement Date: 11/30/2019 (B)

Beginning Balance: 0.00 (C) What if my beginning balance doesn't match my statement?

Ending Balance: (D)

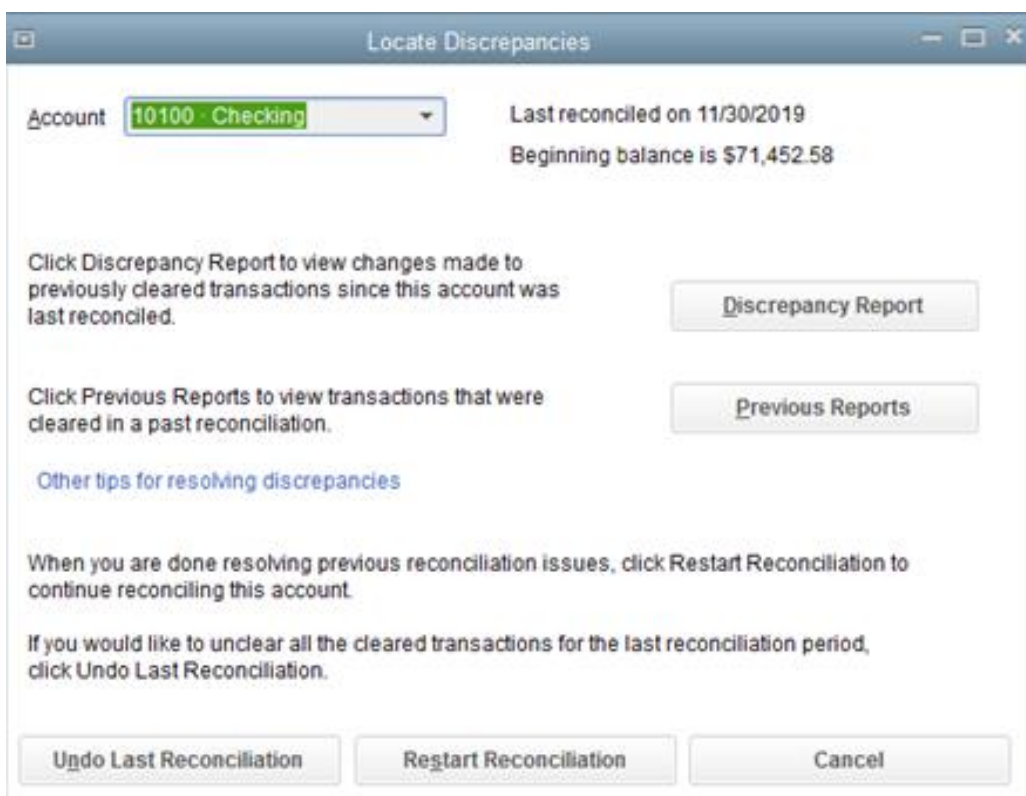
Enter any service charge or interest earned. (E)

Service Charge	Date	Account	Class
0.00	11/30/2019		

Interest Earned	Date	Account	Class
0.00	11/30/2019		

Locate Discrepancies (F) Undo Last Reconciliation (G) Continue (H) Cancel Help

- A. In the **Account** field, enter or select the bank or credit card account you want to reconcile.
- B. The **Statement Date** is automatically filled in. Usually it is 30 or 31 days after the statement date you entered for the previous reconciliation. You can change it as needed.
- C. The **Beginning Balance** is automatically filled in. It is the sum of all previously cleared transactions. Check to make sure it is the same as the opening balance shown on your statement. In the **Ending Balance** field, enter the ending balance from your statement.
- D. If the financial statement shows a service charge or interest that you haven't yet entered into your QuickBooks records, enter those amounts into the **Service Charge and Interest Earned** section. **DO NOT** enter charges you have already entered as QuickBooks transactions.
- E. Click **Locate Discrepancies** to see available reports that will help you track discrepancies and other reconciliation issues. You will also be given the option to **Undo** and **Restart Reconciliation** on the **Locate Discrepancies** window.



- F. Click the **Undo Last Reconciliation** button if troubleshooting requires you to revert to the previous reconciliation.

Why do I need to undo last reconciliation?

You will normally need to undo last reconciliation when you cannot locate discrepancies during reconciliation or if you want to change the date of the opening balance. Note that when you undo previous reconciliation, your beginning balance will revert to the previous beginning balance, all previously cleared transactions will be uncleared and you need to reconcile your previous statement again.

- G. If all information is correct click **Continue** to proceed to the Reconcile window.

The Reconcile screen

In this window, you can refine the choices you want to match against your bank statement. This is where you select transactions to clear. If this window shows a zero difference after you select all transactions that appear on your statement, then congratulations! You can simply click the **Reconcile** button and you're done reconciling the account.

Let's go through each of the options available in this window and what they are for.

Reconcile - Checking

For period: 11/30/2019

Hide transactions after the statement's end date

Checks and Payments				Deposits and Other Credits			
DATE	CHK #	PAYEE	AMOUNT	DATE	CHK #	PAYEE	AMOUNT
10/31/2019	433	Sergeant Insur...	712.56	11/30/2019	41077	Melton, Job...	4,135.58
10/31/2019	436	Bayshore Water	24.00	12/02/2019			4,706.01
11/14/2019	451	Larson Flooring	3,200.00	12/03/2019		Teschner, A...	1,200.00
11/19/2019	460	City of Bayshore	225.00	12/05/2019			25,000.00
11/28/2019	464	Hopkins Const...	300.00	12/05/2019	56321	Teschner, A...	5,000.00
11/28/2019	465	Keswick Insula...	500.00	12/10/2019			1,000.00
11/28/2019	466	McClain Applia...	600.00	12/10/2019	3008	Keenan, Bri...	102.65
11/28/2019	467	Lew Plumbing	800.00	12/12/2019			4,936.12
11/28/2019	468	Timberloft Lum...	6,790.00	12/14/2019			4,700.00
11/28/2019	469	Sloan Roofing	2,000.00	12/15/2019		Abercrombi...	7,633.28
11/28/2019	470	Washuta & So...	500.00	12/15/2019		A Cheung Li...	0.00
11/30/2019	471	Bayshore Water	24.00	12/15/2019			1,234.00
11/30/2019	472	Patton Hardwa...	656.23	12/15/2019			200.00

Highlight Marked

Beginning Balance	71,452.58
As you have marked cleared	
0 Deposits and Other Credits	0.00
0 Checks and Payments	0.00
Cleared Balance	71,452.58
Difference	-71,452.58

- A. **Hide transactions after the statement's end date:** Put a checkmark in the box if you want to display only the transactions covered by the statement period you are working on. This will help avoid confusion especially if you are "behind" in the reconciliation process and there are current transactions already entered in QuickBooks.
- B. **The transactions entered in QuickBooks:** These are listed and divided into two sections – the Checks and Payments (Money out) and Deposits and other Credits (Money in). If you are reconciling a credit card account, the sections are Charges and Cash Advances (purchases) and Payments and Credits (payments to the credit card company). Check the transactions against what you have on your bank or credit card statement. Make sure to click only the ones that appear on your statement. You also must ensure the amounts are the same. Note that as you select transactions, the Cleared Balance changes.

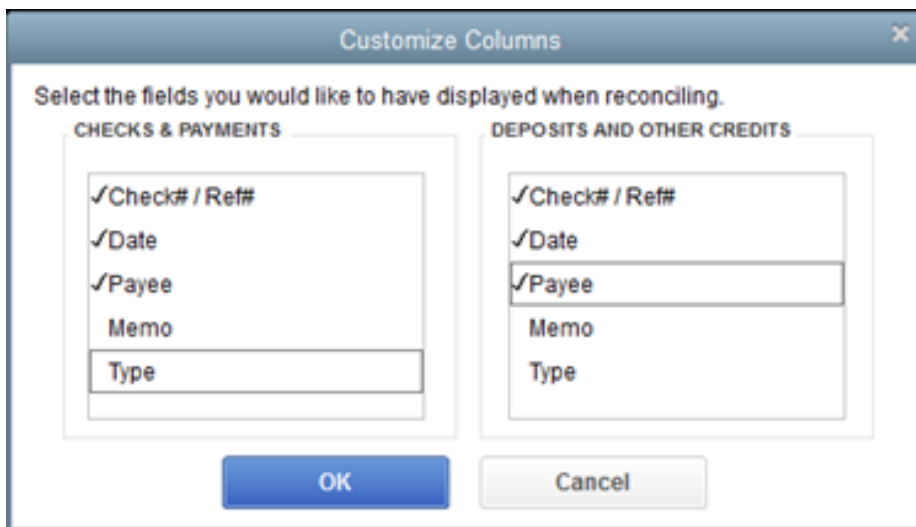
What if there are too many transactions?

By default, the transactions are listed according to date. If there are too many transactions for the statement period, it may be easier for you to resort transactions, especially if you are trying to find a transaction with a specific amount, reference #, etc.

Click the **header/title** of the column you want to resort. Clicking it once automatically sorts the transactions. Clicking it a second time reverses the sort. For example, if you want to arrange transactions according to amount, click the **Amount** column header. The transactions are rearranged in ascending or descending order.

- C. **Items you have marked cleared:** This section displays the total number and the total amount of Deposits and Checks you've selected. Some bank provides the same summary of transactions on their statement. Looking at this section will save you time if you need to check for discrepancies.
- D. **Mark All/Unmark All:** Click either of these buttons to select/deselect transactions. If you reconcile on a regular basis and if all transactions for the statement period were entered correctly, selecting all transactions at once may save you time. Just make sure, the reconcile window shows a zero difference between the ending balance and cleared balance.
- E. **Go To:** Click this button to open (and edit) the transaction from the reconciliation window. This is helpful if you need to do minor edits on the transaction before you mark it reconciled or cleared.
- F. **Matched:** If the account you are trying to reconcile is setup for online banking, clicking this button will automatically select the transactions that were downloaded and auto matched.
- G. **Columns to Display:** Click this button to choose the fields you want to display.

Why do I need to choose the columns?



By default, QuickBooks displays the **Date**, **CHK #**, **Payee** and **Amount** columns. Except for the Amount column, you can add or remove the other fields to help avoid confusion. For example, if your statement shows the reference # for most transactions, you can choose to display only the **CHK #** and **AMOUNT** columns. This way, you can easily find and mark transactions.

- H. **Modify:** Click this button if you have last minute changes on the information you entered in the Begin Reconciliation window.
- I. This section provides you with a glimpse of the reconciliation figures.
 - **Service Charge, Interest Earned and Ending Balance:** They are all based on the amount you entered for these fields in the Begin Reconciliation window.

- **Cleared Balance:** The figure decreases as you select/clear checks and payments and increases as you select/clear deposit and other credit amount.
- **Difference:** This gives you the difference between the beginning balance you entered and the cleared balance (the transactions you've selected so far). Ideally, this should be zero.

J. **Leave:** Click this button if you need to go out of the reconcile window to work on another account or to edit transactions.

What happens when I click the Leave button?

QuickBooks keeps track of the transactions you already marked as cleared -- that is, they remain checked in the Reconcile window. When you go to the account register, an **asterisk (*)** is displayed in the cleared column of the transactions you marked until you complete the reconciliation. The asterisk indicates that a transaction is pending because you haven't finished reconciling your QuickBooks account with your financial statement.

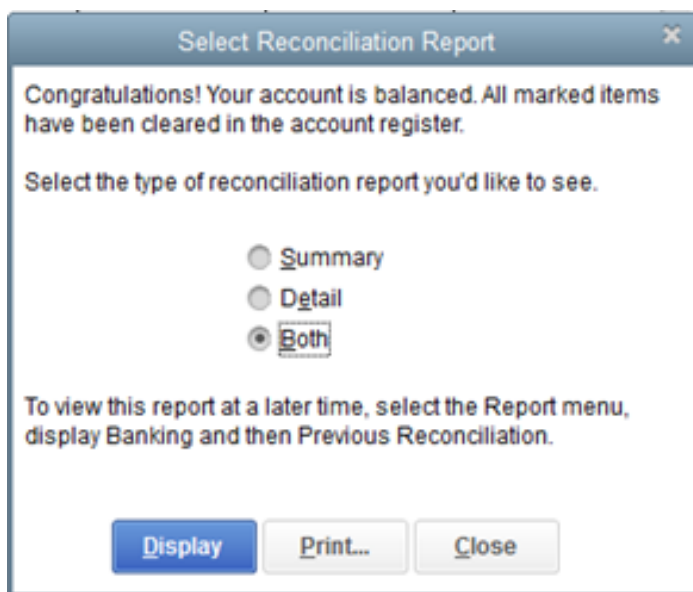
When you are ready to resume reconciling, you need to go back to the **Begin Reconciliation** window, reenter the beginning balance and proceed with reconciliation as usual.

K. **Reconcile Now:** Click this button if you are done selecting all transactions.

What happens next?

The difference is zero

If the difference is zero, QuickBooks saves the reconciliation and displays the **Select Reconciliation Report** window. Choose the type of report and then click either **Display** or **Print**. Click **Close** if you do not need any reports now.



QuickBooks gives you the option to choose between Reconciliation Summary or Reconciliation Detail report, or select both. Though not displayed after you completed the reconciliation

process, the **Reconciliation Discrepancy Report** is also available in QuickBooks to help you figure out any discrepancy or issue when reconciling the account.

The difference is anything but zero

If the difference is anything but zero, QuickBooks displays the **Reconcile Adjustment** window. The options available in this window are:



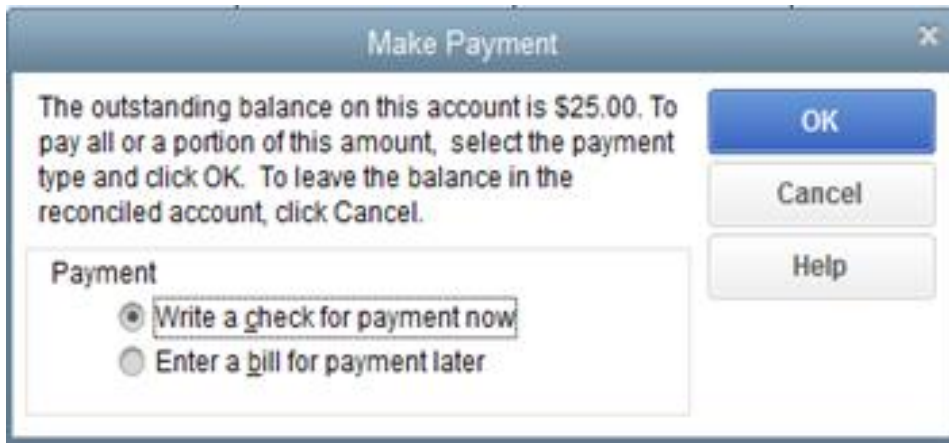
- **Return to Reconcile:** Click if you need to go back to the previous window.
- **Leave Reconcile:** Click if you need to go out of the reconciliation window so you can review or edit existing transactions that are causing the discrepancy.
- **Enter Adjustment:** Click if you want to complete the reconciliation process although you didn't get a zero difference on the previous window. QuickBooks will automatically enter a Journal Entry under a special expense account called Reconciliation Discrepancies. You can check and edit it as needed by going to your Chart of Accounts.

If you need to locate the Journal Entry, you can:

- Use the **Find** feature
 - a. From the **Edit** menu, click **Find**.
 - b. On the Find window, go to the **Advanced** tab and select the **Memo** filter.
 - c. In the Memo field, type **Balance Adjustment** and click **Find**.
 - d. Any balance adjustment will be displayed.
- View the Previous Reconciliation report.
 - a. From the **Reports** menu, click **Banking > Previous Reconciliation**.
 - b. If a balance adjustment was made, you will see a General Journal Entry at the top of the report under the Cleared Transactions section.

Note for credit card accounts:

If your ending balance is anything but zero, QuickBooks will display the Make Payment window and prompt you to write a check or enter a bill to pay for the outstanding balance. If you do not want to record payment, you can click Cancel.



Reconciliation discrepancies

You may encounter discrepancies as you reconcile your bank or credit card account. Discrepancies are mismatches caused by transactions in the account that don't agree with your printed statement. These may cause delay in completing the reconciliation process. Finding and fixing these discrepancies will balance your account and allow you to see a more accurate financial picture. Listed below are two of the available resources dealing with mismatches and other reconciliation issues. They provide overview and links to other resources dealing with more specific reconciliation issues.

Troubleshoot an account reconciliation

Incorrect opening balance: where does the opening balance come from?

First, open your register.

1. Click **Transactions > Chart of Accounts**
2. In the **Action** column, choose **View register** (or **Account history**)

The last column on the right will indicate the status of each transaction.

- Any transaction with the status of **R** affects the opening balance regardless of date, type, or amount.
- Any transaction with the status of **C** or **blank** does not affect the opening balance.

If the last reconciliation balanced correctly, one of the following scenarios has taken place:

1. **Transaction(s) were edited in the register and the reconcile column was changed to show the wrong status as follows:**
 - Unreconciled transactions were incorrectly marked with an **R** so they affect the opening balance (they should not).
 - Reconciled transactions were incorrectly marked with a **C** or left blank so they no longer affect the opening balance (they should).
2. **Transaction(s) marked with R were deleted from the register.**

Now that you understand what transactions affect the opening balance, here are steps to help locate the discrepancy:

- First, view the changed transactions report to see what transactions have changed since the last reconciliation using Changes to the Reconcile Report.

You can find the changes since your last reconcile easily with the Reconciliation History & Reports in QuickBooks Online.

1. Click the **"Gear" icon > Reconcile**.
2. Under **Reconciliation History & Reports**, locate the reconcile date you want to check.
1. If any reconciled transactions have been changed (such as the status of a reconciled transaction, or the amount of a reconciled transaction), the amounts will be listed in the **Changes** column; click on the amount in the **Changes** column to see the details of the changes.

Reconcile

Account

Reconciliation History & Reports

Statement Ending Date	Reconciled On	Ending Balance	Changes	Auto Adjustment
11/01/2012	11/30/2012	800.00	-20.00	

This amount is what changed since last reconcile.

3. Under the **Change** column, you'll see whether an amount of a reconciled transaction or the reconciliation status changed; click on the item to go to the transaction itself.

Reconciliation History & Reports

Changed Transactions - Reconcile Checking, Statement Ending 10/21/2012

These transactions were changed after they were reconciled.
Click on them to open them in a separate window and edit them (except deleted transactions).

Date	Type	Num	Name	Orig Amt	Curr Amt	Change	Amt Change
10/21/2012	Check	12		95.00	90.00	Amount Changed	+5.00
Remaining Changes:							5.00

4. A new window will open so you can change the transaction as needed and save.
5. Click the **X** to go back to the original window with the **Changed Transactions** screen and click **Refresh**. The item should have disappeared from the list.
6. Work through all the changed items until they are all gone.

7. Click **Close**. The **Changes** column on the reconcile in question should be empty.
 - If you click on an individual transaction in the overlay, it will open that specific transaction.
 - **Example:** Write Check if you click on a check.
 - If the reconcile included an automatic adjustment, you will see that in the Auto Adjustment column, and clicking on that number will take them to the reconcile report for that session

Other notes:

- The **Change Transactions** screen will work retroactively.
 - You can see the changes in older reconciles, not just for new ones performed since the rollout of the feature.
 - If there's a reconcile report for a given reconcile in the company, you can see the discrepancies, or which reconciled transactions have been changed since that reconcile.
 - If a transaction is deleted, and the overlay says **Deleted** under the **Change** column, you can go back and re-enter the transaction, but it will STILL show up in the **Changed Transactions** list and in the **Changes** column of the Reconciliation History & Reports page.
 - A fix isn't scheduled for this issue, but you can use the **Feedback** option from the gear icon to request a change for this.
 - If there's been an auto adjustment on a reconcile and it's deleted, it will not disappear from the **Reconciliation History & Reports** page.
-
- If you can locate the transaction(s) using the changed transactions report, while in the report, select the transaction(s) to edit the amount if necessary and/or view the register to correct the status (**R**, **C** or **Blank**) and re-start the reconcile.
 - If a previously reconciled transaction was deleted, did you reenter it to its original state? If not, make these changes and check your opening balance and restart your reconciliation.

If using the changed transactions report didn't locate the transaction or help you correct the opening balance, there are additional reports you can use to help identify the issue.

First, print a copy of your last Reconcile Report. To do this:

1. Choose **Reports**, then type **Reconciliation Report** in the search box and select that report.
2. Choose the account in question and **Print** the most recent reconciliation report.

Next, run the following report to compare with your bank statement:

1. Open the reconcile window and write down the opening balance.
2. Choose the **Gear icon > Chart of Accounts**.
3. Click on the account in question to highlight it.

4. In the **Action** column on the right-hand side, click **Run report** and an **Account QuickReport** will open.
5. Click **Customize**.
6. Set the **Transaction Date** to **All Dates**.
7. Click **Run report**.

This report shows all the transactions that are marked reconciled. We suggest that you print this report along with your bank statements and compare the two. Since we assume the bank statements are accurate, the idea is to get the report to match the bank statements.

How to compare the reports:

- If you see a corresponding transaction on both reports, cross them off and move to the next transaction.
- If the report from QBO has a transaction that is not on the statement from the bank, click the letter **R** in the register to remove it.
- If the report from QBO has a transaction that is on the statement from the bank, but a different amount, **Edit** the transaction to reflect the correct amount.
- If the statement from the bank has a transaction that is not on the report in QBO, first check the register for the transaction.
 - If you find the transaction place a letter **R** on it and save it.
 - If the transaction is not in the register, add it to the register and place a letter **R** on it.

Go through the report and the bank statement and make the changes in QBO as necessary, then run and print the report again. If the report total matches what the opening balance should have been, you've found your problem and can continue the reconcile. If not, you'll want to repeat the process until you find the problem transaction(s). It is likely that the changes were made to more recent transactions however we ask that you run the report for all dates because any transaction from any period with a letter **R** can affect the balance. If you prefer, start with most recent transactions and statements first.

Is your opening balance correct, but you still have unreconciled historical transactions in your register?

Let's say your opening balance is correct but you have some old unreconciled transactions in QBO which have already appeared on your bank statement in the past. If the opening balance matches, then one or more of these old transactions has already been accounted for; that is, it has been duplicated and marked with an **R**. Here's how to deal with this situation:

Run the following report to identify the problem transactions:

5. Open the reconcile window and write down the opening balance.
6. Choose the **Gear icon > Chart of Accounts**.
7. Click on the account in question to highlight it.

8. In the **Action** column on the right-hand side, click **Run report** and an **Account QuickReport** will open.
9. Click **Customize**.
10. Set the **Transaction Date** to **All Dates**.
 11.
 - If you are using QBO Plus or Essentials:
 - 1. Click the **Change Columns** button, select **Last Modified** and add that column to the right window.
 - 2. Click OK.
 - 3. Change the **Sort In** option to Descending order.
 - 4. Scroll down to the **Status** section and change the Cleared drop-down arrow to **Reconciled**.
 - If you are using QBO Simple Start, go to the **Sort By** field and select Clr.

Click **Run report**.

If the QuickReport shows any transactions that say **Adjust** or **Adjustments** in the **Memo** column and have a letter **R** in the **Clr** column, they can be considered possible culprits. Adjustments are made because previous reconciles did not balance. When the adjustment is put in, it is taking the place of an actual transaction that was either missing or duplicated.

- If the adjustments add up to the amount of the outstanding historical transactions you can delete the adjustments and manually reconcile the historical transactions in the register.
- To manually reconcile a transaction click **Edit** from the register and add the letter **R** in the check mark column.

If there are no adjustments:

10. Click **Customize** on the **Account QuickReport**.
11. Click **Run the Report**.
12. Look for any duplicated reconciled transactions.
13. Should you locate the duplicate transaction you will need to determine which one is correct and delete the duplicate. Keep in mind that if you delete the reconciled transaction, you will need to manually reconcile the historical transaction to keep the opening balance accurate.

Once the historical transactions have all been resolved and the report is correctly reflecting the opening balance, you should be able to continue your reconciliation.

What if my opening and ending balances are correct but the reconcile still doesn't match?

When reconciling in QuickBooks Online you're required to input the ending balance, which comes from the bank statement. It is imperative that this balance is entered accurately.

If your opening balance and ending balance are correct and the difference does not equal 0 then the error lies in the transactions that have been checkmarked. Go through and double-check the following:

- On the statement mailed from the bank or obtained from the bank's website, compare the total payments amount and the total deposits amount to the totals listed in the reconcile window; this will help further identify if the incorrect transaction(s) are deposits or payments.
- One of the checks or the deposits may have been entered incorrectly. Double-check the amounts and make sure they are checkmarked correctly.
- You may have overlooked your interest earned or bank fees. If so, enter them.
- Check to see if the difference is a factor of 9. If it is, someone may have transposed some numbers of one of the transactions. For example, if the amount was really \$220.00 but they entered \$202.00, the amount of your difference would be \$18.00, which is a factor of 9.
- If you can't find errors or omissions in the records, the problem may be the result of a bank error. To determine this, you'll need to check hard-copy documentation that you have. If it does turn out to be a bank error, record an adjusting transaction for the difference between what the statement says and what the transaction should be. Then contact the bank to report the error. When you receive the next bank or credit card statement, verify that it contains an adjustment for the error, then find and delete the adjustment transaction that you made.

If the transactions are all correctly checkmarked, and the ending balance is correct, then the opening balance must be incorrect. If this is the case, go to the section "The opening balance is incorrect when I reconcile," then follow the steps.