

What is Bank Reconciliation?

Worksheet

Bank reconciliation adjusts both the bank statement balance and the book (ledger) balance for timing differences and errors until the two adjusted balances match - that matched figure is the company's true cash balance.

Questions

1. Which item is added to the BANK statement balance during reconciliation?
 - A) Outstanding checks
 - B) Deposits in transit
 - C) Bank service fees
 - D) NSF checks
2. A company's book balance is \$6,000, with \$20 interest earned and \$40 in bank fees. What is the adjusted book balance?
 - A) \$5,980
 - B) \$6,020
 - C) \$6,060
 - D) \$5,940
3. What is an outstanding check?
 - A) A check the bank refuses to honor
 - B) A check written but not yet cleared by the bank
 - C) A deposit not yet recorded
 - D) An interest payment
4. After reconciliation, the adjusted bank balance and adjusted book balance should:
 - A) Always differ by the fee amount
 - B) Be equal
 - C) Equal the beginning balance
 - D) Be irrelevant to each other
5. A company's book balance is \$5,000. The bank statement shows \$15 interest earned and \$25 in bank fees, with no NSF checks. What is the adjusted book balance?
6. The book balance is \$8,200. The bank charged a \$150 NSF check fee and \$30 in service charges; interest earned was \$10. What is the adjusted book balance?
7. The bank statement balance is \$12,000. There are \$2,000 of deposits in transit and \$1,500 of checks still outstanding. What is the adjusted bank balance?
8. Define: What is bank reconciliation?
9. Define: What is a deposit in transit?
10. Define: What is an outstanding check?

Answer Key

1. B) Deposits in transit - Deposits recorded in the books but not yet processed by the bank are added to the bank balance.
2. A) $\$5,980 - 6,000 + 2040 = \$5,980$.
3. B) A check written but not yet cleared by the bank - Outstanding checks are written/recorded but haven't cleared the bank yet - subtract from the bank balance.
4. B) Be equal - The whole point of reconciliation is for both adjusted balances to match, showing the true cash figure.
5. Adjusted book balance = Book balance + Interest Fees = $5,000 + 1525 = \$4,990$
6. Adjusted book balance = $8,200 + 1030150 = \$8,030$
7. Adjusted bank balance = Bank balance + Deposits in transit Outstanding checks = $12,000 + 2,0001,500 = \$12,500$
8. The process of matching a company's book cash balance to its bank statement balance, explaining any differences.
9. A deposit recorded in the books but not yet processed by the bank - added to the bank balance.
10. A check written and recorded in the books but not yet cleared by the bank - subtracted from the bank balance.

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