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BANK RECONCILIATION

CHEAT SHEET & PRACTICAL GUIDE

Learn Today, Lead Tomorrow.

1 WHAT IS BANK RECONCILIATION?

Bank Reconciliation is the process of comparing the cash balance in the company's books with the cash balance shown on the bank statement and explaining the differences.

KEY POINTS

- Ensures cash balances are accurate.
- Helps detect errors, omissions or fraud.
- Ensures all transactions are recorded.
- Supports good cash management.
- A key control for financial integrity.

2 BANK RECONCILIATION PROCESS FLOW

1. Obtain Bank Statement ↓
2. Obtain Cash Book / Ledger Balance ↓
3. Compare Balances ↓
4. Identify Differences ↓
5. Prepare Adjusting Entries (if any) ↓
6. Reconcile and Confirm ↓

RECONCILIATION COMPLETED

3 IMPORTANT DOCUMENTS

- Bank Statement
- Cash Book / General Ledger
- Cheques Issued But Not Presented
- Deposits in Transit
- Direct Bank In / Credits
- Bank Charges
- Interest Income
- Standing Instructions / Autopayments
- Bank Confirmation (if required)

MALAYSIAN COMPLIANCE

- Comply with LHDN record retention requirements
- Ensure e-Invoice related payments are recorded
- Follow MFRS / MPERS & company policies
- Maintain proper documentation & approvals
- Perform regular reconciliations (monthly)

4 TYPICAL RECONCILING ITEMS

Add to Cash Book Balance (not yet in bank)

- Deposits in Transit
- Direct Bank In / Credits
- Interest Received
- Unpresented Cheques Reversed by Bank
- Others (e.g. refunds, incorrect debits by bank)

Deduct from Cash Book Balance (already in bank)

- Cheques Issued But Not Presented
- Bank Charges
- Standing Instructions / Autopayments
- Uncredited Collections
- Others (e.g. incorrect credits by bank)

5 BANK RECONCILIATION STATEMENT (EXAMPLE)

As at 31 May 2025		RM
A. Balance as per Cash Book		25,000
Add: Items not yet in bank		
Deposits in Transit	4,500	
Direct Bank In / Credits	1,200	
Interest Received	300	
Sub total (Add)	6,000	
Less: Items already in bank		
Cheques Issued But Not Presented	(7,800)	
Bank Charges	(120)	
Standing Instructions / Autopayments	(2,000)	
Sub total (Less)	(9,920)	
B. Balance as per Bank Statement		**21,080**

This statement helps to:

- Ensure the accuracy of cash balances
- Identify timing differences
- Detect errors, fraud or omissions
- Improve cash flow management

6 RECONCILIATION FORMULA

+ **Cash Book Balance** (Balance as per company's books)

+ **Add:** Items not yet in bank

− **Less:** Items already in bank

= **Bank Statement Balance** (Balance as per bank statement)

Note:
The adjusted balance must be the same as the bank statement balance.

7 RESPONSIBILITIES

- Obtain bank statements promptly.
- Prepare and review bank reconciliation monthly.
- Identify and investigate reconciling items.
- Ensure all adjustments are properly recorded.
- Maintain supporting documents.
- Follow up on outstanding items.
- Escalate unusual differences to management.

8 BEST PRACTICES

- Reconcile monthly
- Use standard reconciliation format
- Investigate all differences
- Keep all support documents
- Segregate duties (preparer & reviewer)
- Follow up outstanding items
- Review & approve by supervisor
- Monitor trends & unusual items

9 INTERVIEW QUESTION

Q **Why is Bank Reconciliation important?**

A Bank Reconciliation is important because it ensures the accuracy of cash balances, helps detect errors or fraud, ensures all transactions are recorded, supports cash management, and strengthens internal controls.

REMEMBER!
A complete and timely bank reconciliation =
Accurate cash records + Strong internal control + Better decisions

TIP
Perform bank reconciliation monthly and resolve outstanding items promptly for accurate reporting.