Bank Reconciliation: Explain Every Difference

Accounting | Foundation | 30-45 minutes (estimate) | Cash ledger and debit / credit basics

What you will learn

Reconcile a bank statement to a cash ledger; distinguish timing differences, bank errors and missing or incorrect ledger entries; produce balanced correcting journal entries with an evidence trail.

Start with two independent records

The bank statement describes cash movements recognized by the bank. The cash ledger describes movements recorded by the company. Their month-end balances can differ because of timing, omissions or errors. Calculate an adjusted bank balance and an adjusted ledger balance separately, then compare them.

For this case, deposits recorded by the company but not yet by the bank are added on the bank side. Payments recorded by the company but not yet cleared are subtracted there. Correct an identified bank error on the bank side. Missing or incorrect company entries change the ledger and need a journal entry. Never post a timing difference twice.

Smaller worked example

A separate company has a $5,000 bank balance and a $5,150 ledger balance. A $200 deposit is in transit, a $100 payment is outstanding and an unrecorded $50 bank fee is valid. Adjusted bank = $5,000 + $200 - $100 = $5,100. Adjusted ledger = $5,150 - $50 = $5,100. Journal: debit Bank fee expense $50, credit Cash $50. The deposit and payment need follow-up, not a second entry.

Cash increases are debits; cash decreases are credits in the company ledger. A bank statement's debit / credit wording may use the bank's perspective. This dataset uses explicitly signed cash movements to remove that ambiguity. The supplied case rules are simplified teaching rules, not a claim of universal US GAAP or IFRS compliance.

Your assignment

You are preparing the 30 September 2026 bank reconciliation for fictional Cedar Services. All amounts are USD. Positive amounts are cash receipts and negative amounts are payments. The following are the complete September records; OPEN and CLOSE are balances, not transactions.

Cash ledger

Reference	Description	USD
OPEN	Opening balance	20,000
C-905	Customer receipt	12,000
P-910	Supplier payment	-7,500
P-915	Payroll payment	-5,000
P-920	Supplier payment recorded	-990
D-930	Deposit recorded on 30 Sep	4,000
P-930	Payment issued on 30 Sep	-1,100
CLOSE	Closing ledger balance	21,410

Bank statement

Reference	Description	USD
OPEN	Opening balance	20,000
C-905	Customer receipt	12,000
P-910	Supplier payment	-7,500
P-915	Payroll payment	-5,000
P-920	Supplier payment cleared	-900
F-930	Bank fee	-60
C-930	Direct customer receipt	500
R-930	Returned receipt	-800
E-930	Erroneous bank debit	-100
CLOSE	Closing bank balance	18,140

Supporting evidence

D-930: the deposit receipt confirms $4,000 lodged on 30 September and cleared on 1 October. P-930: the $1,100 payment cleared on 2 October. Both were correctly recorded in the ledger.

P-920: the approved supplier invoice and bank confirmation show $900. The company incorrectly debited Accounts payable and credited Cash by $990.

F-930: the $60 fee is valid and unrecorded. C-930: $500 directly settles an existing customer receivable and has not been recorded in the ledger; it is not new revenue.

R-930: an $800 receipt recorded before September was returned unpaid. No September reversal exists. Reinstate the receivable; collection follow-up remains open.

E-930: the bank confirmed the $100 debit belongs to another customer and will reverse it. The company has no corresponding transaction. There are no other differences.

Submit three things

1. Reconcile both balances, show every adjustment with its reference, and calculate the residual. First check that the complete records add to each supplied closing balance. Do not plug a difference.

2. Prepare justified correcting journal entries with debit and credit accounts and amounts. Calculate a debit-less-credit check. Explain why the remaining items need no ledger entry.

3. Write a review note identifying supporting evidence and next-period follow-up, including the returned receipt. Use the workbook’s working areas. Numerical tolerance is $0.01; all provided amounts are whole dollars.

Optional extension

Suppose the bank has not reversed E-930 by the next statement. Explain how you would retain the reconciling item, document the confirmation and escalate follow-up without making an unsupported ledger entry. Outside the scored core.

21 September 2026 | AI-assisted original synthetic case. Expert review and native Excel / Sheets testing pending. Local draft; usage permissions pending approval.