



Overview

All bank accounts should be reconciled with the bank statement.

- This should be done on a regular basis as soon as possible after receiving the statement. Performing an audit is not dependent on reconciling the bank statement but there is a higher probability of error when the reconciliation is not performed.
- Print the report and post the reconciliation

Three Way Reconciliation

The three way reconciliation compares the Bank Balance Breakdown report with the Bank Activity and the Bank Reconciliation reports.

3-Way Comparisons

- A. The first comparison is the *Bank Activity Balance* on the Bank Balance Breakdown = the *Ending Balance* on the Bank Activity = the *Available Balance* on the Bank Reconciliation when all are run for the same report date. This is true unless there were checks posted prior to the report date that were voided after the report date. In that circumstance, the voided check(s) will be included on the Uncleared Checks section for the Bank Balance Breakdown but not on the uncleared checks for the Bank Reconciliation. Deducting the voids from the Available Balance of the Bank Reconciliation will make all three match.
- B. The secondary comparisons are the *Bank Activity Balance* on the Bank Balance Breakdown = *Ending Bank Balance* on the Bank Account Activity and
- C. *Bank Cleared Balance* on the Bank Balance Breakdown = *Cleared Balance* on the Bank Reconciliation.

For more information on the Bank Balance Breakdown report, see [How To document #710](#).

Three Way Reconciliation Reports

Bank Reconciliation

June 30, 2012

Bank Account Checking [Acct# 00037029011]

Opening Balance	\$10,286.04	
Less Cleared Checks	\$2,724.19	6 Items
Plus Cleared Deposits	\$5,185.00	2 Items
Cleared Balance	\$12,746.85	8 Items
Cleared Balance	\$12,746.85	8 Items
Less Statement Balance on 6/30/2012	\$12,746.85	
Difference	\$0.00	In Balance

Available Balance on 6/30/2012

Cleared Balance	\$12,746.85	8 Items
Less Uncleared Checks	\$5,508.26	10 Items
Plus Uncleared Deposits	\$1,000.00	1 Item
Available Balance	\$8,238.59	

Cleared Checks

1719	4/18/2012	Peyton T. Gray	\$376.53
1721	5/2/2012	Mortgage Payment	\$477.38
1732	6/19/2012	HOA Fee	\$134.50
1734	6/1/2012	Mortgage Payment	\$477.38
1735	6/20/2012	Peachtree National	\$391.53
1736	6/20/2012	Oceanside Bank	\$866.87
Cleared Checks			\$2,724.19

Cleared Deposits

6/3/2012	Deposit	\$2,895.00
6/19/2012	Deposit	\$2,300.00
Cleared Deposits		\$5,185.00

Uncleared Checks

1724	5/17/2012	David & Judy Fisoella	\$823.98
1728	5/17/2012	James J. Porach	\$823.98
1733	6/19/2012	Mortgage Payment	\$793.46
1737	6/20/2012	David & Judy Fisoella	\$391.53
1738	6/20/2012	Patriot Bank	\$116.10
1739	6/20/2012	Peyton T. Gray	\$391.53
1740	6/20/2012	Charles W. Harris	\$391.53
1741	6/20/2012	James J. Porach	\$391.53
1742	6/21/2012	Hero Electric	\$980.00
1743	6/21/2012	Donald S. Schenk	\$404.62
Uncleared Checks			\$5,508.26

Uncleared Deposits

6/30/2012	Deposit	\$1,000.00
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Bank Activity

June 30, 2012

Bank Account Checking

Date	Description	Deposit	Withdrawal	Balance
6/1/2012	Beginning Balance			\$7,784.17
6/1/2012	Check #1734 to Patriot National for 2118 Oak Street - Account S234-64-3AC21		\$477.38	\$7,306.79
6/3/2012	Deposit	\$2,885.00		\$10,191.79
6/19/2012	Check #1733 to Minuteman Trust for 436 Fairway Drive - Account# W74-62-98		\$793.46	
6/19/2012	Check #1732 to Concord Green HOA for 436 Fairway Drive - Account 436 Fairway		\$134.50	
6/19/2012	Deposit	\$2,300.00		\$11,563.83
6/20/2012	Check #1738 to Patriot Bank from Harrison S. Golden - Account #W221-C2312		\$116.10	
6/20/2012	Check #1736 to Oceanside Bank from Frederick L. Clayton - Account W237-94-321 FLCLAYTON		\$866.87	
6/20/2012	Check #1740 to Charles W. Harris		\$391.53	
6/20/2012	Check #1739 to Peyton T. Grav		\$391.53	
6/20/2012	Check #1737 to David & Judy Fiscella		\$391.53	
6/20/2012	Check #1741 to James J. Porach		\$391.53	
6/20/2012	Check #1735 to Peachtree National from Carl Wayne Cheek - Account 24116 Cheek, CW		\$391.53	\$8,623.21
6/21/2012	Check #1743 to Donald S. Schenk		\$404.62	
6/21/2012	Check #1742 to Hero Electric - New furnace		\$980.00	\$7,238.59
6/30/2012	Deposit	\$1,000.00		\$8,238.59
6/30/2012	Ending Balance			\$8,238.59
		\$6,185.00	\$5,730.58	

Bank Balance Breakdown

June 30, 2012

Bank Account Checking

Post Date	Description	Amount	Balance
Overview			
	Ledgers with Positive Balances	\$8,238.59	
	Ledger Balance		\$8,238.59
	Bank Activity Balance		\$8,238.59
	Uncleared Checks	\$5,508.26	
	Uncleared Deposits	(\$1,000.00)	
	Bank Cleared Balance		\$12,746.85
	Overview	\$12,746.85	
Ledgers with Positive Balances			
	CHEEK: Carl Wayne Cheek	\$200.00	
	CLAYTON: Frederick L. Clayton	\$250.00	
	FISCELLA: David & Judy Fiscella	\$200.00	
	GOLDEN: Harrison S. Golden	\$985.00	
	GRAY: Peyton T. Grav	\$400.00	
	HARRIS: Charles W. Harris	\$250.00	
	LEBENSON: Ira C. Lebenson	\$2.86	
	NU: NUZIG Inc.	\$3,300.00	
	PM LEDGER: Property Management	\$1,950.73	
	PORACH: James J. Porach	\$100.00	
	SCHENK: Donald S. Schenk	\$600.00	
	Ledgers with Positive Balances	\$8,238.59	

The next page contains a form you can use to record the 3-Way Reconciliation. This form can be used in conjunction with the Audit Worksheets, found in the How To document #703 Audit. That document has more information about auditing your accounts.

Instructions for completing the 3-Way Reconciliation

1. Select the target date – usually the last day of the previous month
2. Do the bank reconciliation (GL, Reconcile Bank Account) for all bank accounts through the target date. Print the reconciliation reports and post the reconciliation.
3. Copy the Available Balance numbers from the report to the form, part I.
4. Run the Bank Activity Report (Reports, Bank Reports) as of the target date.
5. Copy the Ending Balance amount from the report to the form, part II.
6. Run the Bank Balance Breakdown report (Reports, Bank Reports) as of the target date.
7. Copy the Bank Activity Balance total from the report to the form part III.
8. If there are differences in the three totals, see How To document #703 Audit for suggestions on how to explain or correct those differences.
9. Attach copies of the reports to the form.

PROMAS Trust Account 3-Way Reconciliation

Bank Account: _____

Date: _____

I: Bank Reconciliation Report

Bank Statement - Cleared Balance
Plus: uncleared deposits and other uncleared additions
Less: uncleared checks and other uncleared subtractions
Available Balance as of _____

A. TOTAL \$ _____
\$ _____
\$ _____
B. TOTAL \$ _____

II: Bank Activity Report

Ending Balance as of _____

TOTAL \$ _____

III: Bank Balance Breakdown

Bank Activity Balance as of _____
Bank Cleared Balance as of _____

TOTAL \$ _____
TOTAL \$ _____

Cleared Balance on I = Bank Cleared Balance on III

Available Balance on I = Ending Balance on II = Bank Activity Balance on III

Amount of difference, if any:

\$ _____

Explanation of difference and corrective action:

IV: Ledger Balances Equation - See next page.

IV. Ledger Balance Equation

Real estate commissions frequently want to see that the Checkbook balance (Available bank balance shown in I on previous page) matches the sum of owner and tenant balances. Use the equation below. This is what the Audit Worksheet shows, but in a slightly different format.

Equation: bank stmt balance plus/minus uncleared = owner balances + open credits + management balance + other owner liabilities (+ security deposits if in the same bank and not Held By Owner)

Section A – bank - from I above

Bank Statement - Cleared Balance	\$ _____
Plus: uncleared deposits and other uncleared additions	\$ _____
Less: uncleared checks and other uncleared subtractions	\$ _____
<i>Checkbook balance (Available bank balance)</i>	TOTAL \$ _____

Section B – ledgers - Checking Bank

Ledger balances (ledger balance report - include Mgmt Group)	\$ _____
Plus tenant open credits (tenant balance report for all tenants)	\$ _____
Less undeposited receipts (Bank Balance Breakdown)	\$ _____
Plus receipts dated after deposit slip (Bank Balance Breakdown)	\$ _____
Plus other liabilities (Balance Sheet consolidated for all ledgers)	\$ _____
Plus Security Deposits - tenant balance report for all tenants (Only if only one bank and SD not Held By Owner)	\$ _____
	TOTAL \$ _____

Difference between Section A Total and Section B Total \$ _____

Considerations:

Ledger balances in other banks	\$ _____
Money that needs to be moved between banks	\$ _____
Available balance discrepancy on BBB	\$ _____

(Check the Available balance on the Bank Balance Breakdown – if it is different from the bank reconciliation report there may be a voided transaction that is causing the discrepancy.)