

# **SAGE 100 ERP TIPS AND TRICKS BANK RECONCILIATION**

Presented by  
Target System Technology, Inc.

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The bank reconciliation module is one of the least complicated, but potentially the most misunderstood module. Having an understanding of its basic layout is probably the single most important piece of knowledge.

### **A QUICK OVERVIEW OF RECONCILING THE BANK**

1. Enter the ending balance per the bank statement (don't forget to accept it).
2. Mark off the checks/deposits/adjustments which have cleared.
3. Mark off the deposits which have been cleared.

You should now be in balance! Then again you may not be. More on that later.

### **SOURCES OF POSTINGS TO THE BANK REC**

The following functions can all provide input to the bank reconciliation module:

1. General Ledger – Transaction Journal Entry (**not General Journal**)
2. Accounts Receivable – Cash Receipts Entry
3. Accounts Payable – Manual Check Entry
4. Accounts Payable - Check Printing
5. Purchase Order – Receipt of Goods/Invoice (COD checks)
6. Manual entries to bank rec from Check and Deposit Adjustment and Entry

**TRAP:** Notice that general ledger – general journal entry does NOT generate input to the bank reconciliation module. Making general journal entries to your cash accounts in the general ledger will cause the bank reconciliation module and the general ledger to go out of sync.

### **TIPS FOR MINIMIZING LIKLIHOOD OF ERRORS**

The general ledger cash accounts and the bank reconciliation module keep separate databases of the checks, deposits and adjustments which are entered. It is very important to keep them synchronized or your bank reconciliation will not agree with the general ledger.

Anything you do to enter your information in a single step instead of multiple steps will be helpful in minimizing errors.

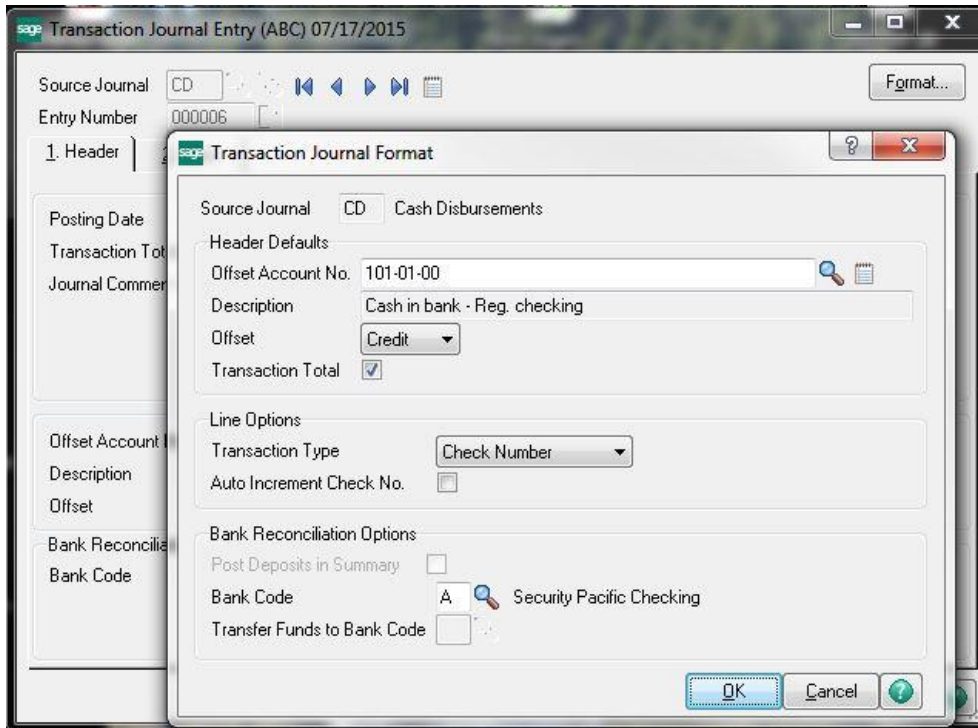
**TIP:** When entering bank charges and other adjustments, use either transaction journal entry with a linked source journal (see below), manual check entry or cash receipts entry to record these items. This way the general ledger and the bank reconciliation will be updated simultaneously and avoid having to double enter transactions (and avoid the possibility of inconsistent entries).

**TRAP:** Entering these items directly in the bank reconciliation module does not automatically make the correction to the general ledger. If you absolutely must do it this way, don't forget to make the corresponding GENERAL JOURNAL entry to the general ledger. Starting with version 4.4 entries made in bank rec can be flagged to post to the general ledger.

**TIP:** Clear the checks by the amount not the check number. Doing this will allow you to catch data entry errors (for example a manual check was entered at the wrong amount). Don't clear any items with incorrect amounts until you have entered the correction.

### **LINKING GENERAL LEDGER TRANSACTIONS JOURNAL TO THE BANK RECONCILIATION**

When in transaction journal entry create a new source journal for cash receipts and disbursements for each bank account you will be using.



## **WHAT TO DO IF YOU ARE NOT IN BALANCE**

1. Make sure you have entered the ENDING balance from the bank statement. Also if you don't click on the Accept button, the balance does not get saved.

This may seem obvious, but years ago I had a client that spent hours trying to balance their statement. They brought it to us and one of the junior accountants in the office spent hours trying to figure out why the bank reconciliation did not balance until we noticed this issue.

Moral of the story...look at the simplest things first. If you waste 30 seconds checking something like this first you haven't wasted much time if it does not pan out.

2. Print a bank reconciliation register selecting to print only cleared transactions. Reconcile the totals for disbursements and receipts to the totals shown on your bank statement. This is a quick way to decide if you have to concentrate on receipts or disbursements.
3. Don't forget to clear any new adjustments you may have made.

So now the bank reconciliation balances! Woo hoo!

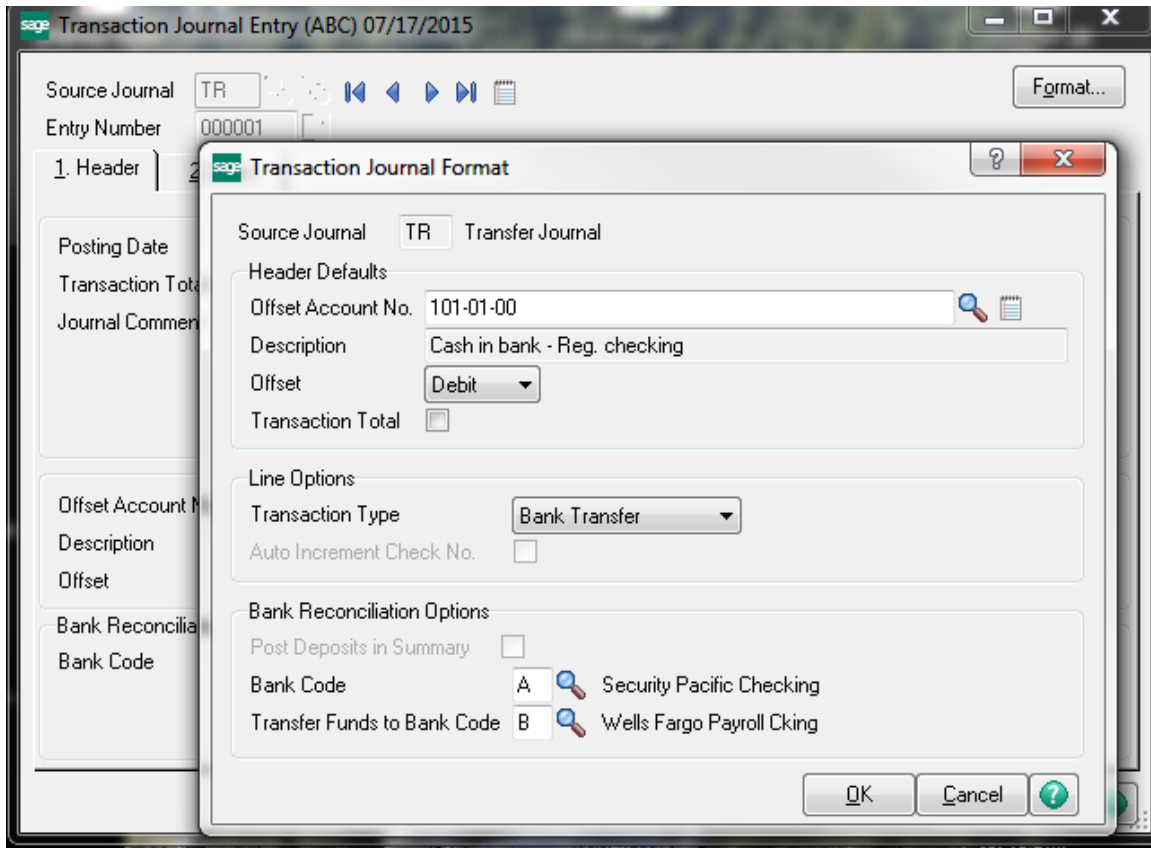
We're done!            Right?                            **WRONG!**

Compare your bank reconciliation balance from the bank reconciliation register to the general ledger month end balance. If they don't agree you have some more work to do.

## **COMMON REASONS THAT THE BANK RECONCILIATION AND THE GENERAL LEDGER DON'T AGREE**

1. A general journal entry was made to the cash account in the G/L but not to the bank rec.
2. An adjustment was made in the bank rec and no corresponding journal entry was made in the general ledger.
3. A manual check or check run was entered with a date in one month, but updated to the general ledger in a different month.
4. When doing check entry in purchase order for COD checks, there is a glitch that can cause the check to be dated in one month but posted to the general ledger in a different month.
5. Printing payroll checks which are dated on the first of the month which are for a pay period in the prior month and you have not used the payroll accrual options and they were posted to the general ledger in the prior month.
6. An item was deleted from the bank reconciliation module but no corresponding entry was made in the general ledger.
7. Voiding a check using the original check date not the period in which it was voided.
8. A transfer between bank accounts was made by recording a cash disbursement directly from one account to another. In other words, the debit for the entry was made directly to the receiving checking account. Although an entry will be made in bank reconciliation for the disbursing account, no entry will be made for the receiving account.

**TIP:** In Version 4.x and later use a transfer journal in G/L Transaction journal entry to transfer between bank accounts. This makes the transfer a one step process and avoids this possible source of error.



## FINDING THE ERRORS

### **GENERAL JOURNAL ENTRIES WITHOUT CORRESPONDING BANK REC ENTRIES (PERMANENT DIFFERENCES)**

A quick way to determine if a permanent difference may exist is to compare the balance in general ledger account maintenance as far into the future as you can go to the balance in bank reconciliation | bank code maintenance (but please don't change the value in bank code maintenance!).

Since we should not be making general journal entries to the cash accounts any general journal entry to the cash account is suspect. Print a general ledger detail report for the account in question and restrict the transactions printed to general journal postings.

Select Field	Operand	Value
Account Number	All	
Description	All	
Main	All	
Department	All	
Location	All	
Group Code	All	

Confirm that you have a corresponding entry in the bank reconciliation module. If you do not, do one of the following:

1. Reverse the general journal entry and then reenter it using transaction journal entry, or other application modules which are properly linked to the general ledger.

Or

2. Go to the bank reconciliation module and manually enter the corresponding entry.

## BANK RECONCILIATION ENTRIES WITHOUT GENERAL LEDGER ENTRIES

Print a bank transaction recap report and look for items where the source is marked as BR. These are items which have been manually input to the bank reconciliation. Verify that there is a corresponding entry on the general ledger.

DATE	TYP	SRC	CHECK NUMBER	CHECK TYPE	REFERENCE	COMMENT/PAYEE NAME	CLR BNK	TRANSACTION AMOUNT	BANK BALANCE
05/01/03	DEP	G			2	return of pre-pd ins.	N	30,000.00	6,262.44
05/08/03	CRG	BR				BANK CHRGE bank charge	Y	15.00	36,262.44
05/08/03	CHK	PR	004002	AUTO	110000100	THOMAS, J.	N	261.56	35,985.88
05/08/03	CHK	PR	004003	AUTO	110000105	JENKINS, A.	N	292.80	35,693.08
05/08/03	CHK	PR	004004	AUTO	110000110	PHILLIPS, A.	Y	399.67	35,293.41
05/08/03	CHK	PR	004005	AUTO	110000120	THOMPSON, J.	N	342.66	34,950.75
05/08/03	CHK	PR	004006	AUTO	110000130	SHAW, A.	N	287.64	34,663.11
05/08/03	CHK	PR	004007	AUTO	110000140	THOMPSON, M.	N	307.61	34,355.50
05/08/03	CHK	PR	004008	AUTO	110000150	ALLENDAR, H.	Y	352.89	34,002.61
05/08/03	CHK	PR	004009	AUTO	110000160	WILLIAMS, S.	Y	384.38	33,618.23

**TRAP:** Entering items in bank reconciliation which you have marked for posting to the G/L and forgetting to update the bank reconciliation transaction register and/or daily transaction register.

**TRAP:** Not updating the daily transaction register after updating a journal (cash receipts, manual check entry, etc.).

**TIP:** To update a forgotten daily transaction register you will have to go to GENERAL LEDGER | MAIN | DAILY TRANSACTION REGISTER.

**TRAP:** The amounts that show on bank transaction recap report always show as positive numbers. When you are cross-checking items between this report and the general ledger it is easy to miss that you have a debit on one report and a credit on the other. Always watch the change in the balance column for adjustment type items to verify what the true sign of the item is.



## TIMING DIFFERENCES

Cash receipts - generally speaking this should not be an issue as the cash receipts entry program uses the deposit date as the general ledger posting date.

**TIP:** Since it is very unlikely that a timing problem could occur in cash receipts save this area as your last resort when trying to track down a mismatched general ledger and bank reconciliation.

## CASH DISBURSEMENT TIMING ERRORS

Go to accounts payable, payment history inquiry and create a customized lookup to look for mismatched dates in accounts payable checks. Create a lookup that shows the transaction date and check date. Adding the source journal and source batch number can also be useful when things get really messy.

**Set a range to show only checks dated in the current month** then sort by the transaction date to quickly determine if any of the checks are outside the current month.

**Set a range to show only checks with a transaction date** in the current month, then sort by the check date to determine if any of the checks are dated outside the current month.

Check No	T..	Vendor No	Name	Check Amt	CheckD...	TransDate	So...	SourceB
C00001	C	02-AIRTRAV	Airport Servi...	800.00	05/01/2003	05/01/2003	AP	0014
C00002	C	02-OFFICE	OfficeMax ...	300.00	05/01/2003	05/01/2003	AP	0014
C00003	C	02-CONSULT	Tax Consult...	1,835.00	05/01/2003	05/01/2003	AP	0014
000008	M...	01-STEV	Stevens Su...	50.00	11/08/2002	05/01/2003	MC	0003

Search: Check No [ ] Begins with [ ] Find

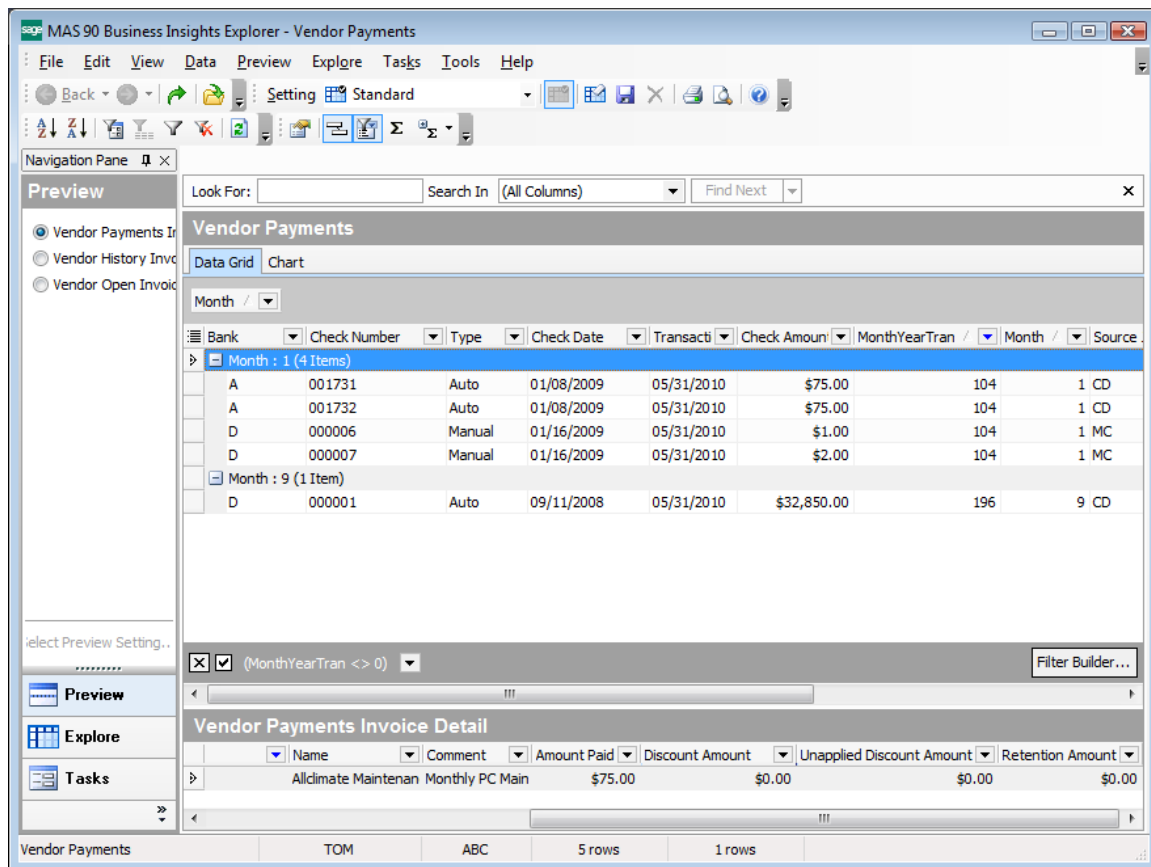
Filters... View: \*With Transaction Dates [ ]

Custom... [ ] Select [ ] Cancel [ ] [ ] [ ]

Found 4 records TOM ABC 11/08/2002

You can also use the Business Insights Explorer – Vendor Payments View to do the same thing and show you only the items with mismatched dates.

Create a calculated field that gives will be non-zero if the dates are mismatched then filter for not equal to 0.



The calculated field (MonthYearTran) formula in the above example is as follows:

```
{fn MONTH("AP_CheckHistoryHeader"."TransactionDate")} + 100 * {fn
YEAR("AP_CheckHistoryHeader"."TransactionDate")} - (
{fn MONTH("AP_CheckHistoryHeader"."CheckDate")} + 100 * {fn
YEAR("AP_CheckHistoryHeader"."CheckDate")})
```

Then filter for this new column having a value not equal to 0.

**If you do find a timing entry where the item is posted to the wrong general ledger month:** Use general journal entry to remove the entry from the incorrect month. Use a reversing date to automatically put the item in the correct month.

**If you find a check with a bad date:** Correct the date in the bank reconciliation module. Be careful about doing this if you are subject to an audit – your auditor’s may not appreciate this as the printed check will still have the original date.

## **ARE WE DONE YET?**

The bank reconciliation works and it agrees to the general ledger, but we still aren't quite done yet.

For documentation purposes and reference during future month's reconciliations, you should print out **and retain** the following as of the date being reconciled and make sure they all agree as to the ending balance:

1. General ledger detail report for the cash account
2. Bank transaction recap report for the month.
3. Bank reconciliation register showing only open items (to the end of the month)
4. Bank reconciliation register showing cleared and open items (to the end of the month)

**When you run the last report and assuming you are in balance, have selected a single bank account and entered a date range of blank to the date you are reconciling, you will be prompted as to whether you wish to purge cleared transactions. Don't say yes to the purge until you know that all four of the above reports are in agreement. This is one of the most common things that users do not know about bank reconciliation.**

**TIP:** If your bank transaction recap report and bank reconciliation register do not agree as to ending balance, look for an item you have cleared that is beyond the date you are reconciling. The bank reconciliation register will include in the calculated balance, items that are beyond the specific reconciling date.

**TIP:** If you are still having problems getting a reconciliation to work, go back and confirm that the general ledger and the bank reconciliation report show the same starting balances. Sometimes you may accidentally post something to prior months by mistake. If they don't match compare your beginning balances with your prior month reconciliation.

**TIP:** Do your bank reconciliation and general work on a timely basis. Don't leave your general ledger in prior months to avoid accidentally posting to a prior month.