Bank Reconciliation – RTC

Overview

This document details the procedure for reconciling bank accounts using Microsoft Dynamics-NAV’s bank reconciliation function.

Versions

2009 RTC

Frequency

Once an accounting period

Procedure at a Glance

The procedure in summary consists of the following steps:

1. Entering the Bank Account, Statement No., Statement Date and Balance on Statement on the Bank Reconciliation General Tab,
2. Running the Suggest Lines Function,
3. Marking the transactions that have cleared the bank,
4. Entering adjusting entries as needed,
5. Printing the test report,
6. Posting the reconciliation.

Detailed instructions follow.
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*Starting the First Bank Reconciliation in Microsoft Dynamics-NAV*

Before beginning your first bank reconciliation, verify that the Bank Account Card balance equals the G/L Account balance.
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If the balances do not match, entries have been made to the G/L Account instead of the Bank Account; those entries made directly to the G/L Account will not pull to the Bank Reconciliation. Entries causing an out of balance situation will need to be corrected before proceeding with the bank reconciliation. If needed, make an entry between the Bank Account and G/L Account as illustrated below:

The Balance Account No. entered should be the G/L Account that matches the G/L account on the Bank Account Posting Group selected on the Bank Account Card. Since the Bank Account posts to the G/L Account selected on the Bank Account Posting Group, this entry will debit and credit the G/L Account for the bank and either debit or credit (depending on whether the amount is positive or negative) the Bank Account. So, this entry will correct the Bank Ledger without impacting the G/L balance.

Also, if the entry is to correct a check the Bank Payment Type “Manual Check” should be selected, so the entry will hit the check ledger as well and flow to the Checks FastTab on the bank reconciliation.

NOTE: when starting your first bank reconciliation, you will need to make sure Bank Ledger Entries have been created for the outstanding checks, outstanding deposits and the cleared balance.

An out of balance situation can be prevented by un-checking the Direct Cost Post box on the G/L Account Card(s) for the bank accounts. If the Direct Cost Post box is un-checked, Microsoft Dynamics-NAV will require that an entry be made using an Account Type “Bank Account”.

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Processing the Bank Reconciliation

To reconcile the bank accounts against the bank statements,

2. Click the New button on the Action Pane to start a new bank reconciliation. The following screen will appear—

3. Enter or select the bank account you want to reconcile.
4. Enter the Statement No., Statement Date and the Balance on Statement. If desired, enter the total of the cleared increases/deposits per the statement being reconciled in the Cleared Inc./Dpsts. field and the total of the cleared withdrawals/checks per the statement being reconciled in the Cleared With./Chks field.

Microsoft Dynamics-NAV pulls the G/L balance as of the Statement Date on the reconciliation as shown below.
Note: If during reconciliation, changes are made to the balance for the period you are reconciling, you must run Actions→Functions→Recalculate G/L Balance to update the G/L balance on this tab.

5. Next, select Actions→Functions→Suggest Lines. The following request page will appear:
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Select “Both” record types to process on the Options FastTab. Leave the filters blank on the Bank Rec. Line FastTab. Click OK.

**Note:** This function can be run multiple times. If Replace existing lines box is checked then all the lines on your reconciliation will be replaced. If left unchecked, additional entries will be appended to the existing lines. If entries with Account Type = Bank, such as deposits, checks, general journal entries, are entered for the reconciling period after you have begun the reconciliation, you will need to Suggest Lines without replacing existing lines in order for them to appear on the reconciliation. The best practice for entering adjusting entries is to enter them on the Adjustments FastTab of the Bank Reconciliation.

Observe the results as shown below:

Any un-cleared transactions entered with the Bank Payment Type of “Manual Check” and “Computer Check” will pull to the Checks FastTab:
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Un-cleared transactions that do not have a Bank Payment Type of “Manual Check” or “Computer Check” will flow to the Deposit/Transfers FastTab:

Note that entries with the same External Document No. and Posting Date will be summed and entered on one line. See the Collapsed Deposit Status field that indicates this situation. To expand Collapsed Deposits, click the symbol on the Bank Rec. Dep. Lines Subform FastTab, select Line→Expand Deposit Line as shown below—
The result will be as follows—

To collapse the line again, click the symbol on the Bank Rec. Dep. Lines Subform FastTab, select Line→Collapse Deposit Line.
6. Next, mark transactions on the Checks and the Deposits/Transfers Tab that have cleared the bank as cleared by either:

   a. Selecting Actions→Edit and then clicking the box in the Cleared field, or
   b. Selecting Actions→Functions→Mark Lines. On the Options FastTab, select the Record type to process and check the Mark lines as cleared box. Enter filters on the Bank Rec. Line FastTab if desired. Click OK.

   ![Edit dialog box](image)

   **Note:**

   - To un-mark all lines, rerun the Mark Lines function with the Mark lines as cleared box un-checked.
   - The Cleared field box on each line acts as a toggle, so clicking turns the check mark off and on.
   - The Clear Lines Function actually deletes the lines from the bank reconciliation. If you accidentally use this function, simply rerun the Suggest Lines Function.
   - Since banks usually place stars by gaps in check numbers on bank statements, probably the fastest method to clearing checks is to use the Mark Lines Function and un-check the un-cleared checks.
Observe that the Cleared Amount field is populated when the Cleared field is checked.
6. If the transaction cleared the bank for a different amount than recorded, then enter the actual cleared amount in the Cleared Amount field. In the above example, the cents on check 127 were transposed and cent on deposit 012910DEPOSIT was dropped, so the actual cleared amount is entered in the Cleared Amount field.

7. To record the adjustments due to differences in cleared amounts, select Actions→Functions→Record Adjustment. The following page appears; select the Record type to process on the Options FastTab and click OK.

Microsoft Dynamics-NAV adds the adjustments to the Adjustments FastTab of the Bank Reconciliation as shown below:
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8. Enter the balancing account that is appropriate for the adjustment in the Bal. Account No. field.

9. Enter any additional adjustments such as bank charges as shown below:

10. When complete, the Difference field on the General FastTab must be zero. If not, compare the bank statement against the cleared transactions and find and correct the discrepancy.
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The report for the reconciliation in this illustration follows on the next page.
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Bank Rec. Test Report
CRONUS USA, Inc.

Bank Account No.  BOA  Statement Date  1/31/2010
Statement No.  0AWH  Currency Code

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
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<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>64,068.02</td>
<td></td>
<td>GL Ac.</td>
<td>216,611.07</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Positive Adjustments</td>
<td>0.00</td>
<td>GL Ac.</td>
<td>2,357.00</td>
<td></td>
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<tr>
<td>Negative Adjustments</td>
<td>-750.55</td>
<td>GL Ac.</td>
<td>25,681.17</td>
<td></td>
<td>-0.54</td>
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<tr>
<td>Subtotal</td>
<td></td>
<td>GL Ac.</td>
<td>52.35</td>
<td></td>
<td></td>
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<tr>
<td>Ending GL Balance</td>
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<td>GL Ac.</td>
<td>63,317.47</td>
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<td></td>
</tr>
<tr>
<td>Difference</td>
<td>0.00</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Posting Date</th>
<th>Document Type</th>
<th>Account No.</th>
<th>Description</th>
<th>Bal. Account Type</th>
<th>Amount</th>
<th>Cleared/Balance Amt.</th>
<th>Difference</th>
</tr>
</thead>
<tbody>
<tr>
<td>Checks</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1/12/2010</td>
<td>Payment</td>
<td>122</td>
<td>GL Acc.</td>
<td>London Postmaster</td>
<td>GL Ac.</td>
<td>216,611.07</td>
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<tr>
<td>1/15/2010</td>
<td>Payment</td>
<td>123</td>
<td>GL Acc.</td>
<td>AR Day Property Management</td>
<td>GL Ac.</td>
<td>2,357.00</td>
<td></td>
</tr>
<tr>
<td>1/27/2010</td>
<td>Payment</td>
<td>127</td>
<td>GL Acc.</td>
<td>Lewis Home Furniture</td>
<td>GL Ac.</td>
<td>25,681.17</td>
<td>-0.54</td>
</tr>
<tr>
<td>1/31/2010</td>
<td>Payment</td>
<td>128</td>
<td>GL Acc.</td>
<td>Service Electronics Ltd.</td>
<td>GL Ac.</td>
<td>52.35</td>
<td></td>
</tr>
<tr>
<td>Total Checks</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>244,701.59</td>
<td>-0.54</td>
</tr>
</tbody>
</table>

| Deposits         |               |             |                           |                   |        |                      |            |
| 1/20/2010        | Payment       | 0129100DEPO | GL Acc.                   | Cleared balance as of 12/31/10 | GL Ac. | 25,350.00          |            |
| 1/29/2010        |              |             |                           |                   |        | 263,251.51         |            |
| Total Deposits   |               |             |                           |                   |        | 278,601.51         |            |

| Adjustments      |               |             |                           |                   |        |                      |            |
| 1/31/2010        | Payment       | B0EP01001   | Bank Ac. BOA              | Adjustment to Lewis Home Furnit | GL Ac. | 67400              | -0.54      |
| 1/31/2010        | Payment       | B0EP01002   | Bank Ac. BOA              | Adjustment to Bank of America | GL Ac. | 67400              | -0.01      |
| 1/31/2010        | Payment       | B0EP01003   | Bank Ac. BOA              | Bank fees           | GL Ac. | 67400              | -750.00    |
| Total Adjustments|               |             |                           |                   |        | -750.55             | 750.55     |

Warning: Balance must be zero for adjustments.

| Outstanding Checks |               |             |                           |                   |        |                      |            |
| 12/31/2009        | Payment       | 105         | GL Acc.                   | Electronics Ltd.   | GL Ac. | 50.00               |            |
| 12/31/2009        | Payment       | 108         | GL Acc.                   | Service Electronics Ltd. | GL Ac. | 300.00          |            |
| 1/15/2010         | Payment       | 124         | GL Acc.                   | CoolWood Technologies | GL Ac. | 231,331.90         |            |
| Total Outstanding Checks |               |             |                           |                   |        | 231,681.90         |            |

Outstanding Deposits

| Outstanding Deposits |               |             |                           |                   |        |                      |            |
| 1/28/2010           | Payment       | DEP1        | GL Acc.                   | Bank of America   | GL Ac. | 261,950.00         |            |

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12. To Post the bank reconciliation, select Post from the Action Pane (or Actions→Posting→Post).

**How to Void a Check that is on a Bank Reconciliation**

If a check is on an open Bank Reconciliation, it may not be voided. You will get the following error message:

![Error Message]

Statement Status must be equal to ‘Open’ in Check Ledger Entry: Entry No.=1. Current value is ‘Check Entry Applied’.

So, the Bank Reconciliation must either be completed or the check removed from the reconciliation.

To remove the check from the Bank Reconciliation,

1. Select Actions→Functions→Clear Lines.
2. Select “Checks” on the Options FastTab.
3. Enter the check number in the Document No. field on the Bank Rec. Line FastTab.
4. Click OK.

![Edit Window]

Now the check is removed from the Bank Reconciliation and may be voided.