

Personal Financial Documents: Check Registers and Bank Statements

YOUR CHECK REGISTER is your version of how you deposited and spent your money. In contrast, the bank statement is the bank's version of how money came to and went from your account. When there is a discrepancy, you need to become a detective and use your critical-thinking skills to determine how the difference occurred.



Objective:



Explain how to use a check register and how to complete a bank reconciliation statement.

Key Terms:



account balance
balancing
check register

cleared
credit
debit

outstanding
overdrawn
reconcile

Understanding Personal Financial Documents

Have you ever lost \$20? It is a terrible feeling. You start to retrace your steps. You check your pockets. You look in the car and check your backpack. When you still can't find it, the panic starts to set in. This scenario is similar to the feeling and general actions you may take when you "lose" \$20 in your checkbook. How does that happen? When the bank statement says you have \$100 in your account but your records show that you have \$120, you have—in a

RECORDING DEPOSITS AND CHECKS

The main purpose of a check register is to record the credits and debits made by the owner of the checking account. It is a good habit to record deposits and checks at the time of the financial transaction to ensure that the account balance is always current. If you do not abide by this practice, you are at risk for an overdrawn account if a check is not recorded. If your account is **overdrawn**, you have written a check for more than is in the account.

Recording Checks

The systematic and accurate recording of checks is extremely important. The procedures for doing so are critical to good record keeping.

- ◆ The check number should be recorded in the “Number” column of the check register.
- ◆ The current date should be recorded in the “Date” column of the check register. This should also be the date that appears on the check.
- ◆ The name of the person or business to whom the check was written should be recorded in the “Description of Transaction” column.
- ◆ The amount of the check should be recorded in the “Debit” column, where a line separates the dollars and cents.
- ◆ The amount of the check should be written again in the “Balance” column. You can put a minus (–) sign before the amount if it helps clarify the concept.
- ◆ On the second line, in the “Description of Transaction” section, the purpose (i.e., rent or car payment) of the check should be recorded.
- ◆ The amount of this check should be subtracted from the account balance and entered into the “Balance” column as the new account balance. The current account balance should always be on a shaded line.

Recording Deposits

The systematic and accurate recording of deposits is also critical to financial exactness.

- ◆ The current date should be written in the “Date” column of the check register.
- ◆ “Deposit” should be written in the “Description of Transaction” column.
- ◆ The amount of the deposit should be recorded in the “Credit” column, where a line separates the dollars and cents.
- ◆ The amount of the deposit should be recorded again in the “Balance” column. You can put a plus (+) sign before this amount if it helps you.
- ◆ On the second line, in the “Description of Transaction” section, what the deposit was from (i.e., paycheck or birthday gift) should be recorded.
- ◆ The amount of this deposit should be added to the account balance and should be entered into the “Balance” column as the new account balance.

RECORD ALL CHARGES OR CREDITS THAT AFFECT YOUR ACCOUNT										
CHECK NUMBER	DATE	DESCRIPTION OF TRANSACTION	(-) PAYMENT/DEBIT		✓ T	(-) CHECK FEE (IF ANY)	(-) DEPOSIT/CREDIT		BALANCE	
									310	40
321	1/18	ABC Hardware lawnmower repair parts	58	20					58	20
									252	20
322	1/18	John Doe hockey tickets	14	85					14	85
									237	35
323	1/21	XYZ Grocery groceries	39	42					39	42
									197	93
	1/24	Deposit					160	00	160	00
									357	93
324	1/26	ABC Video video games	46	30					46	30
									311	63

REMEMBER TO RECORD AUTOMATIC PAYMENTS / DEPOSITS ON DATE AUTHORIZED

FIGURE 2. Completed check register.

BANK RECONCILIATION STATEMENT

Mistakes can be costly or embarrassing, so it is essential to make sure the bank statement and check register agree every month. When a customer is going to **reconcile** his or her statement, he or she is going to make the bank statement transactions and the checkbook registry agree.

Bank statements (account statements) are often sent at the end of each month, showing all account transactions for that month. The check register balance and the bank statement balance are usually not the same. Checks written near the end of the month will not have cleared the bank. These checks are called “outstanding.” **Outstanding** checks have been written, but they have not cleared the bank and are not on the bank statement.

Reconcile/Balance

It is important to reconcile/balance an account because there may be math errors, missed checks or deposits, or other transactions not recorded in the check register. **Balancing** is reconciling (making transactions and the check registry agree).

Reconciliation Process

The reconciliation process involves many steps. You begin by identifying all transactions (checks and deposits) on the bank statement that are identical to the ones in the check register.



FIGURE 3. It is important to keep track of the amount of each check written to reduce the chance of an error occurring.

Reconciliation Form and Checklist

Bank Statement

Statement Date: July 23, 20—	Account #: 45268907
Balance from June 23, 20—	\$295.50
Deposits	\$310.00
Debits	\$ 97.65
Interest Added	\$ 0.23
Ending Balance as of July 23, 20—	\$508.08

All Credit Activity

Date	Type	Amount
07/02/—	Deposit	\$60.00
07/11/—	Deposit	\$250.00
07/22/—	Interest Paid	\$0.23

Debits

06/28/—	Cell Phone City	\$48.34	Check #: 121
07/14/—	Videos & More	\$21.20	Check #: 123
07/16/—	Pizza Hut	\$28.11	Check #: 122

1. Enter your current checking account balance _____
2. Enter deposits made after the bank statement period _____
3. In your check register, check off all checks paid and deposits cleared (as reflected by their presence on the bank statement).
4. Subtract total checks outstanding (not cleared by the bank). _____
5. Total or balanced amount _____
6. The amount in line 5 should equal the amount in your check register.

- ◆ Deposits shown in the check register that were not marked in the section “Deposits Not Shown” should be recorded. (Any deposits made after the statement date will not appear on this statement.)
- ◆ The balance shown should be added on the “Statement and Deposits Not Shown” line. This total should be entered where indicated. (The form may indicate the word “subtotal” here.)
- ◆ In the “Subtract Checks Outstanding” section, the total amount from “Checks Outstanding” should be entered.
- ◆ The total payments outstanding from the subtotal above should be subtracted, resulting in the account balance.
- ◆ Bank fees and/or service charges shown on the bank statement should be entered in the check register.
- ◆ The balance on the reconciliation form should agree with the balance in the check register as of the statement date.

Summary:



A check register is a record of checking account transactions. It is one of the most basic and important personal financial documents. The check register form varies from bank to bank, but it always contains the same basic information. The main purpose of a check register is to record the credits and debits made by the owner of the checking account.

The systematic and accurate recording of checks and deposits is extremely important. The procedures for doing so are critical to good record keeping. Monthly reconciliation of your check register against the statement from the bank is the most important personal finance behavior you can maintain. Mistakes can be costly and embarrassing.

Checking Your Knowledge:



1. Why is it important to balance your checking account every month?
2. When writing a check, what should be recorded in the “Description of Transactions” column of the check register?
3. How do you identify checks that have cleared the bank in your check register?
4. Which two balances need to be in agreement when talking about account reconciliation?
5. Define the term “outstanding payment.”

Expanding Your Knowledge:



Interview your parents on their financial reconciliation habits. Ask if they typically find agreement between their bank register and the bank statement. Do they ever have to hunt and search for missing/extra dollars each month? What typically trips them up? Are there any suggestions you can offer them?

Web Links:



Banking Tutor

<http://www.practicalmoneyskills.com>

Checking Account Reconciliation

<http://www.plcu.com/checking/checkrecon.asp>

How to Balance Your Checkbook

<http://www.moneyinstructor.com/art/balancing.asp>

How to Do a Bank Account Reconciliation

http://consumereducation.suite101.com/article.cfm/a_simple_bank_reconciliation