

How Do You Know How Much Money You Have?

Have you ever used a checking account? If so, then you know how important it is to keep track of how much money you spend when you write checks.

You should use a **checkbook register** to write how much money goes into or out of your account. A register is simply a booklet in which you can write all of your checking transactions. Every deposit or withdrawal should be written down and added or subtracted from the total.

There are places to write check numbers, dates, transaction descriptions, and amounts. The last column is for a running balance of the total in your account. One column has a checkmark at the top. It can be used to check off whether or not the transaction has cleared the bank. Check registers are standard documents, and below is an example.

AD-Auto Deposit • AP-Automatic Payment • ATM-Cash Withdrawal • DC-Debit Card • FT-Funds Transfer • SC-Service Charge • TD-Tax Deductible									
NUMBER OR CODE	DATE	TRANSACTION DESCRIPTION	PAYMENT FEE		✓	DEPOSIT		BALANCE	
			WITHDRAWAL (-)			CREDIT (+)		\$	

You should subtract any checks you write or withdrawals you make as soon as you make them. This could mean that your bank will not show the same balance as you. Just remember that the bank's balance should always be higher or the same as your own records.

Think About This

1. What kinds of things might you prefer to write checks for instead of paying cash?
2. Are checks safer than cash? Why or why not?

Lesson 8.2

Bank Reconciliation

Once a month (or more) you should do what is called “reconciling” your checkbook. You will take your bank’s records and compare them with your own to make sure all of the transactions have occurred correctly. It is also a good time to double check your math and the bank’s accuracy in processing.

Reconciling your checking account is a relatively easy process if you follow these steps:

1. Start by placing a copy of your most recent bank statement, which is the official record of what the bank shows is in your account, next to your checkbook register. Have the register open to the point at which you know your balance last matched the bank’s balance.

Here’s an example of a bank statement:



123 Main Street
Main Street, KY
(859) 555-5555

Account Statement

Account Number: 123456789
Statement Period: June 10, 2013
through July 1, 2013

Account Summary:

Beginning Balance	\$2258.98
Credits/Deposits	\$1685.98
Debits/Payments	\$1564.86
Ending Statement Balance	\$2380.10

Checking Activity:

Credits/Deposits

06/15	Deposit	+	842.99
06/30	Deposit	+	842.99

Debits/Payments

06/16	Check 531	–	38.42
06/21	Check 533	–	88.44
06/23	Check 535	–	846.13
06/24	Check 536	–	182.66
06/27	Check 537	–	386.50
06/22	Debit Card	–	22.71

2. Transfer the ending balance reported on your most recent bank statement to the appropriate place on your checking account reconciliation form (which is probably on the last page of your bank statement). A reconciliation form usually looks something like this:

Bank Reconciliation Form		
Outstanding Withdrawals		
Date	Detail	Amount
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____
TOTAL Outstanding Withdrawals (B)		_____
Outstanding Deposits		
Date	Detail	Amount
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____
TOTAL Outstanding Deposits (D)		_____

(A) Ending Bank Statement Balance _____

(B) TOTAL Outstanding Withdrawals _____

(C) Line (A) - Line (B) _____

(D) TOTAL Outstanding Deposits _____

(E) Adjusted Ending Balance _____
Line (C) + Line (D)

Line (E) should match the ending balance on your check register. If it does not, try reconciling the account again.

Make sure that any fees, charges, or withdrawals that are shown on your statement but are not on your register are added to your register and deducted. Also, be sure to add any deposits shown on your statement to your register if they are not in your total.

- On your bank statement, find the listings of checks, electronic transactions, and other withdrawals that have cleared your account. Check off these transactions in your checkbook register.
- Identify any checks, electronic transactions, or other withdrawals that are recorded in your register that are not on the bank statement. Most likely, these transactions were processed by the bank after it sent the most recent month's bank statement to you.
- List the withdrawals that don't appear on your bank statement in the space provided on the reconciliation form. After doing so, determine the total dollar amount of these **outstanding** withdrawals, and record the total on the form.
- Look for the deposits listed on the bank statement. Make sure they are listed in your register—and for the same amount. Check off these transactions, as well.

7. Identify any deposits or credits that are recorded in your checkbook register that are not on your bank statement. It is likely that these deposits were not processed in time to appear on this month's bank statement.

But, if you are certain that you made the missing deposit(s) during the time period reported on the bank statement, it is possible that your bank made an error. In that case, find your deposit slip. Verify that the date and amount on the slip agree with what you recorded in your register. Confirm that the transaction date falls within the dates reported on your statement, and then contact your bank.

8. List all of your outstanding deposits (deposits that don't appear on your bank statement) in the space provided on the reconciliation form. Then, determine the total dollar amount of these outstanding deposits, and record it on the form.
9. Subtract the total withdrawals outstanding from the ending bank statement balance, and record the difference on the reconciliation form. Next, add the total deposits outstanding to that difference. The final sum is your adjusted ending balance, which should match the final balance in your checkbook register.

If your adjusted ending balance and your checkbook register balance aren't the same, it typically means that items in your checkbook register were overlooked, never entered, or entered incorrectly. If, after attempting to reconcile the account again, the balances still aren't matching up, you may want to meet with a person at your bank to have them check your most recent bank records and help you determine the problem.

What Are Electronic Funds Transfers?

Have you ever had your payroll check deposited directly into your checking account? Maybe you have had a membership fee for a fitness center taken directly from your checking account for you. These are both examples of **electronic funds transfers**.

For your convenience, you can give companies permission to withdraw money from or deposit money to your account automatically. No checks ever change hands. The companies simply notify your bank using a special electronic system, and the transactions are processed for you.

Companies can't withdraw money from your account without your permission, though. In order for them to be able to withdraw funds from your checking account, you have to sign an initial authorization form allowing them to do so. They keep the form on file as long as you continue to do business with them.

When you stop doing business with a company that has been automatically withdrawing funds from your account for you, make sure that the company destroys your authorization form. Also, review your checking account statements for a couple of months to make sure that the business does not continue to withdraw payments that it is not entitled to receive.

Think About This

1. What kinds of things would you like to have directly deposited or withdrawn from your checking account? Why?
2. Do you think that electronic funds transfers are safer than checks? Why or why not?