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MYOB Support Note

Initial Bank Reconciliation

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This support notes are suitable for:

- MYOB Accounting
- MYOB Premier
- MYOB PremierPlus

When setting up your MYOB Company file, you need to give special attention to your cheque account. A procedure known as an initial bank reconciliation is needed so that MYOB can correctly account for unpresented cheques and deposits at the time you begin using your MYOB program.

What steps are needed to setup my cheque account?

There are three steps to setting up a cheque account so that it reconciles with your bank statement.

1. Determine and enter the cheque account **Opening Balance**.
2. Enter the unpresented transactions.
3. Perform the initial bank reconciliation.

Step 1 - Determine and enter the cheque account Cashbook Balance

Your cheque account opening balance will usually be different to the bank statement closing balance. The cheque account opening balance figure entered into MYOB must take unpresented cheques and uncleared deposits into consideration. This balance figure is commonly known as the cashbook balance. It would equal the balance sheet balance as at the day before the conversion month.

Example cashbook balance calculation:

Bank Statement Closing Balance (30/6/04)		\$12,000
Less unpresented cheques		
77	\$6,000	
78	<u>\$1,000</u>	<u>\$7,000</u>
		\$5,000
Plus an unpresented deposit		<u>\$3,000</u>
Cashbook Balance (30/6/04)		<u>\$8,000</u>

The above example shows a variance of \$4000 between the cheque account balance (**\$8,000**), and the bank statement closing balance (**\$12,000**). This variance is normal and is a result of the unpresented transactions. Therefore you would enter the **\$8000** cashbook balance figure as the opening balance of the cheque account.

Therefore, to enter your cheque account **Opening Balance**:

1. Manually reconcile your cheque account to determine the current cash book balance.
In our example, the **Conversion Month** is July, and therefore, the cash book balance as at closing of the 30th June is used as the cheque account's **Opening Balance**. You should make sure the balance was reconciled outside of MYOB before using it.
2. Go to **Setup** choose **Balances** then **Account Opening Balances**.
3. Identify your cheque account in the list of accounts and then enter its **Opening Balance**. In the example shown this would be \$8,000.

Step 2 - Enter the unrepresented transactions

Unrepresented transactions need to be entered into MYOB so that they don't affect the cash book bank account balance. This is done by allocating them back to the cheque account from which they are written.

To enter an unrepresented cheque:

1. Open **Spend Money**. Click the **Pay From Account** option and enter your cheque account in the adjacent Account field.
2. Enter the **Cheque No.**
3. Enter the **Date** - enter the **Conversion Month** date and **not** the date of the actual cheque.
4. Enter the **Amount** and **Memo**.
5. Place your cursor in the **Acc #** field and select the same cheque account used in the first step.
6. Move your cursor to the **Amount** field and if necessary, enter the amount.
7. Enter the N-T **Tax Code**.

The window below shows a sample of an unrepresented cheque being entered.

The screenshot shows the 'Spend Money' window in MYOB. At the top, 'Pay from Account' is set to '1-1110' and 'Cheque Account' is selected. The 'Balance' is \$8,000.00 and 'Tax Inclusive' is checked. Below this, the 'Card' field is empty, 'Cheque No.' is '77', 'Date' is '01/07/2003', and 'Amount' is '\$6,000.00'. The amount is written out as 'Six Thousand Dollars and 0 Cents'. The 'Memo' field contains 'Clearwater'. Below the form is a table with columns: Acct #, Name, Amount, Job, Memo, Tax. The first row shows '1-1110' for Acct #, 'Cheque Account' for Name, '\$6,000.00' for Amount, and 'N-T' for Tax. Below the table, 'Total Allocated' is \$6,000.00, 'Tax' is \$0.00, 'Total Paid' is \$6,000.00, and 'Out of Balance' is \$0.00. There are buttons for 'Save as Recurring' and 'Use Recurring' at the bottom.

Acct #	Name	Amount	Job	Memo	Tax
1-1110	Cheque Account	\$6,000.00			N-T

This transaction will result in a withdrawal and deposit to the cheque account, leaving the account's balance unaffected. When performing the initial bank reconciliation, unrepresented cheques will be displayed as both a withdrawal and a deposit.

Unrepresented deposits are entered through **Receive Money** and are also allocated back to the same cheque account.

Please Note: This could also be achieved through the use of General Journals as discussed in the online help. Unlike General Journals however, the method listed in this support note doesn't require an understanding of debits and credits.

The window below shows an unrepresented deposit being entered.

Deposit to Account: 1-1110 Cheque Account Balance ⇄: \$8,000.00 Tax Inclusive

Payor : ID #: CR000001
 Amount Received: \$3,000.00 Date: 01/07/2003
 Payment Method: Details...
 Memo:

Acct #	Name	Amount	Job	Memo	Tax
1-1110	Cheque Account	\$3,000.00			N-T

Total Allocated: \$3,000.00
 Tax ⇄: \$0.00
 Total Received: \$3,000.00
 Out of Balance: \$0.00

Save as Recurring Use Recurring

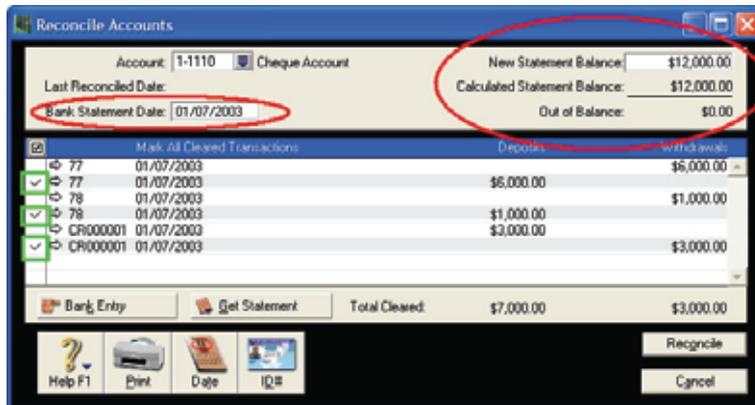
Like unrepresented cheques, unrepresented deposits will also be displayed as both a deposit and a withdrawal when performing the initial bank reconciliation.

Step 3 - Perform an initial bank reconciliation

The initial bank reconciliation needs to be performed so that MYOB can calculate the bank statement balance, which will become the basis for future reconciliations.

1. Go to the **Banking** Command Centre and click **Reconcile Accounts**.
2. Enter your cheque account in the **Account** field.
3. Enter the **Conversion Month** date in the **Date** field.
4. Select the **deposit** side of the unrepresented cheques as **Cleared**; then select the **withdrawal** side of the deposits as **Cleared**.
5. Enter the 'ruled off' bank statement balance in the **New Statement Balance** field.
6. Check that the **Out Of Balance** is zero then press **Reconcile**.

The window on the next page shows the unrepresented transactions being reconciled.



In the above **Reconcile Accounts** window, please note the following:

1. 1/7/03 is used as the **Bank Statement Reconciliation Date**. This is the **Conversion Month** date of the sample data file. Use the **Conversion Month** date as per your data file.
2. The deposit side of the cheques are marked as Cleared.
3. The withdrawal side of the deposit transaction is marked as Cleared.

After performing the initial bank reconciliation, check that the cheque account balance is the same as your cash book balance. The account balance can be viewed in the **Accounts List** window. Go to the **Accounts** Command Centre click **Accounts List** and click the **Assets** tab.

I have already entered cheques and deposits. Will this affect the initial bank reconciliation?

Other payments and receipts can be entered before performing the initial bank reconciliation. You may find though, that these payments and receipts may appear in the **Reconcile Accounts** window when performing the initial bank reconciliation. If so, ignore them and follow the instructions as per *Step 3 - Performing an initial bank reconciliation*.

Please Note: The initial bank reconciliation **must** be done prior to performing your first actual bank reconciliati



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