

The Nolan Company has been in business for many years as a project management company with a diverse and loyal customer base. The company maintains several bank accounts which require review as part of the month-end closing process.

The long-time accounting clerk is currently on unexpected sick leave, and your team has been asked to complete the bank reconciliation for the month of April and report back to the CFO with a presentation on the results and your findings. Specific operating account information has been provided, along with some general instructions.

Available Information:

You have been provided with hard copies and excel files for the following documents:

- **Bank Statement** for the month of April.
- **Cheque Register** which shows the outstanding cheques that were left over after the previous month-end, March 31st, and also shows new cheques written/created in April.
- **Bank Reconciliation** template that can be used to reconcile the bank's balance with Norlan's book balance.

Additional information:

- In Norlan's accounting records, the April 30th cash account balance in the General Ledger (G/L) was \$4,889.34.
- As of April 30th, there was one deposit in transit of \$500.45. This has yet to clear the bank and did not appear on the April bank statement. All other deposits are accurately accounted for.
- When an 'error' is found, assume it is a bank error.

Required:

- 1) Prepare a bank reconciliation as of April 30, 2025.
- 2) Present your bank reconciliation and summary of findings to the CFO. Your presentation should cover the following:
 - a. Summarize the process you followed to complete your bank reconciliation.
 - b. Share your bank reconciliation.
 - c. Highlight any unusual items that may have been discovered during the reconciliation process that require management attention and follow-up. Explain why.

Additional Information:

- 1) **Bank Reconciliations:** a bank reconciliation compares the company's cash account balance to the bank balance. At the end of the month, both balances are often different. The reconciliation explains what's missing in the bank statement balance (things the company has recorded, but the bank doesn't) and what's missing in the company's cash account balance (things the banks has recorded, but the company does not). Once you take the original balances and detail what's missing in both balances, you arrive at one common balance for both the bank and cash account. You are now reconciled.

- 2) **Bank Balance Adjustments:** include items that are correctly entered in our accounting records in the cash account (general ledger) but have not been recognized or gone through the bank. Typical examples would be **deposits** that the company made but have not yet been processed by the bank and therefore are not included in the bank statement balance. These would be considered deposits in transit. Another example would be **outstanding cheques**. These are cheques that the company has written, recorded in their own accounts, but they have not gone through the bank at the time the bank statement was created. Lastly, another common bank balance adjustment would be to acknowledge and correct any **errors** made by the bank that might be influencing the statement's bank balance.

- 3) **Book Balance Adjustments:** include items that are correct in the bank statement or show up in the bank statement, but have not been reflected or recorded in our company's cash account (general ledger). Examples of possible book balance adjustments are interest earned through the bank, NSF cheques, bank service charges, and cheque errors.

- 4) **Bank Statement:** in order to reconcile, you need to have a bank statement. Different banks tend to have unique looking statements, but the contents remain the same. Statements show what the bank had for a balance at the beginning of the month, details money flowing into your account and money flowing out of your account for the month, and because of that inflow and outflow, the statement will also show the month end bank balance.

Abbreviations worth noting:

- Customer NSF (non-sufficient funds) – a customer’s cheque that we had received and deposited in the bank, was returned to our bank because the customer had insufficient funds. The bank removes that amount and it is no longer reflected in our bank balance.
 - NSF SC – a service charge assigned by the bank for processing the NSF cheque from the customer.
 - Interest Rec. – Interest we earned and recorded by the bank.
 - Bank S/C – Bank service charge.
- 5) **Cheque Register:** use the cheque register to assist in completing the bank reconciliation. It shows the outstanding cheques as of March 31 and any new cheques issued in April. To identify which cheques have cleared, review the bank statement and mark each cleared cheque (shown to have cleared the bank) with an "X" in the register. Once the cleared cheques are marked, you can sort the list to group all outstanding cheques together. The remaining unmarked cheques represent the outstanding cheques at the end of April.
- 6) **Bank Reconciliation Template:** The bank reconciliation template is designed to help calculate both Adjusted Bank Balance and the Adjusted Book Balance. Once all adjustments have been discovered and entered, the two final balances should match, indicating you have reconciled the bank balance with the book’s balance (cash account). Note, instead of listing all outstanding cheques, you are free to calculate and enter the total amount outstanding into the appropriate section of the template. Other adjustment details should be shown.