

Bank Reconciliation: A Beginner's Checklist

Your first reconciliation in 5 steps, plus the 8 mistakes that catch out everyone the first time.

What you need (3 things)

1. **A bank statement.** CSV ideally. PDF or Excel works. One complete month.
2. **Your accounting software export** for the same exact period. Xero, QuickBooks, Sage, FreeAgent, Pandle.
3. **One complete month, not a year.** Start with the most recent.

The 5-step process

1. **Pick your period.** Both files cover the exact same start and end dates. This is the most common first-timer slip.
2. **Export both datasets.** Bank statement from online banking. Transaction list from your accounting software. Save both as CSV if possible.
3. **Check the formats.** Dates: DD/MM/YYYY for UK records. Amounts: same convention for negatives (some systems split into debit/credit columns).
4. **Match them.** Every bank transaction should have a corresponding entry in your books. The unmatched items are the entire point of the exercise.
5. **Investigate the unmatched.** Four categories: timing differences (not yet posted), missing entries (need adding), errors (wrong amount or date), bank charges (need booking).

8 first-timer mistakes (avoid these)

1. Reconciling too much at once. A year of transactions on the first attempt guarantees confusion. Start with one month.

2. Ignoring opening balances. If the opening balance does not match the bank, nothing downstream will reconcile properly. Verify the starting point first.

3. Forgetting bank feeds have a delay. Open Banking feeds are not instant. Transactions can take 1-3 days to appear. This creates legitimate timing differences.

4. Confusing credit card statements with bank statements. Different accounts. Reconcile them separately.

5. Inconsistent VAT treatment. Check whether amounts include or exclude VAT consistently. Mixing gross and net creates false mismatches.

6. Overlooking bank fees and interest. They appear on the statement but not in your books until you manually record them.

7. Transposed digits. £2,590 instead of £2,950. Differences divisible by 9 are usually transposed digits.

8. Duplicate transactions. If you record manually and via bank feed, the same payment appears twice in your books but once at the bank.

Done looks like

- Every bank transaction is accounted for in your books.
- The closing balance in your accounting system matches the bank statement balance exactly.
- You can explain every unmatched item with a documented reason.

Frequency

Monthly is the minimum. Weekly is better if transaction volume allows. Daily suits high-volume businesses. The longer you wait, the harder it is to trace anomalies back to source.