SML Bookkeeping & Tax

Bank Reconciliation Basics

KS-013

Why matching bank transactions matters for accurate bookkeeping and BAS preparation.

TOPIC	PREPARED BY	FORMAT
Small business education	SML Bookkeeping & Tax	Knowledge Sheet

Key message

Bank reconciliation is the process of matching bank transactions to the accounting records. It helps confirm that income, expenses, transfers, merchant fees and payments have been recorded correctly before reports, BAS or tax work are prepared.

Bank reconciliation - monthly workflow

1 **Import**
Bring bank feed transactions or bank statement data into the file.

2 **Match**
Match payments and receipts to invoices, bills or coded transactions.

3 **Investigate**
Review duplicates, missing items and unexplained amounts.

4 **Finalise**
Confirm the bank balance agrees with accounting records.

What is bank reconciliation?

Bank reconciliation compares the actual bank account activity with the bookkeeping records. When reconciliation is complete, the accounting file should reflect what happened in the bank account for the period.

Why it matters

- It helps prevent missing income or expenses.
- It supports accurate BAS and GST reporting.
- It helps detect duplicate transactions or coding errors.
- It gives owners more reliable financial reports.
- It reduces cleanup work at tax time.

Common items to check

- Unmatched customer payments and supplier payments.
- Bank fees, merchant fees and loan repayments.
- Transfers between business bank accounts.
- Cash deposits or owner contributions.
- Old unreconciled transactions from prior periods.

Common mistakes to avoid

- Assuming bank feeds mean reconciliation is automatic.
- Coding transfers as income or expenses.
- Ignoring small unreconciled amounts.
- Reconciling transactions without checking source documents.

Example

A business receives card payments through a payment platform. The bank deposit may be net of merchant fees, so the reconciliation should explain sales, fees and deposits correctly rather than treating the whole deposit as simple income.

Common Questions

Is bank reconciliation the same as bookkeeping?

It is one important part of bookkeeping, but bookkeeping also includes coding, reviewing documents, payroll, reporting and other tasks.

How often should reconciliation be done?

Monthly is a common minimum, but businesses with high transaction volume may need more frequent review.

Can software reconcile automatically?

Software can suggest matches, but someone still needs to review accuracy and unusual transactions.

Reference Sources

Source	Used for
Xero	Bank reconciliation workflow and software matching context.
MYOB	Small business reconciliation and bookkeeping guidance.
Australian Taxation Office	Record keeping and evidence requirements for business transactions.

Important note

This Knowledge Sheet provides general information only. It does not take into account the full circumstances of any business. Speak with SML Bookkeeping & Tax before making tax, payroll or compliance decisions.