

Balancing a Checkbook:
Necessary Skill or
Antiquated Lesson?

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Why Track Your Cash?

Electronic (online/mobile) banking is more convenient and allows you to easily monitor transactions and account balances. So why do we still need to track our cash by balancing a checkbook?

- ***More possibilities for errors***
- ***Increased security risks***

What Happens If You Don't Track Cash

The following slides include real-life situations encountered by Certified Public Accountants ***who discovered errors or fraud their clients were unaware of because they failed to reconcile their bank accounts.***

If You Don't Track Your Cash Thieves Will Do It For You

- *Verify every transaction on the bank statement is yours; no matter how small.*
- *Thieves may test to see if a small purchase goes thru before they remove a large sum.*
- *If you don't track your cash you make it easier for thieves to take it and you may never know you were robbed!*

Why Track Cash? Uncover Fraud



Moral: NEVER do online banking on public Wi-Fi because thieves may be listening!

Why Reconcile Bank Accounts? Uncover Unauthorized Debits



MORAL: Track all charges to your accounts, if not, you may be paying someone else's bills.

Are You Paying Someone Else's Bills?

Do not keep any passwords on your mobile phone as they may be easily accessed in the event you lose your phone, get hacked or it is not securely stored.

Ensure children are following security safeguards

Why Reconcile? Uncover Bank Errors

Banks do make mistakes so you need to reconcile your monthly bank statements. Banks may allow only 30 days to dispute a discrepancy. Some items to watch out for:

- *Are your bank fees correctly reduced if you have your paycheck directly deposited or if you maintain a minimum number of electronic transactions?*
- *Are you are receiving correct ATM fee reimbursements?*
- *Are you receiving all interest you are entitled to?*
- *Were all ATM transactions charged to, you generated by you?*
- *If you accept credit cards for payment, did the bank charge you the correct fees on credit card deposits?*

Why Reconcile? Minimize Fees



MORAL: *If she had reconciled monthly she would have lost only one month's fee.*

Why Reconcile? Avoid Overdraft Fees

A traditional checking account may be harmful financially if you don't track it and incur fees and overdraft charges. You can use a "checkless account" to pay bills, make purchases and draw money electronically using mobile apps *but you still must reconcile to verify all transactions are correct.*

Why Reconcile? Uncover Your Errors



Don't forget automatic renewals

Why Reconcile? Uncover Your Deposit Errors



MORAL: The easiest way to avoid overdraft charges and embarrassment of bounced checks is to track your deposits and account balance.

You can't deposit a paper check twice but you can scan it twice using RDC!

Avoid Duplicate Deposits and Fees

The couple called their CPA to find out why they bounced checks on their joint account and when the CPA reconciled the account she found the duplicate deposit and unrecorded overdraft fees.



Why Reconcile? Verify You Got Your Tax Refund

A taxpayer gave their CPA an incorrect bank account number for the IRS to directly deposit their large tax refund.

If Deposits Aren't Timely They Can Be Lost

Moral: IRS informed the taxpayer they would not help because it was not their error and so much time had elapsed they were beyond the statute to receive the refund.

The bank will not deposit an outdated check (longer than 6 months) and taxing authorities won't reissue refunds if you don't notify them within the statute period.

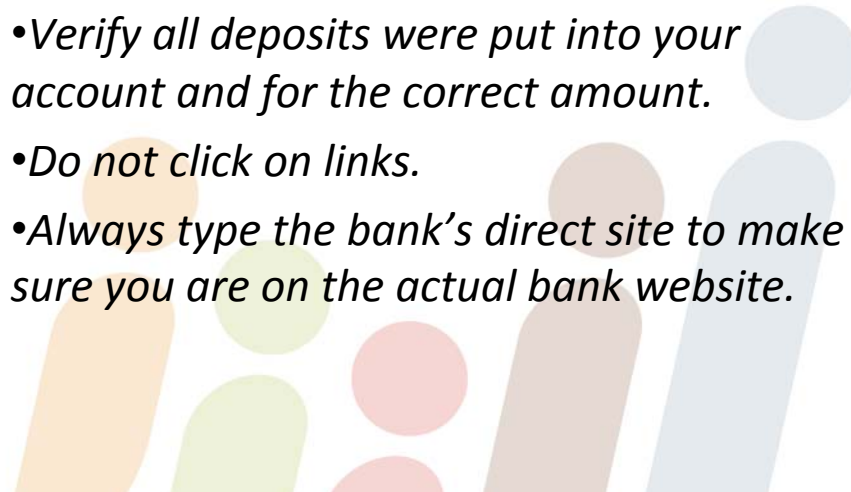
Why Track Cash? Uncover Unauthorized Transfers



Know that you transferred money to the right account

Verify All Deposits Were Posted To Your Account


Moral of the Story:

- *Verify all deposits were put into your account and for the correct amount.*
 - *Do not click on links.*
 - *Always type the bank's direct site to make sure you are on the actual bank website.*
- 

Is There An App For That?

Banks may have transfer tools but lack the option to request money; the sender must initiate the transaction with an app.

You can use many different apps to request an electronic money transfer but you **MUST** also monitor each transaction.



Convenience Comes At A Cost = Understand App Options & Terms & Monitor Account Transactions

- Great way for friends to pay one another
- Easy to send monthly reminders without the awkward conversation
- Read the terms of the app
- Avoid payments to people you don't know
- Check Private option

Apps Are Ripe For Fraud

Understand purpose and terms: Venmo, for example, may be a good choice to transfer money among friends but may not be a good choice to accept payment for selling goods on Craigslist.

Tips:

- *Don't trust a text message saying the agreed amount was added to your account before you send the goods to the buyer;*
- *Check your account first to make sure the scammer didn't cancel the transaction and the money is in your account.*

Common Options to Evaluate Apps

These are some option terms you need to evaluate to determine if the app is right for the transaction:

- What are the fees for different type transfers (credit vs. debit, etc.)?
- What is the speed of delivery?
- What are the transfer limits?
- What are withdrawal limits?
- Is there two-factor authentication process?
- Does notification of payment indicate an amount has been scheduled or was a transfer made?

Why Understand How Money Transfer Apps Work?

Direct bank transfer - the fastest method is transfer directly to your account from someone with an account with the same bank. Some banks have transfer tools within the same portal you use for online banking. Some can transfer money to someone outside your bank's network.

Beware: It is better to use other methods if you can't trust the receiver of your bank information.

Why Understand How Money Transfer Apps Work?

Google Wallet-If you have a Gmail account requesting money is easy but if you don't you'll be asked to set up an account.

MORAL: *Don't write checks until deposit hits your account. Since **it can take 3 business days** for a check to clear, you can bounce checks and incur fees. Also check if deposit is reduced by correct fees for credit cards no fees for debit cards.*

Why Understand How Money Transfer Apps Work?

PayPal - simple if the person who owes you money has a PayPal account, if not, share the link from PayPal.Me, but they still need to create a PayPal account.

MORAL: ***In order to get the cash in your checking you need to "withdraw" it. Don't forget that fees will be taken out for debt and credit card transfers so your deposit into checking will be net of those fees. Check the fees are calculated correctly.***

Why Understand How Money Transfer Apps Work?

Square cash-use if you don't want to set up an account to receive money since you just compose an email to the debtor, enter the balance in the subject field and cc request@square.com and once the recipient receives the email you both provide banking info. MORAL: *Can you really trust security of recipient's email? There are **low transfer limits** so you need to check if you are over the limit.*

Why Understand How Money Transfer Apps Work?

Venmo-after setting up an account and verifying your bank information you'll be asked to add friends to the app whom you can send and receive money requests. MORAL: *Money isn't directly deposited into your bank account, it is added to your Venmo account so don't forget to use the "**cash out**" to **put money into your checking account**. You should verify that each transaction hits your checking account so you don't incur overdraft fees.*

If You Know The Terms You Avoid Surprises and Avoid Fees

- Read the agreement from the bank that describes account terms and conditions before choosing the bank and type of account.
- Manage your account so you can avoid fees and maximize interest.
- Check your balance, know how much money is available to avoid bank fees
- Reconcile by comparing personal bank transactions to the bank statement to ensure that both agree on how much money is in an account at a specific date

Why Reconcile?

- Uncover deposit and withdrawal errors
 - Checks/gifts that may not have been received
 - Recurring withdrawals that may not apply
 - Double-posting a check so amount withdrawn twice
- Uncover unauthorized debits or ATM withdrawals-if you pay by debit card or use an ATM the amount comes out of your account immediately so you must make sure there are no unauthorized amounts.
- Uncover fraud

What Can Happen If you Don't Reconcile?

Not reconciling can result in:

- Bounced or lost checks
- Duplicate vendor charges (cashier errors)
- Lost or incorrect deposits
- Overpayment of fees
- Undetected bank errors
- Undetected math errors in your accounting system
- Undetected fraud
- Inaccurate taxable income for businesses

Benefits Of Reconciling?

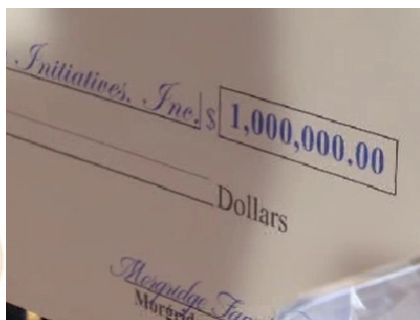
You will **manage money better** because you will

- Spend less in total if you track cash
- Become more aware of where money is being spent
- Identify ways to save money
- Avoid costly mistakes and overdraft fees

You will understand the **journey of your cash**

- When is money deposited available?
- How long until a check clears?

How Often Should You Reconcile?



MORAL: *Monitor bank accounts frequently, at least monthly. **You never know what you'll uncover!***

Do I Still Need Receipts ?

YES, to enter each transaction into your register and keep a daily running balance.

MORAL: *Always get receipts either by phone, email, paper, fax so you can compare them to your bank statements to verify every item charged to your account is correct.*

New Technology To Reconcile

- **Electronic check registers** on your home computer (customers find it much easier to use and balance than old-fashioned paper check registers).
- Companion **applications for your smartphone** that allow you to access your electronic check register wherever you are.
- Mobile banking services allow access to your bank account from a smartphone, tablet or other devices.

New Technology To Monitor Your Account In Real Time

If you sign up for **account alerts** to get text messages on your mobile phone or e-mails if your account balance drops below a set dollar amount it can help you avoid an overdrawn checking account.

If you sign up to receive text alerts if the bank observes “**suspicious**” activity you may avoid potential fraud.

Before Using New Technologies Check Out Privacy & Policies

Research and evaluate the best new technology for each type of transaction:

- If advertisers provide free services; check out their **privacy policy** to see who they share your info with.
- If third parties provide added functionality to a website and its users; do these services use **cookies**?
- Are you automatically subscribing to **RSS/Email** and will you receive numerous emails?
- Social media; check out their privacy policy especially related to banking; make sure to set up as **PRIVATE**
- **Embedded resources**; check out their privacy policies.

Methods You Can Use To Manage/ Reconcile Your Account?

Verify every transaction (deposits, checks, ATMs, debits, credits, online bill payments, fees, etc.) and balance your accounts manually or automatically by:

- Online services provided by your bank or websites
- Websites (see subsequent slides for locations)
- Manual check register (see subsequent slides)
- APP (see subsequent slides for locations)
- Functions within accounting programs like Quickbooks
- Set up your own functions in computer spreadsheets like Excel

Online Resources

www.360financialliteracy.org

Look under “Calculators/Budgeting and Saving”

The screenshot shows the website for 360degrees.org, an American Institute of CPAs. The main navigation includes 'I AM...', 'TOPICS', 'CALCULATORS', 'ASK THE MONEY DOCTOR', 'MY 360', and 'EN ESPAÑOL'. The 'CHECKBOOK BALANCER' tool is highlighted, with a sidebar listing various calculators such as 'Adjustable Rate Mortgage Calculator', '457 Savings Calculator', and '1040 Tax Calculator'. The main content area provides instructions on how to use the tool and displays a calculator interface showing a 'Your checkbook balance is \$0.00' and a bar chart with a legend for 'Checks \$0.00', 'Deposits \$0.00', and 'Balance \$0.00'.

What You Need To Reconcile Accounts

- Check register with a list of all transactions
 - Deposits
 - Bank transfers
 - Withdrawals
 - Checks written
 - Bank fees
- Bank statement with a summary of transactions for a specific time period
- Compare your check register to the bank statement by placing a check mark next to all transactions in your register that appear on the bank statement to ensure all deposits and withdrawals are entered for the same time period

Process of Reconciling A Checking Account

- Add interest earned and subtract bank fees to your check register if they are on the bank statement but not in your check register, *this is your adjusted ending check register balance*
- To arrive at the adjusted bank balance, start with the ending bank statement balance then
 - Add all deposits from your register the bank has not yet credited to your statement
 - Subtract all outstanding checks (written checks not yet cashed or cleared on bank statement)
 - Subtract all ATM, debit and cash withdrawals not on bank statement
 - This total should match your checkbook *adjusted ending check register balance*

What If My Reconciliation Doesn't Work?

- Compare ending adjusted bank balance to your adjusted check register balance for the same date
- If your reconciled balance does not match look at your statement and register for the amount of the discrepancy.
- If your difference is divisible by 9 it could be a transposed number, for example recording a check for \$63 instead of \$36.
- If that does not work look at each transaction to make sure you recorded it correctly.
- Ask for help from banker or CPA.
- Don't get discouraged. It gets easier with time.

There's an App for That

- Mint Budgeting App
 - Connect the Mint app to your bank and the app can use your details to create a budget
- PocketGuard Budget App
 - Connects directly to your bank accounts so you have access to current transactions
- You Need a Budget (YNAB) App
 - Develops a system to help you build a budget
- GoodBudget
 - A digital envelope budget system. Free with upgrades available

There's An App for That

- Mvelopes
 - You can link your bank account to this app, pay bills, manage budget and plan. Free with options to upgrade at a cost
- Unsplurge
 - iPhone-based app to set up goals for splurge goals

Is The “App” Legitimate?

- Research any “app” before downloading it; don’t assume it is official.
- Download an “app” from a legitimate “app” store.
- Download an “app” from the vendor you are doing business with.
- Reduce risk of downloading “apps” that contain malware by downloading an “app” from the bank’s official website. Some banks use their social media sites as a portal for customers to bank online. *Make sure you are on a secure page on the bank’s legitimate site as fraudsters are good at mimicking official Web sites.*
- Password protect your “app.”

Online Resources For Tracking Cash

Your bank may offer free online budgeting tools that can track your spending by category, monitor investments or meet goals you set but the most important tool is reconciling your account.

Other Resources:

- Calculatorsoup.com
- Dummies.com/personal-finance/how-to-balance-a-checkbook
- Calcxml.com
- YouTube.com

What Tools To Track Cash?

- Online statements make it easier
- Apps that help you track transactions
- Online resources
- If all else fails just do it manually. Most banks print the details “how to reconcile” on the back of your bank statement
- Ask the bank for help
- Ask a CPA for help

Just do it!

Tracking Cash Can Make You Richer

Albert Einstein said, “Compound interest is the eighth wonder of the world. He who understands it, earns it. He who doesn’t, pays it.” **The sooner you learn the concept of living within your means the richer you will be.**

However, the only way to accomplish this is to track your cash.

When you follow a budget you are in control to reduce spending and increase income.

CPAs as Financial Literacy Resources

Real-World Math for Middle and High School Students

- Budgeting
- Let's Go Shopping
- Careers & Life
- Setting Up a Business
- Credit Cards
- Establishing Financial Priorities

www.picpa.org/Inspire

Any questions?

Questions?

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