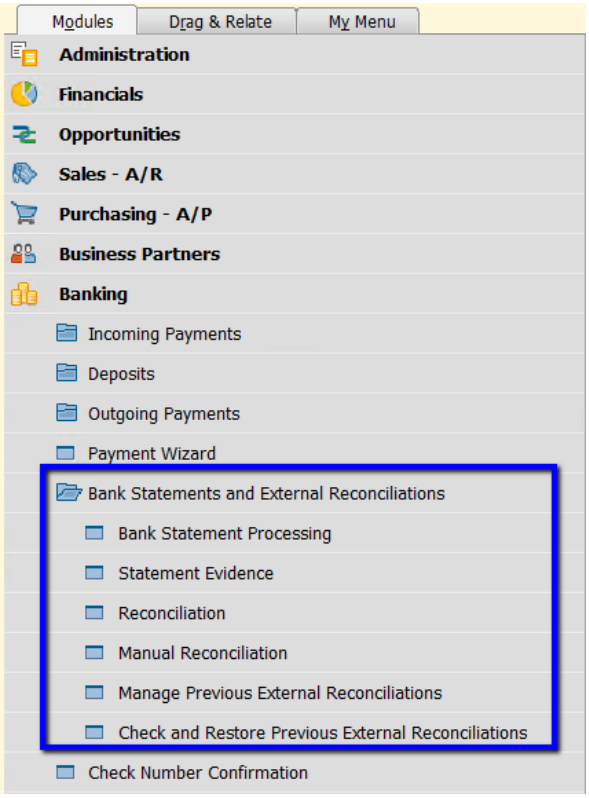
Bank Statement Reconciliation

Background

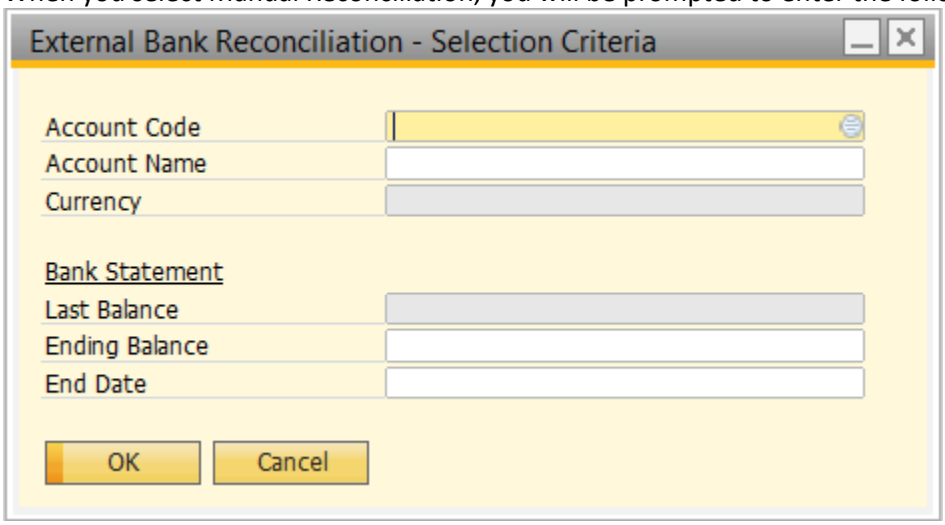
In addition to entering banking transactions in SAP, you may also receive bank statements from your bank. You will want to match the transactions in the bank recorded from your company with those recorded in SAP. Remember that incoming payments, outgoing payments, and deposits post journal entries to your house bank account in SAP. You will need to match the house bank transactions as registered in SAP Business One with the bank statement data and adjust where needed. You should not match these open items until you receive the bank statement showing that the bank has actually made or received the payment. This process is what we call Bank Reconciliation, in which you compare an account with external data. Bank reconciliation processes can be found in the Bank Statements and External Reconciliations folder within the Banking module:



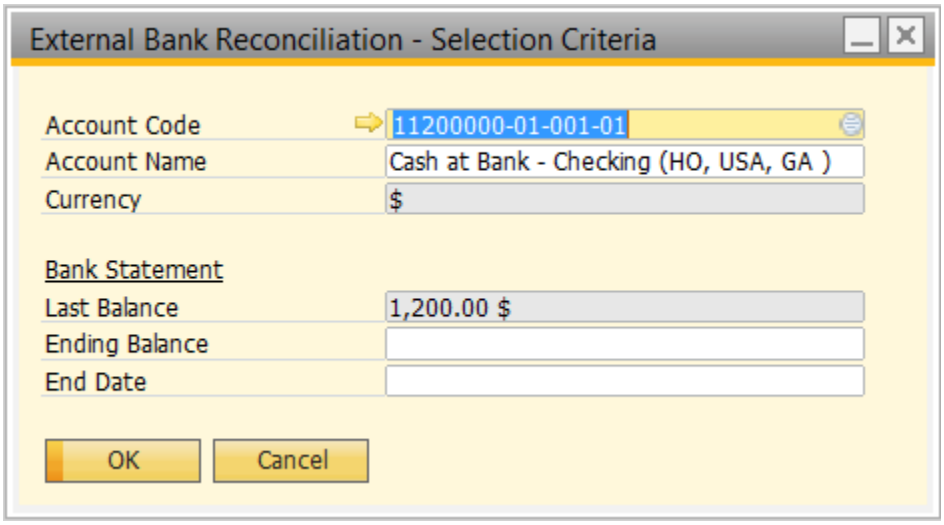
You have the option to process the reconciliations either manually or by importing a bank file.

Manual Reconciliation

When you select Manual Reconciliation, you will be prompted to enter the following selection criteria:



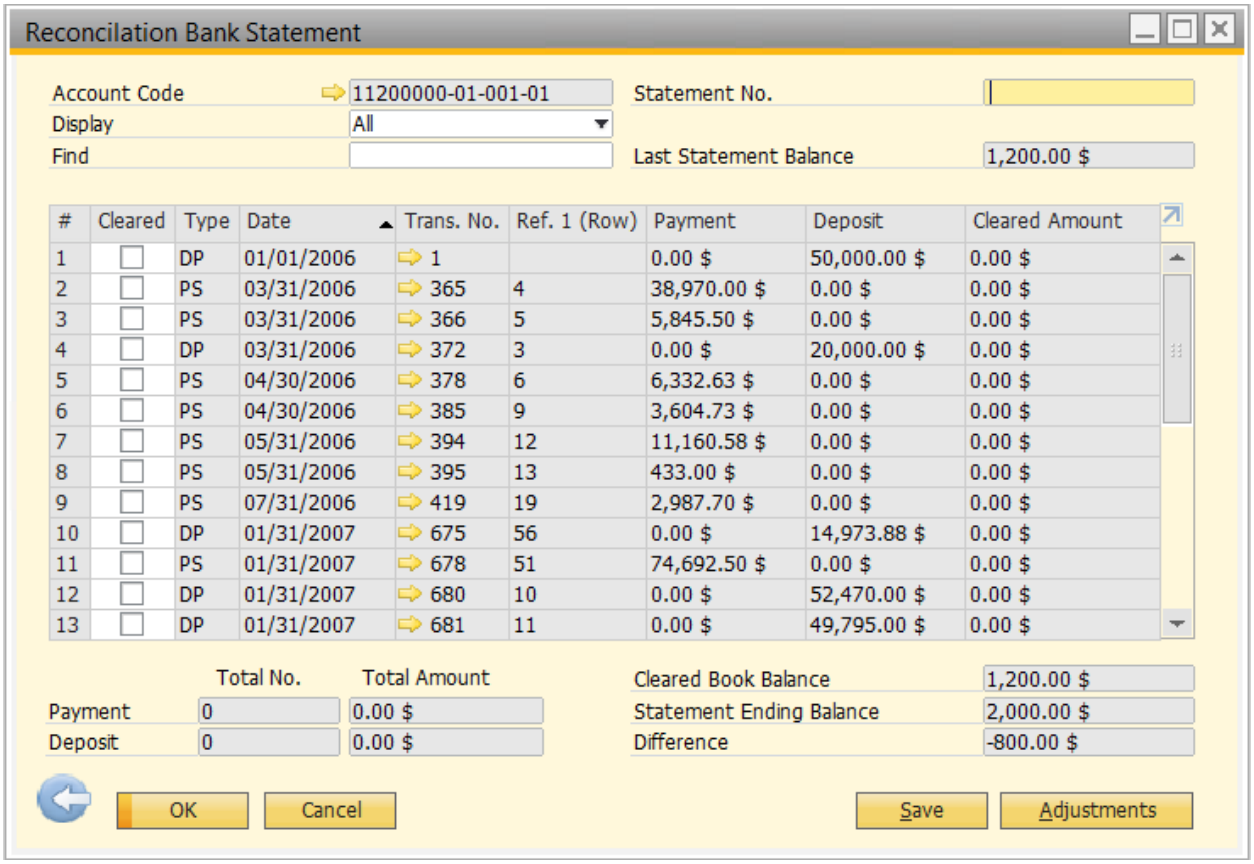
After selecting the account code, the you will need to complete the ending balance and statement date of the bank statement you are about to reconcile:



Note that if you have never completed an external bank statement reconciliation for the selected account, the Last Balance will always be $0.

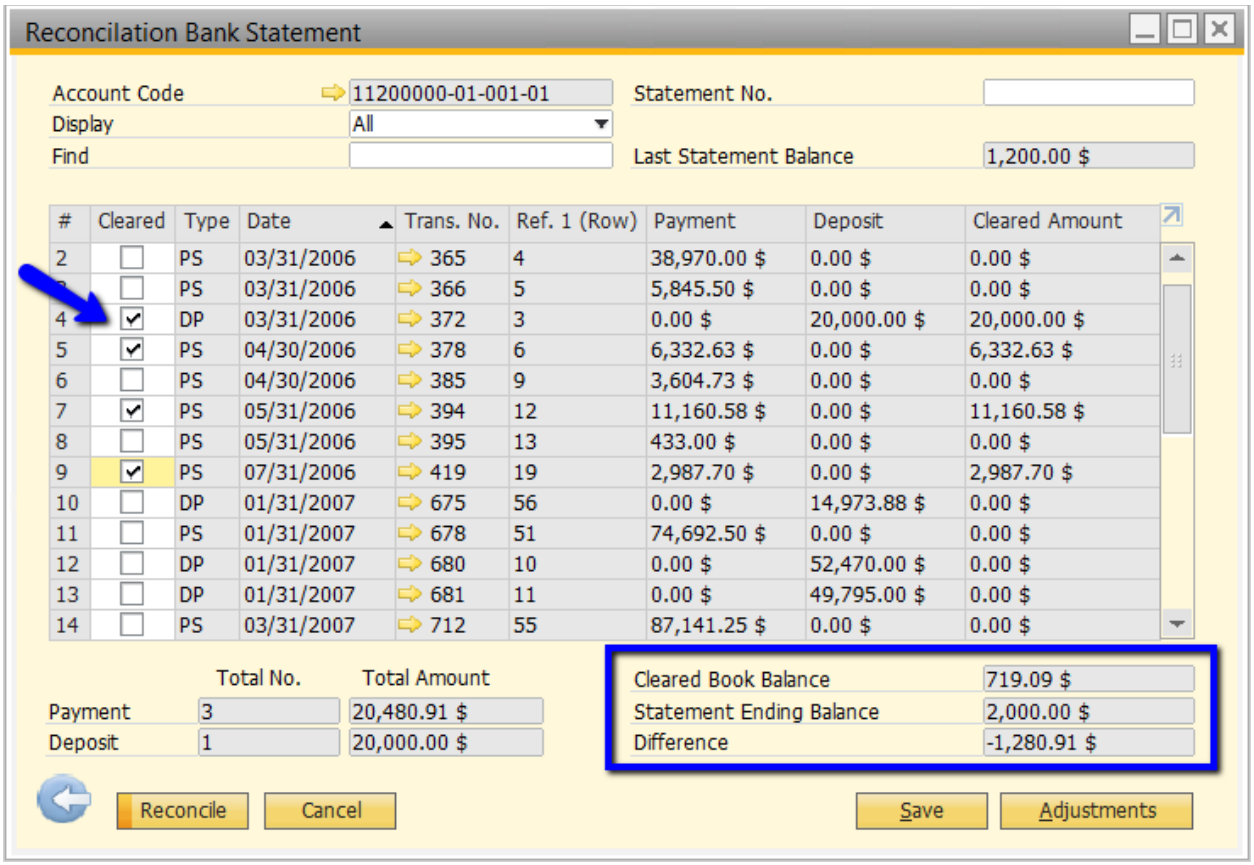
Reconciliation Bank Statement Window

Upon entering an Ending Balance and End Date, the system will display the Reconciliation Bank Statement window, which will list all uncleared transactions to the selected account up to the End Date:



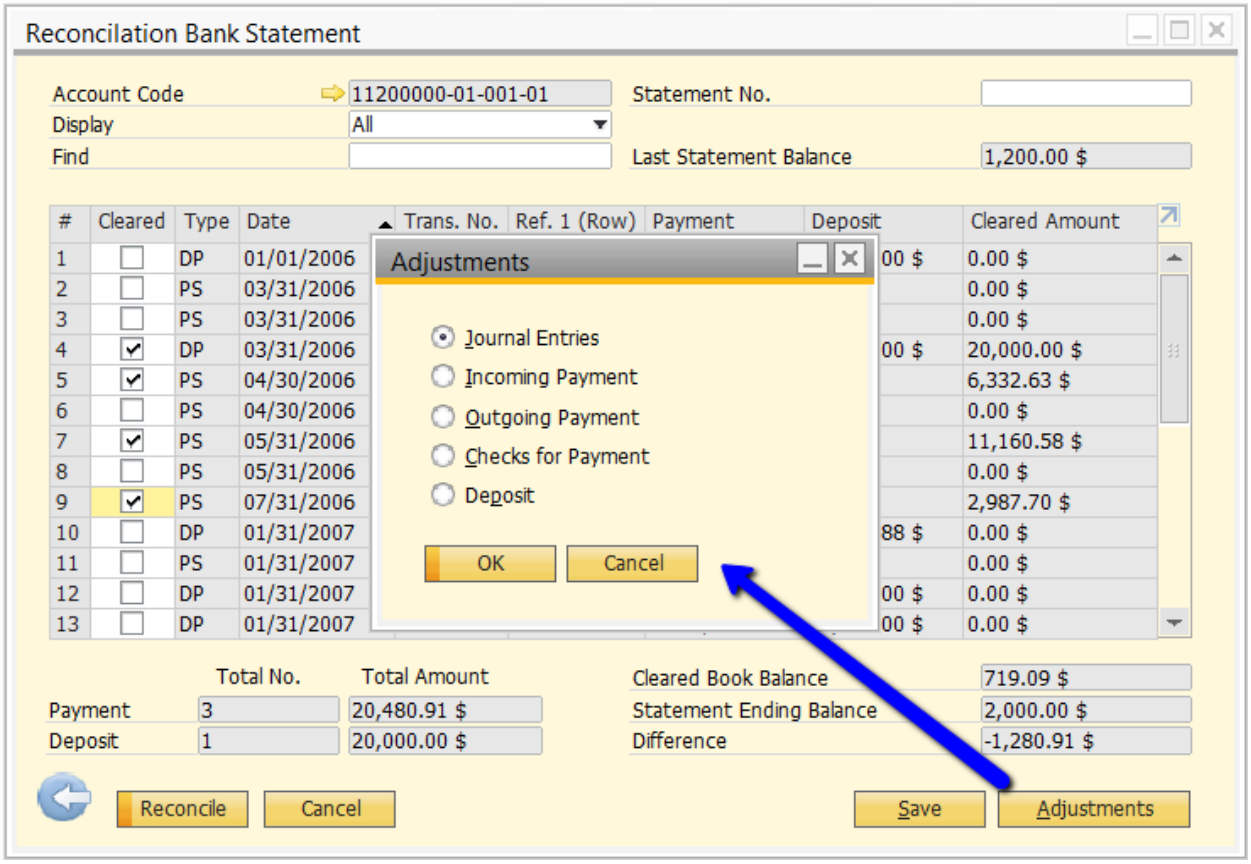
You can use the following to remember the Cleared Book Balance:

You will select the transactions that you see in your statement, and the system will track the changes in the cleared book balance:

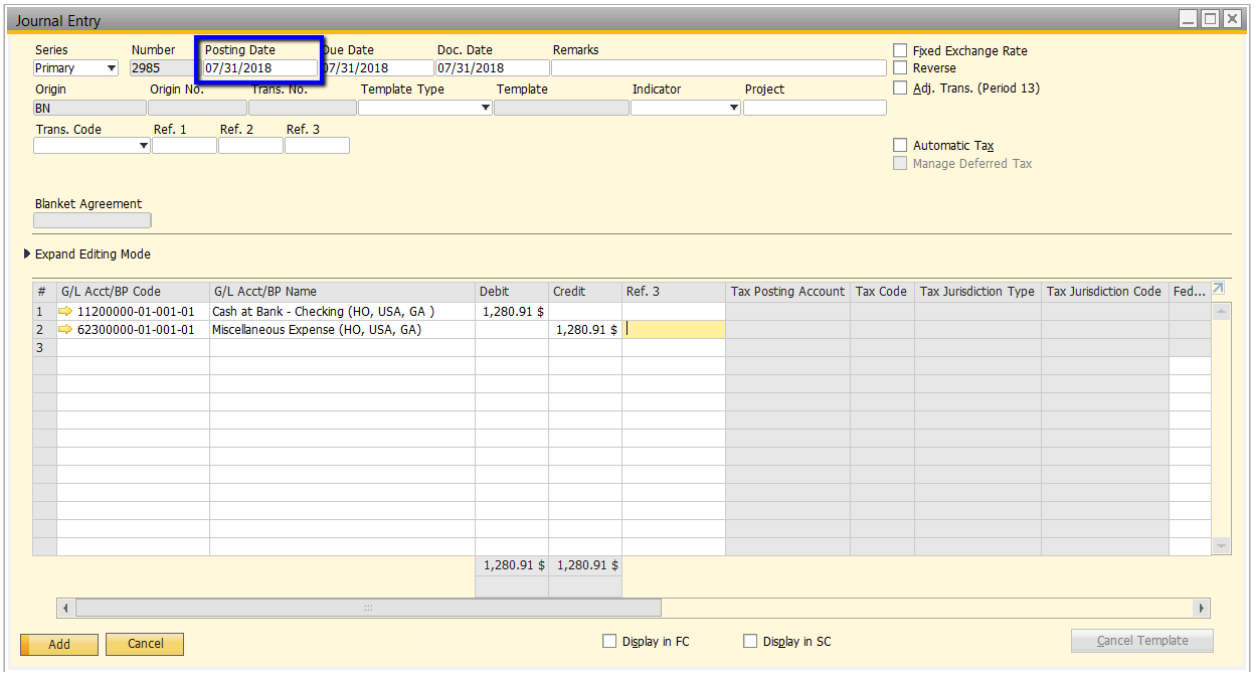


In order to reconcile, the difference between the cleared book balance must be 0. If you see there are SAP transactions that are in process but are not yet reflected in the statement, you can simply leave them for the next statement. However, if you see that the statement contains transactions that are not reflected in SAP, you may want to create adjusting transactions.

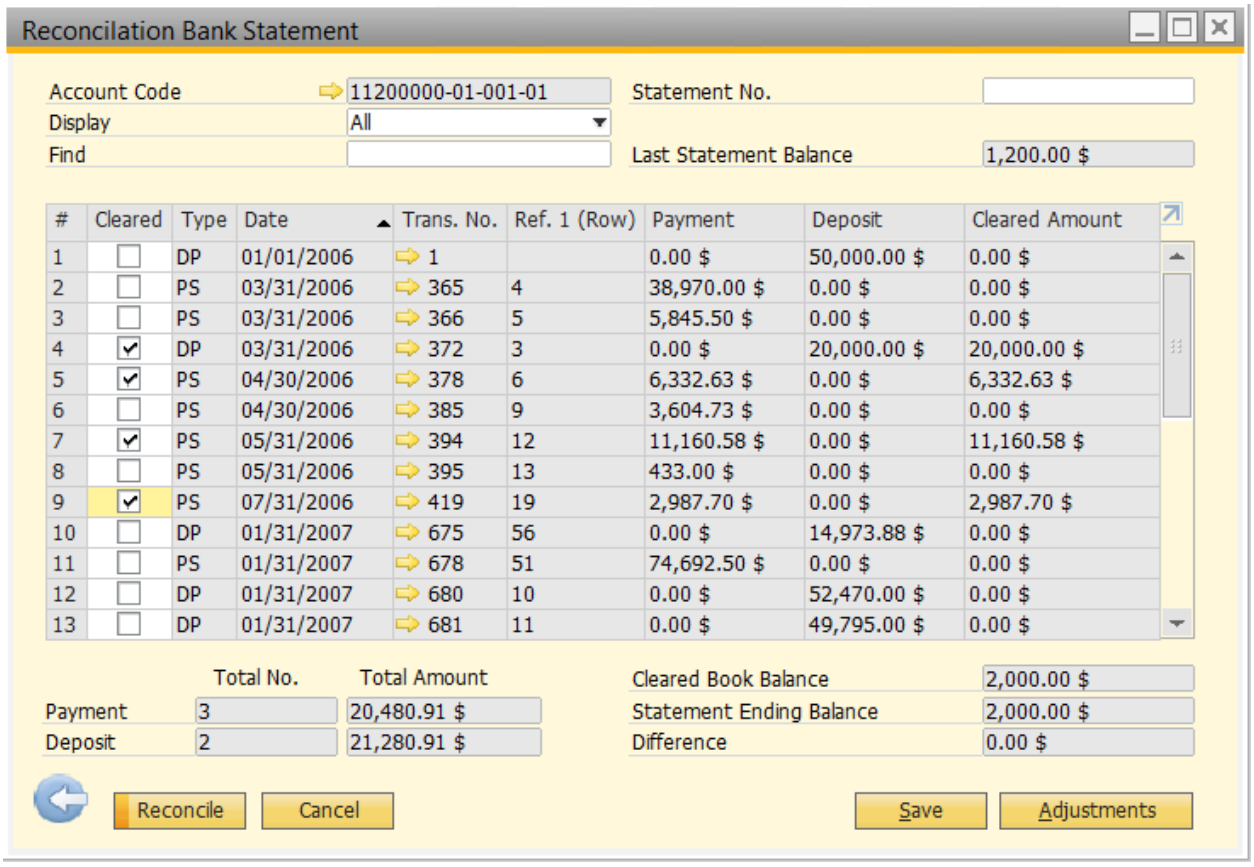
When clicking Adjustments, you will be asked to add a journal entry, incoming payment, outgoing payment, check for payment, or deposit:



When creating the adjustment documents, ensure that the posting date is no later than the statement end date:



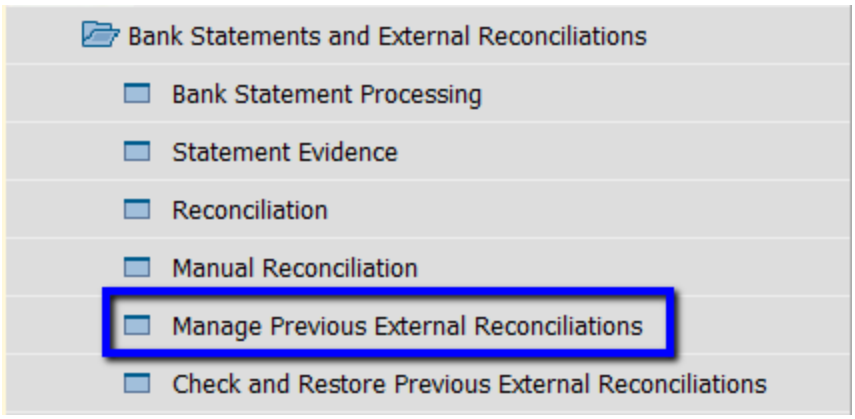
After adding the document(s) that make up the difference, the document will automatically be added in the Reconciliation Bank Statement Window and the Cleared Book Balance and Statement Ending Balance will be equal:



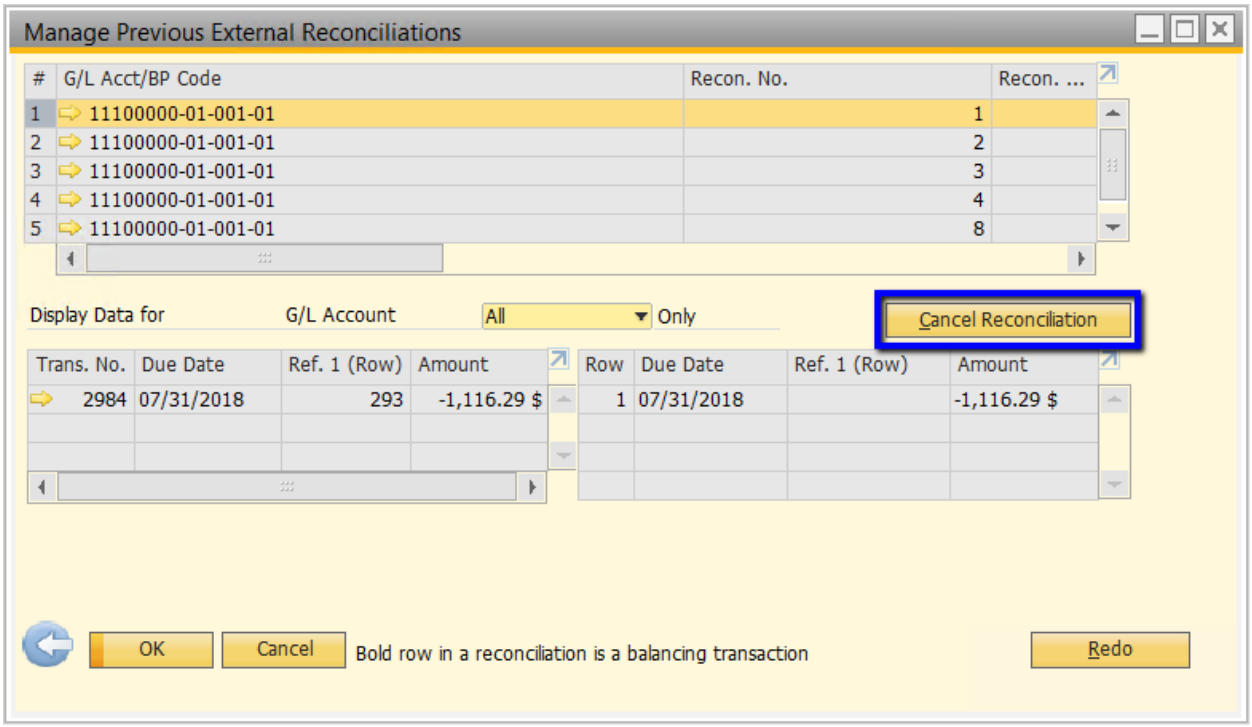
You will then be able to Reconcile.
Note: You may also input the Statement No. if you wish. Only numbers are allowed in this field.

Cancelling Previous Reconciliations

If you have made a mistake in selecting transactions to reconcile, you can Cancel Reconciliations by selecting Manage Previous External Reconciliations:



The Manage Previous External Reconciliations window will display past external reconciliations. You can select the reconciliation you would like to undo and click Cancel Reconciliation:



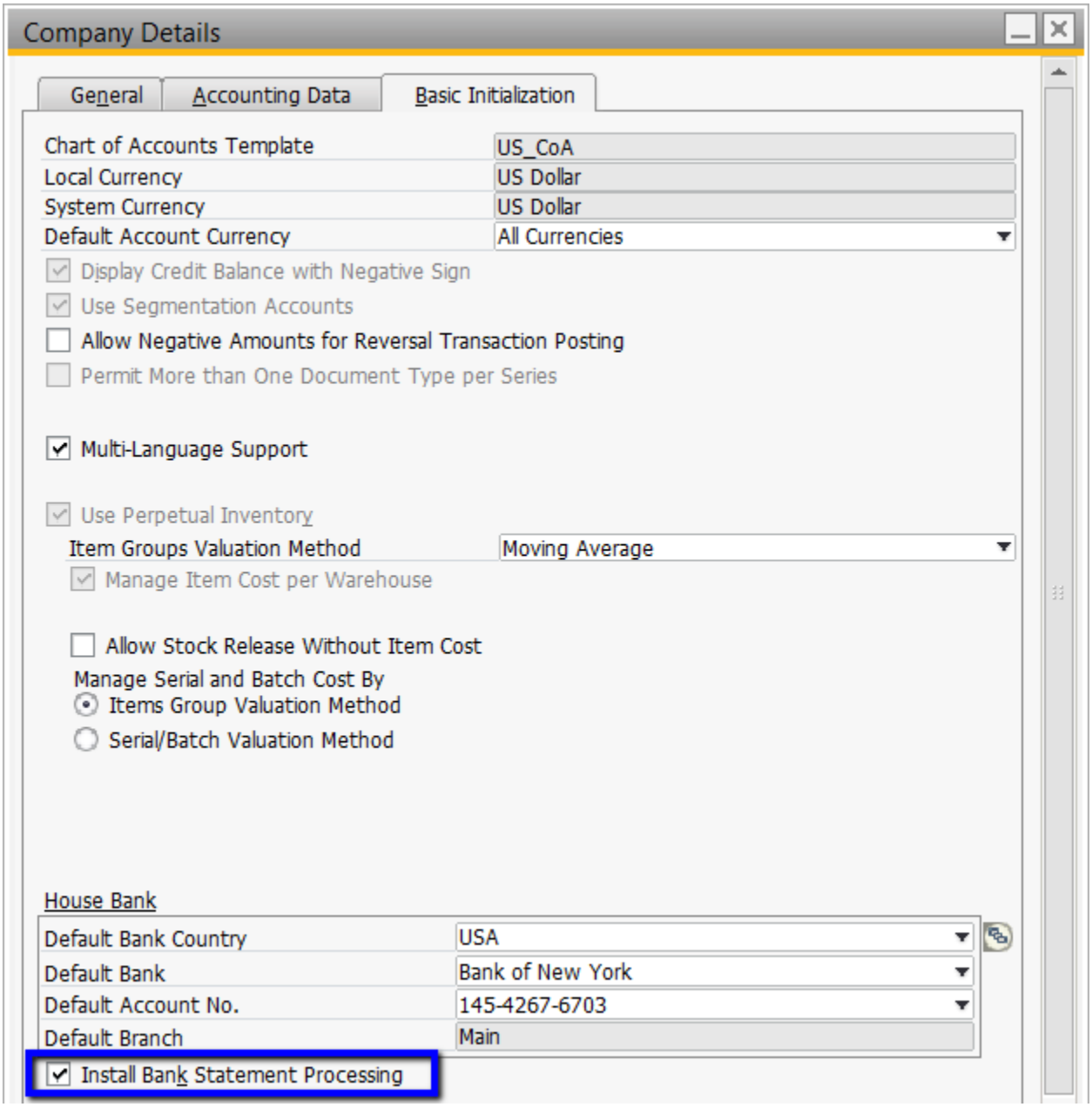
The SAP transaction will then appear as an uncleared transaction in the Reconciliation Bank Statement window.

Bank Statement Processing

If your bank statement transaction volume is high enough to render manual reconciliations unfeasible, you may want to use the Bank Statement Processing feature, which assists you in matching SAP transactions to bank statement rows.

<u>Prerequisites</u>

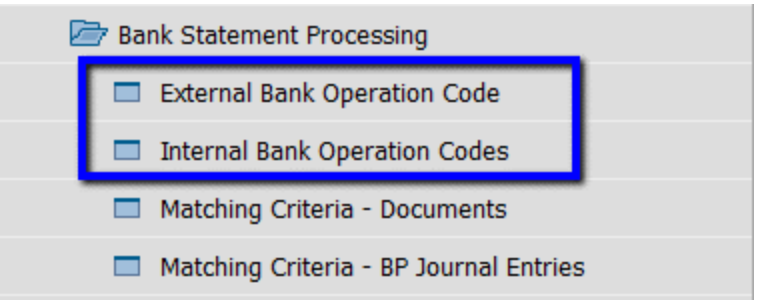
In order to use Bank Statement Processing, a superuser must enable the following in Administration > System Initialization > Company Details > Basic Initialization tab:



IMPORTANT: This setting is irreversible once you have imported a bank file and you will no longer be able to perform Manual Reconciliations.

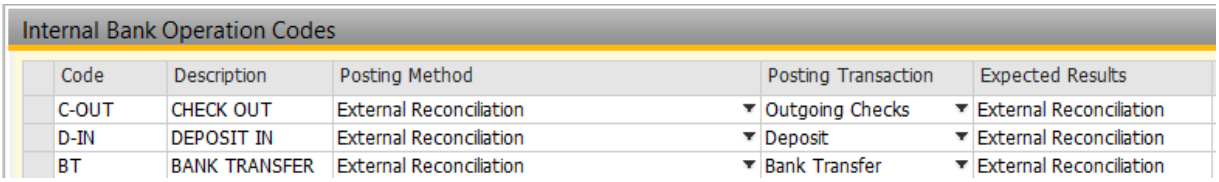
Setup

Banks may provide slightly differing bank file formats. For example, bank codes (which signify the transaction type) may vary depending on the bank. For this reason, you must define both External and Internal Bank Operation Codes under Administration > Setup > Banking > Bank Statement Processing:



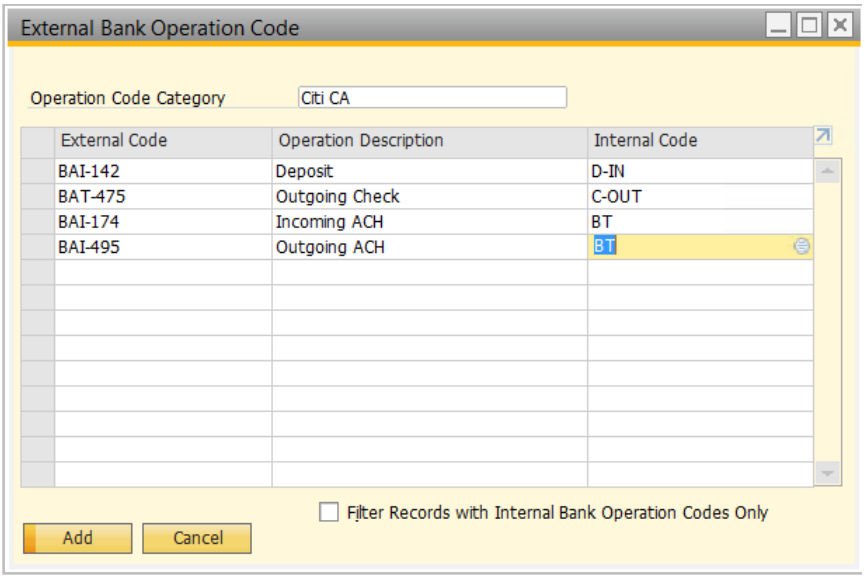
Internal Operation Codes

You must specify internal operation codes to specify the posting transactions that will apply across all bank files. The three posting transaction types for external reconciliations are: 1) outgoing checks, 2) deposits, and 3) bank transfers:



External Bank Operation Code

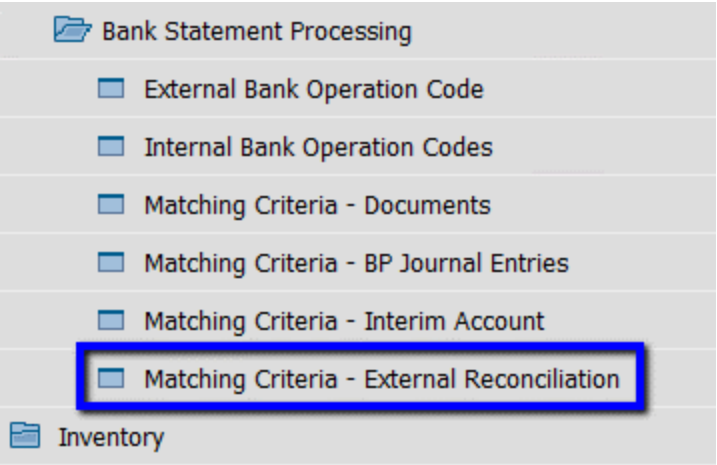
After creating the internal operation codes, you must define an Operation Code Category which will contain a set of external codes:



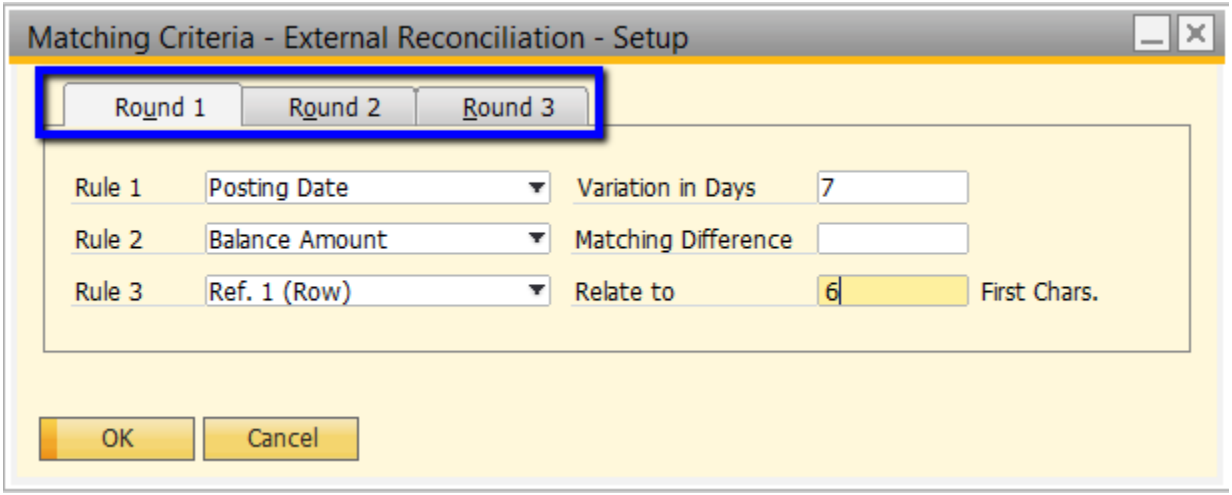
These operation codes will help SAP match the bank rows with system transactions.

Matching Criteria

You must specify the matching criteria for performing external reconciliation so that SAP will know which transactions to propose during reconciliation. You can access the Matching Criteria – External Reconciliation by navigating to Administration > Setup > Banking > Bank Statement Processing > Matching Criteria – External Reconciliation.



You will be able to define three rules for the rounds.



During automatic reconciliation, SAP Business One first attempts to match transactions according to the rules defined in round 1; then if no transactions were found in round 1, it attempts to match transactions according to rules defined in round 2; and finally if there were no transactions found in round 1 and 2, then the system attempts to match transactions according to the rules defined in round 3.

Once matching transactions have been found by a round, the system does not continue to find further matches in the subsequent rounds. Although it is possible to define three rounds for the matching criteria, you can specify only one or two if required. However, you must specify at least one.

Note that each parameter can be used for only one rule in a specific round. Once you assign a

parameter to a rule, it is removed, for the same round, from the dropdown lists of the other rules. For example, once you specify that the posting date can vary up to 7 days for rule 1, the posting date parameter will not be selectable for rules 2 and 3. It will, however, be available for rounds 2 and 3.

SAP recommends that you narrow the earlier rounds as much as possible and broaden the selection is subsequent rounds. If no matches were found in the first round, the system will check the rules in round 2 where the chances of finding a reconciliation match are bigger as there are fewer or more flexible rules.

BSP Process

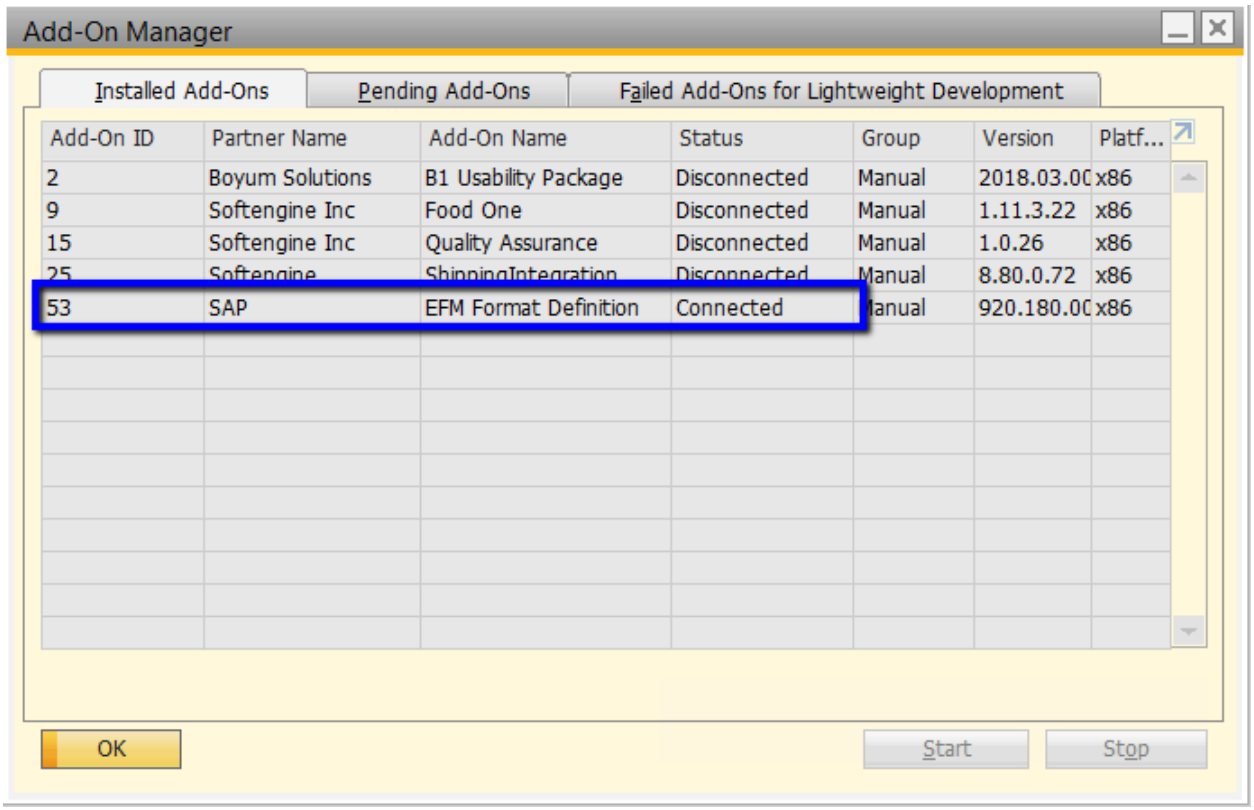
Steps for Bank Statement Processing can be summarized as follows:

1. Enter bank statements
2. Process bank statements
3. Perform manual reconciliation
4. Process multiple payments
5. Finalize bank statements
6. Generate bank statement information reports

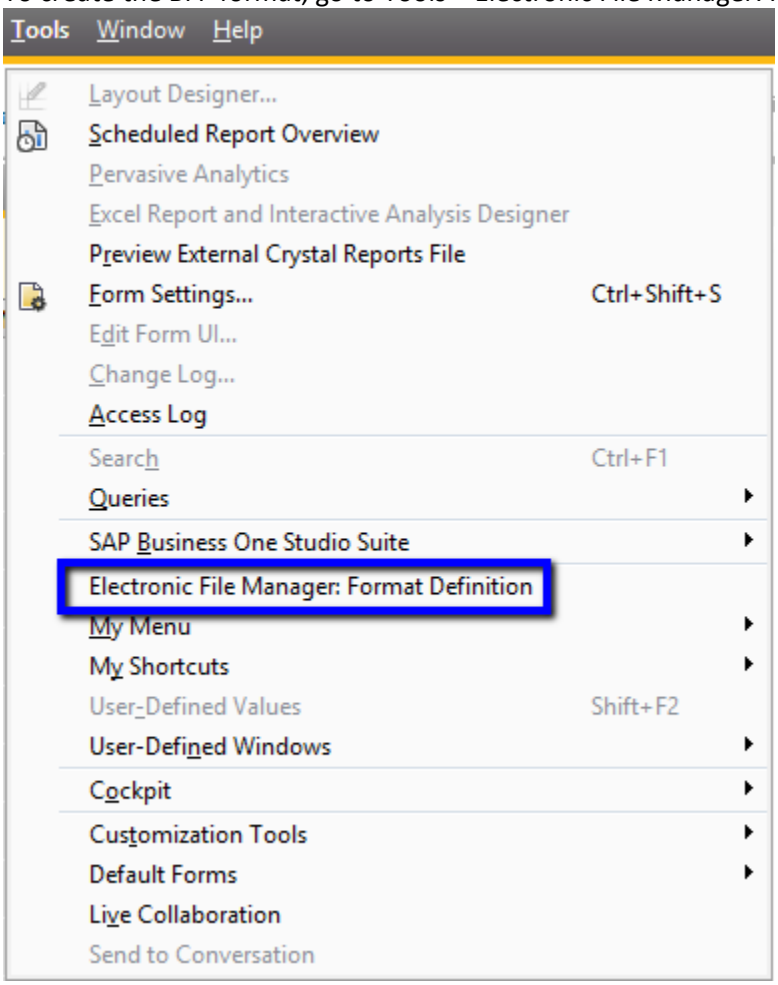
Entering bank statements into SAP requires the Electronic File Manager add-on to enable you to import information for reconciliation contained in a flat file for Bank Statement Processing.

Electronic File Manager Configuration

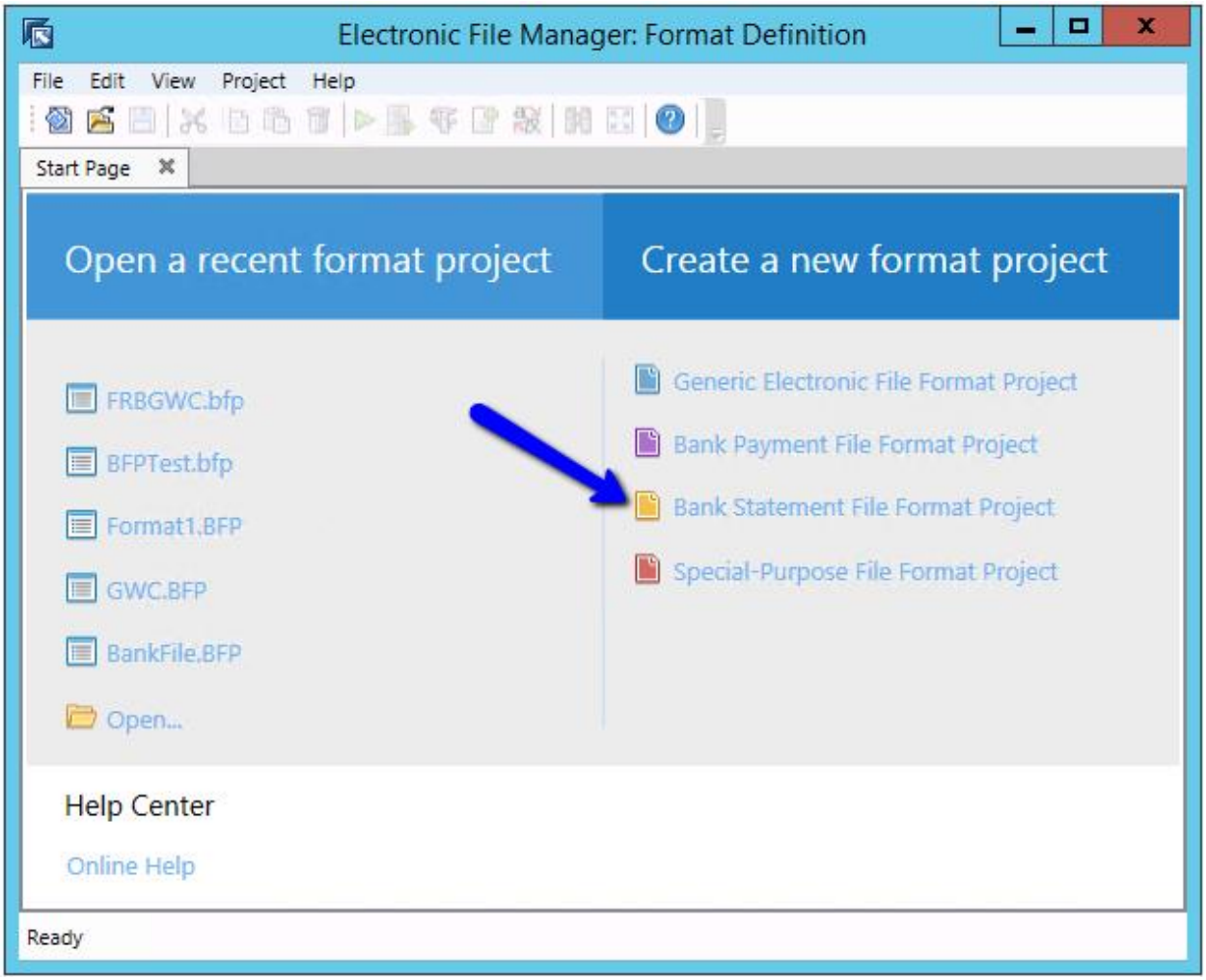
Ensure your Electronic File Manager add on is connected:



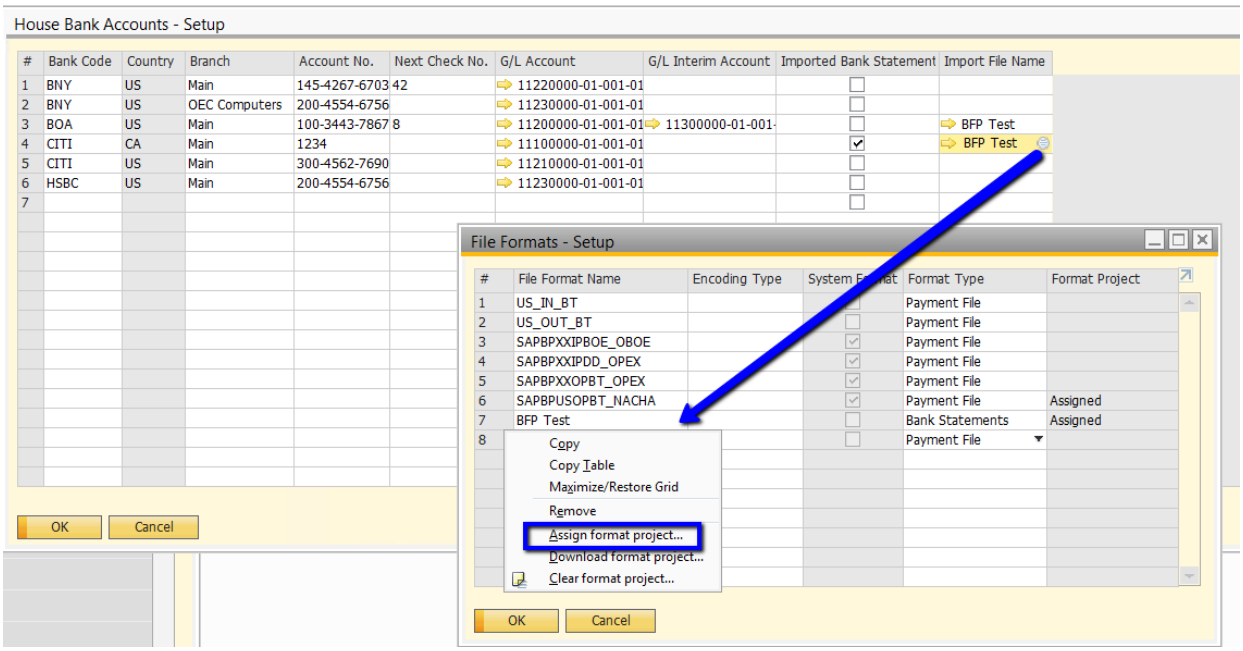
To create the BFP format, go to Tools > Electronic File Manager: Format Definition



This will open the Electronic File Manager application. Select Bank Statement File Format project to create a bfp file. *Details for configuring the BFP will be covered in a separate document.*



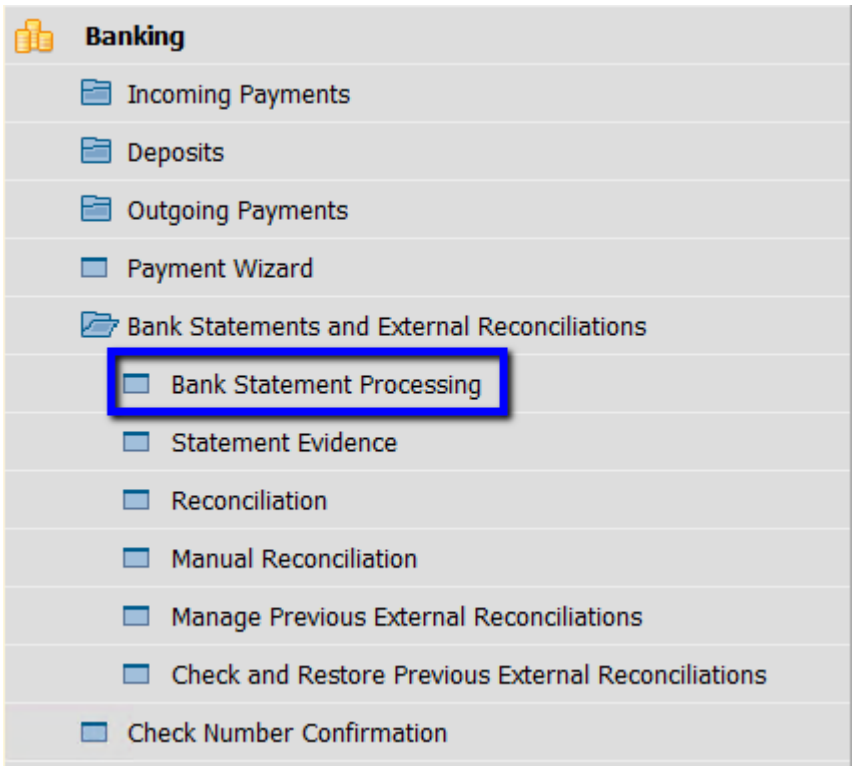
Once you have successfully configured the the project, save it as a BFP (Bank Format Project) file. You must then assign this to a House Bank account. Navigate to Administration > Setup > Banking > House Bank Accounts. Check the Imported Bank Statement box and assign an Import File Name. Ensure that the Format Type of the File Format Name is Bank Statement and assign the BFP file that you created.



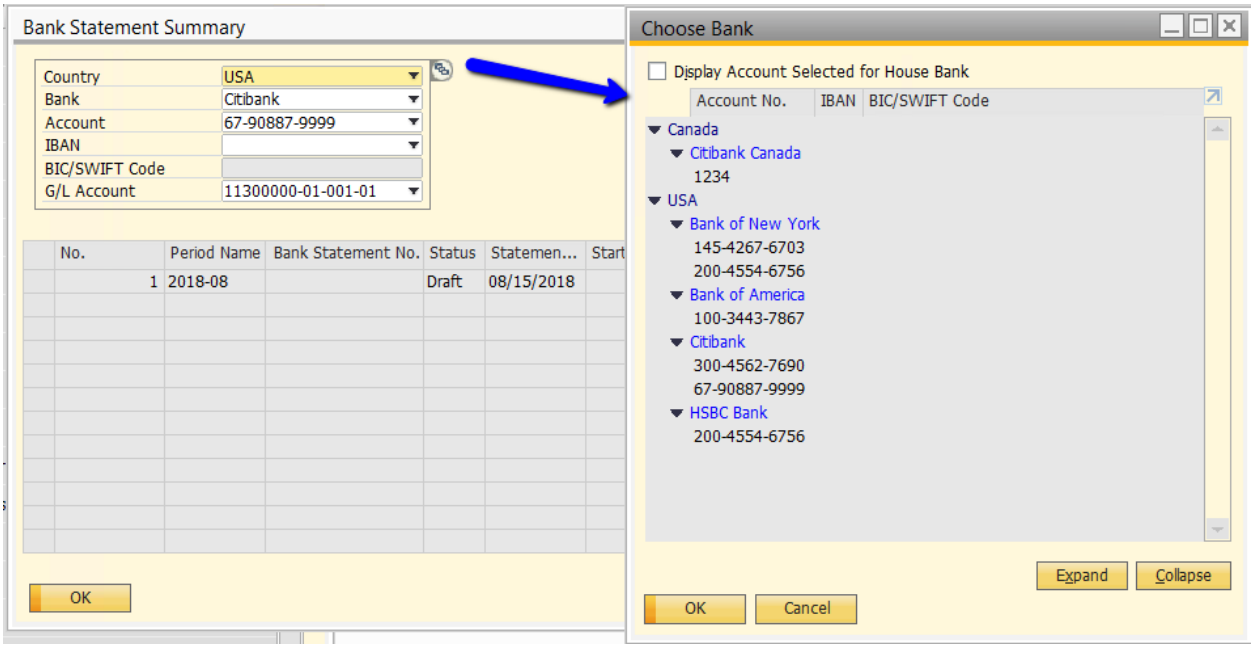
Once this has been assigned, you are ready to import the files.

<u>Importing</u>

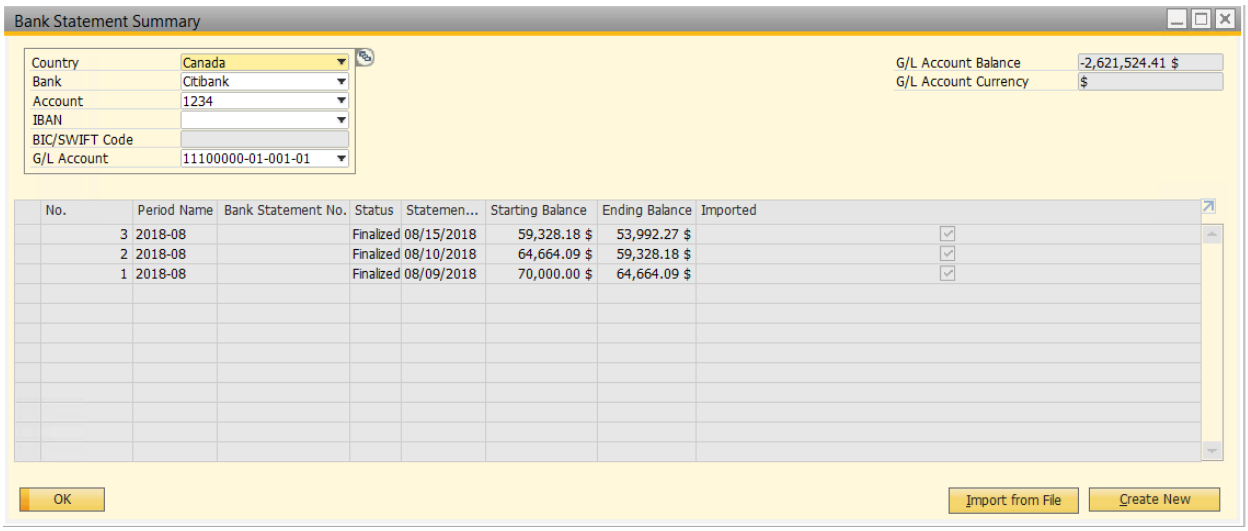
To import a file, navifate to Banking > Bank Statements and Exteral Reconciliations > Bank Statement Processing



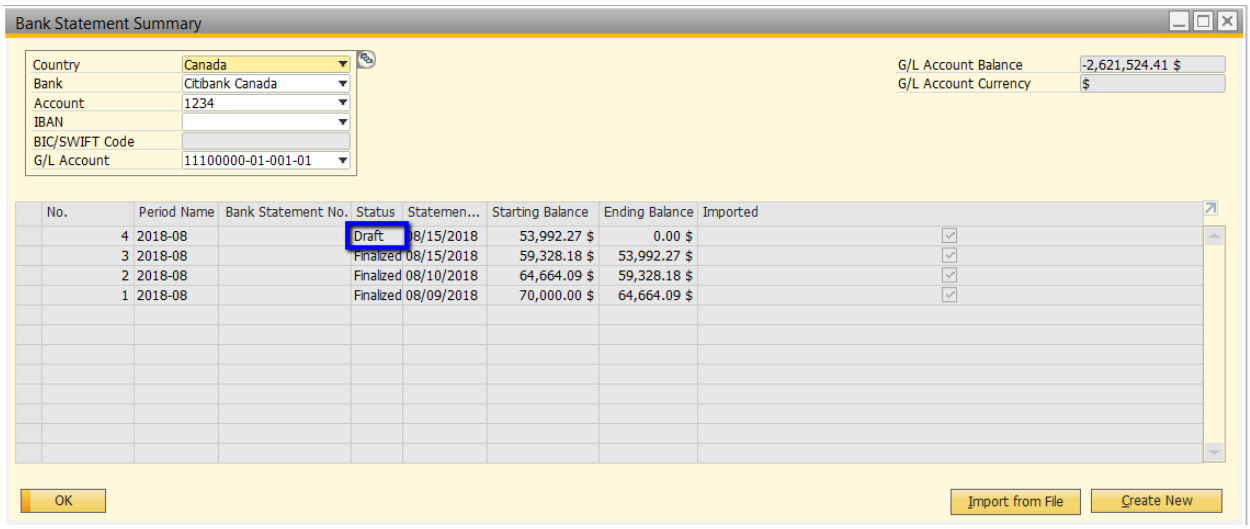
Make sure to select the proper bank prior to importing:



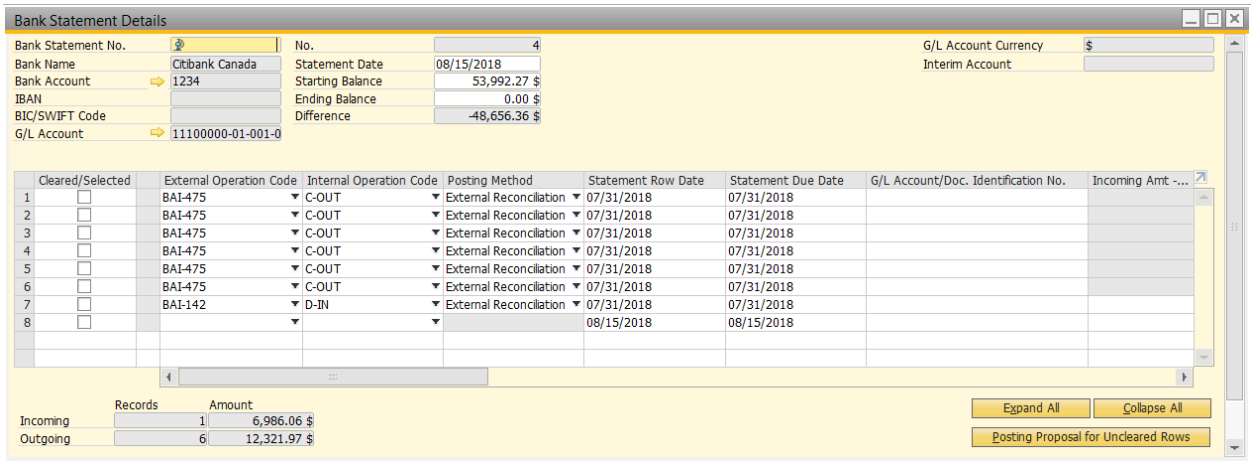
After selecting the bank, the system will populate the grid with previous reconciliations. Select Import from File to import an external bank file:



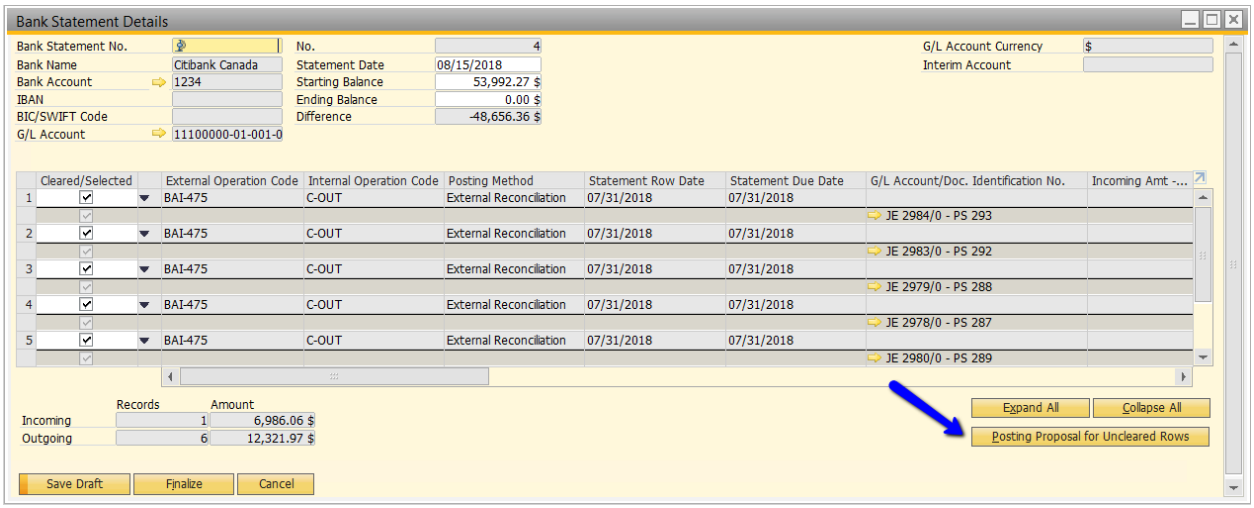
Once you successfully import, the newly imported file will remain as a draft until you finalize it.



Double click the row to open the details of the imported file:



Click on Posting Proposal for Uncleared Rows so that the system can match the imported transactions with system transactions according to the matching criteria set earlier:



The transactions that are marked as cleared indicate an exact match. Click Finalize to complete the reconciliation.