

Total Office Manager

Reconciling Uncleared Checks

At some point in our personal life or professional career, we have written a check that has never been cashed or was lost in the mail. In today's ever-changing world of technology, it can be hard to understand what needs to be done to reconcile our bank accounts in our accounting software. Do you void? What about delete? After all, they didn't cash the check and the money is still in the account.

While you may choose to void or delete the check, this is not best or recommended practices. In your accounting system, it is recommended to delete the check when you can place the paper check into the shredder or you can delete it from within your online banking institution. It is recommended to void the check if you can write void in big red letters across the physical check or void the check from within your online banking institution. Just remember, voiding and/or deleting a check from a prior period will change financial reports that may have been previously filed with your accountant and the federal government.

So, what is the recommended process to handle a check that has not cleared? The answer is simple. Reverse the transaction in the current period. One might ask, how do you reverse a check? The reversal of a check is a deposit. This article will explain how to handle a check that has not cleared, with and without a replacement check issued.

Uncleared Checks Explained

An uncleared check is defined as any check to your bank account that has not been reconciled through your banking institution. Think about the good ole days when you had a ledger for your accounts and you wrote your transactions in those books daily. You may even have a personal check register that shows where your money came from and where it went. Each time a check or deposit posted to your bank account, you would check the cleared column to reconcile your register to the bank statement. Your accounting system contains the "books" in digital form. This is called the Account Register. You may find the Account Register under the Banking menu.

NUMBER	DATE	DESCRIPTION OF TRANSACTION	ALYMENT OF	AMOUNT DEBIT	FILE	EXPOSIT-CREDIT	BALANCE
							BALANCE BROUGHT FORWARD → 1838 39
1101	6/18	County Line Feed	Supplies	292 43			1545 96
1102	6/18	Lake Veterinary	Veterinary Bill	175 00			1370 96
1103	6/19	The Saddle Shop	Saddle	529 42			841 54
1104	6/21	North Side Automotive	Truck Repair	210 15			631 39
1105	6/21	Bill Smith	Horse Training	75 58			555 89
1106	6/22	Hillside Implement	parts	47 90			507 99

When you write a check, the system records the balance of the account based on the transaction date of the check recorded. When you are reconciling your bank account, you may encounter checks that have not cleared, and you wish to clean them up. Defining an “expired” check is subjective, at best. While most checks are valid only 180 days, whether the bank processes the check is solely up to the financial institution and the circumstances. It is recommended to stop payment on any check you do not wish to be processed by your bank.

Reversing a Check w/o Reissuance

Once you have identified the checks that you need to reconcile for non-payment, you will do the following:

1. Locate and edit the existing check. You can find the check in the check list located under Banking | Check List or Lists | Checks.
2. Edit the check so you can see the entire contents.

Check: Bar Codes Print

Bank: Cash in Bank - Operating Account Ending Balance \$1,973.24 No. 7449
 Date: 10/24/2017
 Pay to the order of: Cell Phone Company Amount: \$54.78
 Fifty-Four and 78/100***** Dollars
 Cell Phone Company Void
 To Be Printed
 Memo: Cell Phone Bill

Account	Amount	Memo	Cust:Job/Vendor	Department	Marketing	Asset
Utilities	54.78			Sales		

Expenses \$54.78 Items \$0.00

Created By Administrator on 10/24/2012. Last Revised by Administrator on 10/26/2018 at 1:56:59 PM.

PO Items View PO Reserve Items Save & Close Save & New

3. Create a new deposit (CTRL + D). You can access the deposit form by navigating to Banking | Make Deposit or the Make A Deposit icon on the workflow navigator as well.
4. On the deposit, enter the following information:
 - a. Deposit to: = Select the check Bank account.
 - b. Date: = Enter the effective date of the check reversal. If you had the bank issue a stop payment, this would be the stop payment date.
 - c. Header Memo = Enter a detailed memo explaining the deposit entry.
 - d. Cust:Job/Employee/Vendor = Select the check Pay to the order of.
 - e. From Account = Select the account(s) that appear on the check.
 - i. If the check is a bill payment check, use Accounts Payable.
 - ii. If the check is a sales tax payment, use Sales Tax Payable.
 - iii. If the check is a payroll liability payment, enter a Deposit Refund of Liabilities located under the employees menu.
 - f. Line Memo = Copy the memo from the header.

- g. Amount = Enter the amount from the line item on the check.
- h. Department = Enter the department from the line item on the check.

Adjustment Count: 1

Cust:Job/Employee/Vend	From Account	Memo	Check #	Payment Method	Amount
Cell Phone Company	Utilities	Deposit to reverse uncleared check 7449			54.78
					\$54.78

Cash Back
If you wish to get cash back from your deposit, enter the cash back amount below. Select the account that the cash back will affect.

Cash Goes To: Cash Back Amount: Cash Back Memo:

Tip: This could also be used to account for credit card, Paypal, bank and other fees.

Sub-Total: \$54.78
Cash Back: \$0.00
Total: \$54.78

- 5. Click OK to save and close the deposit.
- 6. When reconciling the bank account, select both the uncleared check from Step #2 and the deposit created in Step #4.

Reversing a Check w/ Reissuance

Complete all the steps above and create a new check in the current period to replace the old one.