

University of Maine System
Guidance for Reconciling General Ledger Accounts

Purpose

The purpose of an account reconciliation is to ensure that the general ledger accounts are correctly stated. To reconcile an account you must determine:

1. What is.
2. What should be.
3. What the difference is and why it happened.
4. What adjustment(s) should be made.

What Is

Determine 'what is' by looking up the account balance in FAST as of the reporting date (e.g., June 30, 200x).

What Should Be

The support for what the account balance should be is often a report from a supporting ledger or another accounting system. For example,

- ISIS is the supporting detail for items in the Student Accounts Receivable (STAR) accounts.
- MAS90 or Quickbooks is used by some campuses to track their nonstudent receivables.
- Benefactor reports would support the balances in general ledger accounts for gifts pending acceptance or gift clearing accounts.
- Reports from Campus Partners would support the balances in most Loan accounts.

What the Difference Is and Why It Happened

To determine the cause of the difference between 'what is' and 'what should be,' you need to compare the detail for each item. For example, what transactions were posted to the general ledger account that did not impact the detail from the supporting ledger or accounting system?

What Adjustment(s) Should be Made

Based on the results of determining why the difference occurred between 'what is' and 'what should be', prepare the needed journal adjustments to correct the general ledger.

Forms to be Used for Reconciliations

The form to be used to reconcile general ledger accounts is the year-end EXHIBIT II – see Attachment A. This form provides a side by side presentation of 'what is' and 'what should be.' Please note that the form provides for adjustments to both sides because sometimes the 'what should be' balance per the supporting detail needs to be corrected (see Scenario #2 on the next page). The ending balance on both sides of the form should be the **CORRECT** balance as of the reporting date. Please also note that you should indicate what your source is for the 'what should be' balance.

**University of Maine System
Guidance for Reconciling General Ledger Accounts**

Below are several reconciliation scenarios for your review.

Scenario #1 – Nonstudent Accounts Receivable

- What is: General ledger account balance in FAST is \$15,979.31.
- What should be: Balance per detail listing of receivables maintained in QuickBooks is \$15,953.62.
- Difference: After comparing the transactions in the general ledger account with activity and balances in QuickBooks it was determined that the variance was applicable to three payments that were posted to a revenue account instead of being posted to the general ledger account.
- Adjustment: A journal entry is needed to debit the applicable revenue account(s) and to credit the general ledger account for nonstudent accounts receivable.
- Reconciliation: See Attachment B for the completed EXHIBIT II for this scenario.

Scenario #2 – Loans Receivable

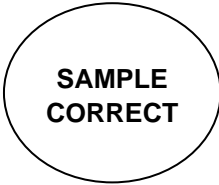
- What is: General ledger account balance in FAST is \$7,747.75
- What should be: Balance per detail listing of loans maintained in a separate ledger is \$8,126.95.
- Difference: After comparing the transactions in the general ledger account with activity and balances in the separate ledger it was determined that the variance was applicable to interest owed on the loan.
- Adjustment: No journal entry is needed because the general ledger account should only include loan principal.
- Reconciliation: See Attachment C for the correctly completed EXHIBIT II for this scenario.
See Attachment D for the incorrectly completed EXHIBIT II for this scenario.

Scenario #3 – Direct Loans

- What is: General ledger account balance in FAST is \$1,014,030.00.
- What should be: Balance per detail listing of loans maintained in a separate ledger is \$1,014,030.00. This amount is available to draw from the Federal government as of June 30.
- Difference: Not applicable.
- Adjustment: Not applicable.
- Reconciliation: See Attachment E for the correctly completed EXHIBIT II for this scenario.
See Attachment F for the incorrectly completed EXHIBIT II for this scenario.
Please note that although the \$1,014,030.00 was available to draw as of June 30, the draw did not occur so the reported balance should be \$1,014,030.00, not zero.

**University of Maine System
Guidance for Reconciling General Ledger Accounts**

ATTACHMENT C



UNIVERSITY OF MAINE AT _____

GENERAL LEDGER CONTROL RECONCILIATION

PERIOD ENDING 06/30/04

General Ledger Account #: x-0-57200

Acct Control: 137

Account Title: Loan Fund

Purpose: To compare the balance per the general ledger with the balance per the supporting detail and to adjust both to the correct balance.

General Ledger Account Balance		Balance per Supporting Detail	
		Source of detail:	Listing of Loans outstanding (principal and interest)
Balance per G/L	\$ <u>7,747.75</u>	Balance per Detail	\$ <u>8,126.95</u>
Add:		Add:	
Total Additions	<u>-</u>	Total Additions	<u>-</u>
Deduct:		Deduct:	
 		Interest owed	379.20
Total Deductions	<u>-</u>	Total Deductions	<u>379.20</u>
Corrected Balance *	\$ <u><u>7,747.75</u></u>	Corrected Balance	\$ <u><u>7,747.75</u></u>

* Journal Voucher should be prepared and attached for all adjustments.

**University of Maine System
Guidance for Reconciling General Ledger Accounts**

ATTACHMENT D

**SAMPLE
INCORRECT**

UNIVERSITY OF MAINE AT _____

GENERAL LEDGER CONTROL RECONCILIATION

PERIOD ENDING 06/30/04

General Ledger Account #: x-0-57200 Acct Control: 137

Account Title: Loan Fund

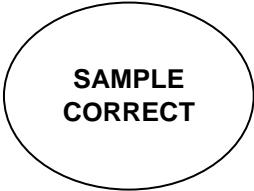
Purpose: To compare the balance per the general ledger with the balance per the supporting detail and to adjust both to the correct balance.

General Ledger Account Balance		Balance per Supporting Detail	
		Source of detail:	Listing of Loans outstanding (principal and interest)
Balance per G/L	\$ <u>7,747.75</u>	Balance per Detail	\$ <u>8,126.95</u>
Add:		Add:	
Interest owed	379.20		
Total Additions	<u>379.20</u>	Total Additions	<u>-</u>
Deduct:		Deduct:	
Total Deductions	<u>-</u>	Total Deductions	<u>-</u>
Corrected Balance *	\$ <u><u>8,126.95</u></u>	Corrected Balance	\$ <u><u>8,126.95</u></u>

* Journal Voucher should be prepared and attached for all adjustments.

**University of Maine System
Guidance for Reconciling General Ledger Accounts**

ATTACHMENT E



UNIVERSITY OF MAINE AT _____

GENERAL LEDGER CONTROL RECONCILIATION

PERIOD ENDING 06/30/04

General Ledger Account #: x-0-11335

Acct Control: 13x

Account Title: Direct Loans

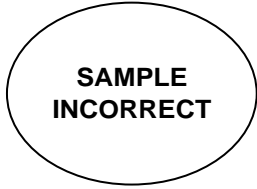
Purpose: To compare the balance per the general ledger with the balance per the supporting detail and to adjust both to the correct balance.

General Ledger Account Balance		Balance per Supporting Detail	
		Source of detail:	<u>COD reconciling items</u>
Balance per G/L	\$ <u>1,014,030.00</u>	Balance per Detail	\$ <u>1,014,030.00</u>
Add *:		Add:	
Total Additions	<u>-</u>	Total Additions	<u>-</u>
Deduct *:		Deduct:	
Total Deductions	<u>-</u>	Total Deductions	<u>-</u>
Corrected Balance *	\$ <u><u>1,014,030.00</u></u>	Corrected Balance	\$ <u><u>1,014,030.00</u></u>

* Journal Voucher should be prepared and attached for all adjustments.

**University of Maine System
Guidance for Reconciling General Ledger Accounts**

ATTACHMENT F



UNIVERSITY OF MAINE AT _____

GENERAL LEDGER CONTROL RECONCILIATION

PERIOD ENDING 06/30/04

General Ledger Account #: x-0-11335

Acct Control: 13x

Account Title: Direct Loans

Purpose: To compare the balance per the general ledger with the balance per the supporting detail and to adjust both to the correct balance.

General Ledger Account Balance		Balance per Supporting Detail	
		Source of detail:	<u>COD reconciling items</u>
Balance per G/L	\$ <u>1,014,030.00</u>	Balance per Detail	\$ <u>1,014,030.00</u>
Add *:		Add:	
Total Additions	<u>-</u>	Total Additions	<u>-</u>
Deduct *:		Deduct:	
Anticipated drawdowns	1,014,030.00	COD reconciling items available to draw as of 6/30	1,014,030.00
Total Deductions	<u>1,014,030.00</u>	Total Deductions	<u>1,014,030.00</u>
Corrected Balance *	\$ <u><u>-</u></u>	Corrected Balance	\$ <u><u>-</u></u>

* Journal Voucher should be prepared and attached for all adjustments.