About Working with Bank Errors

Bank Reconciliation is the method used to reconcile your bank statement within PCLaw™. Bank Reconciliation aids in reconciling your bank statements to your PCLaw™ bank journals.

This document describes the process of managing bank errors that occur during the bank reconciliation process. It is the third in a series of documents for Bank Reconciliation. See the Practice Management Document Library in the Support Center for additional documentation.

Defining Bank Errors

A bank error is defined as an incorrect debit or credit on the bank statement of a check or receipt that the banking institution may correct at a later date. Since the correction will only appear on a future statement, an adjustment is required on the current bank reconciliation in order to reconcile. This is referred to as a New Error.

A New Error appears only on the bank reconciliation and does not affect the bank journal or associated general ledger balance. A New Error is added to the totals but does not appear as an individual entry on the Mark Items window for the current period. In subsequent reconciliations, a reversing entry appears on the Mark Items window. The error remains on the reconciliation until corrected by the banking institution and cleared in PCLaw™.

Adding Bank Errors

Tools > Bank Reconciliation > Mark Items > New Error

When doing the preparation for the bank reconciliation, any errors on the bank statement should be identified during your preparation for the bank reconciliation. Errors in the bank statement need to be added to the reconciliation.

The Bank Reconciliation - Bank Errors window
Date
• Select a date for the correction to appear on the bank reconciliation
• Since new errors originate in the current reconciliation period, their dates must fall within the Start and End date range of the reconciliation.

Check
• If the check is lower on the statement, type the difference as a positive value.
• If the check is higher on the statement, type the difference as a negative value.

Receipt
• If the receipt is higher on the statement, type the difference as a positive value.
• If the receipt is lower on the statement, type the difference as a negative value.

Remove
• Click to delete a bank error from the list
• The bank error will no longer appear at any stage in PCLaw™
• PCLaw™ displays a confirmation prompt prior to deletion
• An error that the bank is not going to correct cannot be cleared by removing it from the Bank Errors window. A correcting check or receipt must be entered into PCLaw™.

OK
• Click to close and save any additions or adjustments to the New Errors window
• PCLaw™ displays a confirmation prompt prior to saving
• If there is an invalid date, PCLaw™ prompts you. Click OK to return to the New Errors window.

Since New Errors originate in the current reconciliation period, their dates must fall within the Start and End date range of the reconciliation.

Viewing Bank Errors
New Errors do not appear on the Mark Items window, but do appear in the Outstanding Bank Errors (New) sub-section of the Bank Reconciliation report. The Outstanding Bank Errors (New) sub-section appears in the following three sections of the report:

• Bank Statement Reconciliation
• Bank Journal Reconciliation
• Outstanding Items

When the bank corrects an error, a reversing entry appears on the bank statement. Mark the error as cleared on the reconciliation.

Clearing Bank Errors
If the banking institution does not correct an error, the error is carried forward to subsequent reconciliations until the firm incorporates the loss or gain into PCLaw™. The firm writes off the bank error and uses the resulting entry to clear the error from the bank reconciliation.

Take the following steps to clear an outstanding error for the general bank:
1. If the error is a check, create a General Check dated within the reconciliation period.
   • If the error is positive, type a negative amount for the check.
   • If the error is negative, type a positive amount for the check.
2. If the error is a receipt, create a Firm Receipt dated within the reconciliation period.
   • If the error is positive, type a negative amount for the receipt.
   • If the error is negative, type a positive amount for the receipt.
3. Clear both the new entry and the error in the Mark Items window.
You cannot make an adjusting entry to correct a bank error to the trust account unless you can directly attribute the loss or gain to a matter. More often, to correct a trust bank error, the adjustment needs to be made manually at the banking institution.

Take the following steps to correct an error to the trust bank that is the result of an over-valued check or under-valued receipt:

1. Write a check from the general bank for the amount of the error.
2. Deposit the check into the trust account at the banking institution but do not record the trust receipt in PCLaw™.
3. Follow the same guidelines for correcting a positive or negative entry that exists for the general bank.
4. When the correcting deposit appears on the next bank statement, clear the outstanding error from the bank reconciliation.

**Warning**: If the outstanding bank error results in an overage in the trust account, consult with your regional bar association or law society for the appropriate course of action.