

# PFL Academy

## Chapter 56 — Financial Record Keeping and Account Reconciliation

### THE CHALLENGE

Marcus checked his banking app and saw \$650 in his account. He spent \$87 on groceries, \$45 on gas, and \$62 with friends—all weekend. Monday morning: six overdraft fees totaling \$210. His rent check from two weeks ago finally cleared. Americans pay over \$15 billion in overdraft fees annually—many of which could be avoided with proper record keeping. Can you avoid Marcus's mistake?

### LEARNING OBJECTIVES

- Analyze the importance of accurate financial record keeping for personal finance
- Demonstrate the ability to balance a checkbook and reconcile bank statements
- Evaluate different financial tracking methods for effectiveness
- Identify and resolve common discrepancies in financial records

### CORE CONCEPTS

Term	Definition
Checkbook Register	A personal record where you track all deposits, withdrawals, checks, debit card purchases, and ATM transactions to maintain an accurate running balance
Bank Statement	A monthly summary listing all transactions, deposits, withdrawals, fees, and interest for the statement period
Reconciliation	Comparing your personal records with your bank statement to identify and resolve any discrepancies
Outstanding Transactions	Checks, deposits, or electronic payments recorded in your register but not yet processed by the bank
Cleared Balance	The amount shown on your bank statement, reflecting only transactions processed by the bank
Available Balance	The actual amount you can access, accounting for pending transactions and holds
NSF (Non-Sufficient Funds)	When a transaction cannot be completed because the account doesn't have enough money, often resulting in fees (\$30-\$35 each)

### Why Record Keeping Matters

**Bank balance ≠ Actual available funds.** Your banking app shows what the bank knows. It doesn't include checks you've written that haven't cleared, automatic payments scheduled to process, or pending holds. Without your own records, you're flying blind.

**Real-world benefits:** Prevents overdraft fees (\$30-\$35 each!), catches fraud early (small "test charges" often precede larger theft), enables effective budgeting (know where your money actually goes), and provides essential documentation for taxes, loans, and financial disputes.

## APPLY IT

### Part A: Checkbook Register Practice

Complete the checkbook register by recording each transaction and calculating the running balance.

#### Starting Balance: \$1,245.80

Record these transactions and calculate the running balance after each:

Date	Description	Withdrawal	Deposit	Balance
<i>Starting Balance</i>				<b>\$1,245.80</b>
3/1	Check #405 - Rent	\$825.00		
3/3	Direct Deposit - Paycheck		\$1,450.00	
3/5	Debit - Grocery Store	\$87.43		
3/7	ATM Withdrawal	\$80.00		
3/9	Auto-Pay - Car Insurance	\$156.00		
3/12	Debit - Gas Station	\$45.67		
3/14	Transfer from Savings		\$200.00	
3/15	Check #406 - Electric Bill	\$98.25		

**Final Register Balance: \$\_\_\_\_\_**

## Part B: Statement Reconciliation

### Bank Statement Summary (March 1-15)

The bank statement shows an ending balance of \$1,703.45. Your checkbook register from Part A shows a different balance. Reconcile the accounts.

#### Transactions on the bank statement:

- 3/1: Check #405 cleared - \$825.00
- 3/3: Direct Deposit - \$1,450.00
- 3/5: Debit Card Purchase - \$87.43
- 3/7: ATM Withdrawal - \$80.00
- 3/9: Auto-Pay Car Insurance - \$156.00
- 3/12: Debit Card Purchase - \$45.67
- 3/14: Transfer from Savings - \$200.00
- **NOT on statement:** Check #406 - \$98.25 (hasn't cleared yet)

#### Reconciliation Worksheet:

Bank Statement Ending Balance: \$1,703.45

ADD: Deposits not yet credited: \$ \_\_\_\_\_

SUBTRACT: Outstanding checks/payments:

Check #406: \$98.25

Other: \$ \_\_\_\_\_

**ADJUSTED BANK BALANCE:** \$ \_\_\_\_\_

Your Checkbook Register Balance: \$ \_\_\_\_\_

Do they match? ☐ Yes ☐ No

If they don't match, identify the discrepancy:

## Part C: Error Detection Challenge

Find the Error

Amy's checkbook register shows a balance of \$427.85, but her bank statement shows \$392.85—a \$35 difference. All transactions are recorded and cleared. Find the calculation error.

Date	Description	Withdrawal	Deposit	Balance
	Starting Balance			\$500.00
3/2	Debit - Coffee Shop	\$12.45		\$487.55
3/4	Deposit - Birthday Gift		\$50.00	\$537.55
3/6	Debit - Restaurant	\$34.70		\$537.85
3/8	Debit - Groceries	\$75.00		\$462.85
3/10	Auto-Pay - Phone	\$35.00		\$427.85

Which transaction has the error?

What should the correct balance be? \$\_\_\_\_\_

## CHECK YOUR UNDERSTANDING

1. Your banking app shows a balance of \$450. You have a check for \$200 that hasn't cleared and an auto-pay of \$180 scheduled for tomorrow. How much can you actually spend today without overdrafting?

- ☐ A) \$450
- ☐ B) \$270
- ☐ C) \$70
- ☐ D) \$250

2. What is the PRIMARY difference between "available balance" and "cleared balance"?

3. You notice three small charges you don't recognize: \$2.99, \$4.50, and \$7.25 to unfamiliar merchants. What should you do, and why is this pattern concerning?

**Fraud Alert:** Small "test charges" often precede larger fraudulent purchases. Criminals verify stolen card info before making big charges.

4. Calculate: If you incur 4 overdraft fees at \$35 each because you forgot about an outstanding \$150 check, what's the total cost of this record-keeping failure?

Overdraft fees:  $4 \times \$35 = \$$ \_\_\_\_\_

Original check amount: \$150

**Total impact:** \$\_\_\_\_\_

5. Describe your plan for maintaining financial records going forward. Include: your tracking method, how often you'll reconcile, and how you'll prevent Marcus's overdraft situation.