How to Read a Monthly Bank Statement and Reconcile Your Tra

Finance and Business · about 26 minutes · 2026-11-06

Read a bank statement methodically and reconcile it without confusing posted, pending, and available balances. These 23 steps cover statement periods, opening and closing balances, transaction labels, fees and interest, receipt matching, outstanding items, bank-side and ledger-side adjustments, unresolved differences, merchant errors, unauthorized electronic transfers, Regulation E timing, secure records, and a repeatable monthly review routine.

Things you will need

- Every page of the monthly statement and the previous statement or opening-balance record
- A dated transaction ledger with receipts, invoices, deposits, and outstanding payments
- A reconciliation worksheet separating bank-side and ledger-side adjustments
- A secure device, verified bank sign-in route, and access-controlled document storage
- Verified bank and merchant contact details plus a case and follow-up log
- A monthly review calendar and any required second reviewer for shared or business accounts

Gathering the Statement and Supporting Records

1. **Define the account and period**
   Define the account and statement period you are reconciling before comparing balances.
2. **Download the complete statement**
   Download every page of the statement through the bank's verified app, website, or mailed copy.
3. **Secure the file before opening it**
   Secure the statement and the sign-in session before opening or sharing financial records.
4. **Collect receipts and your ledger**
   Gather your ledger, receipts, invoices, deposit records, and outstanding-payment list for the same period.

Reading the Statement Line by Line

5. **Confirm identity and opening balance**
   Verify the account identity, statement dates, and opening balance on the document.
6. **Separate posted from pending items**
   Read the transaction labels and distinguish posted activity from pending or available-balance information.
7. **Test the statement's own arithmetic**
   Check the statement arithmetic using its complete posted activity for the period.
8. **Review fees and interest separately**
   Review service charges, overdraft or returned-item fees, interest, and account notices separately.
9. **Match transactions to your evidence**
   Match every posted deposit and withdrawal to your own records and supporting evidence.

Reconciling Bank and Ledger Differences

10. Build a two-column reconciliation sheet

Create a reconciliation worksheet with separate bank-side and ledger-side sections.

11. List timing items that had not posted

Identify deposits in transit, outstanding checks, and other legitimate items that had not posted by the cutoff.

12. Calculate the adjusted bank balance

Calculate the adjusted bank balance using supported timing items.

13. Correct the ledger with traceable entries

Adjust your own ledger for valid statement items and correct only documented recording errors.

14. Investigate a leftover difference

Investigate any remaining difference instead of forcing the reconciliation to balance.

Reporting Errors and Unauthorized Activity

15. Sort errors from suspicious activity

Classify each problem as a possible merchant error, your own recording error, an unrecognized but legitimate transaction, or suspected unauthorized activity.

16. Raise a recognized problem with the merchant

Contact the merchant for a recognized purchase problem while keeping the bank informed when appropriate.

17. Report unauthorized transactions now

Report unauthorized or unexplained electronic transactions to the financial institution immediately.

18. Ask which dispute rules apply

Ask which investigation, notice, provisional-credit, and liability rules apply to your specific transaction.

19. Document the report and lock access

Document the report and secure related payments and records without destroying evidence.

Closing the Review and Building a Monthly Routine

20. Finish the reconciliation report

Complete the reconciliation report with reviewed totals, outstanding items, and open follow-ups.

21. Post adjustments and keep the trail

Post verified bank adjustments and organize the corrected ledger for future checks.

22. Store evidence for the right period

Store statements and reconciliation evidence securely for a retention period suited to your obligations.

23. Schedule the next review and alerts

Schedule the next monthly review and add alerts that support rather than replace it.

Sources

1. Deposit Accounts
https://www.fdic.gov/consumer-resource-center/deposit-accounts

2. Watch Your Accounts Closely When Card Data Is Hacked
https://www.consumerfinance.gov/consumer-tools/bank-accounts/watch-accounts-closely-when-card-data-is-hacked/
3. 12 CFR § 1005.11 — Procedures for Resolving Errors
https://www.consumerfinance.gov/rules-policy/regulations/1005/11/
4. 12 CFR § 1005.6 — Liability of Consumer for Unauthorized Transfers
https://www.consumerfinance.gov/rules-policy/regulations/1005/6/
5. Balancing Your Checking Account
https://archive.fdic.gov/view/fdic/6554/fdic_6554_DS1.pdf

Written as a checklist from https://www.howcompass.com/how-to/Read-a-Monthly-Bank-Statement-and-Reconcile-Your-Transactions. Correctio