



## *Lesson Plan*

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Adapted from "Banking Skills" activity in  
Preparing Adolescents for Young Adulthood (PAYA) workbook  
Created by Massachusetts Department of Social Services  
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# **Banking Tools #2: Reconciling Your Bank Statement**

## **Time Required**

25 minutes

## **Grade Level and Subject**

Grades 9-12

## **Keystone Economic Principles**

[Principle #1 We all make choices™.](#)

[Principle #2 There Ain't No Such Thing As A Free Lunch™.](#)

[Principle #3 All choices have consequences™.](#)

[Principle #5: Incentives produce "predictable" responses™.](#)

## **Voluntary National Content Standards in Economics**

[Standard #1: Scarcity](#)

[Standard #2: Marginal Cost/Benefit](#)

[Standard #4: Role of Incentives](#)

[Standard #11: Role of Money](#)

[Standard #12: Role of Interest Rates](#)

# National Standards in K-12 Personal Finance Education

*Planning and Money Management*: Standard 3: Describe how to use different payment methods A high school graduate can demonstrate skill in basic financial tasks, including scheduling bill payments, writing a check, reconciling a check/debit account statement, and monitoring printed and or/online account statements for accuracy.

## Economic/Personal Finance Concepts

**Bank:** A financial institution that provides various products and services to its customers, including checking and savings accounts, loans and currency exchange.

**Incentive:** Any reward or benefit, such as money, advantage or good feeling, that motivates people to do something.

**Disincentive:** A factor, often a monetary policy or disadvantage, that discourages people from doing something.

**Check:** A written order to a financial institution directing the financial institution to pay a stated amount of money, as instructed, from the customer's account.

**Debit/check card:** A small, specially coded plastic card issued by a bank; allows the cardholder to transfer funds electronically and immediately from his or her checking account, as if the cardholder were writing a check to pay for a purchase.

**Check register:** A form (usually located in the back of a checkbook) on which users of checking accounts may record checks they have written and deposits they have made. Information thus recorded helps people keep track of balances in their accounts.

**Monthly statement:** A monthly summary providing the status of a depositor's financial accounts (checking and/or savings).

**Maintenance fee:** a fee charged by certain institutions such as banks for the cost of maintaining an account.

**Deposit:** Money put into a financial account. Also, to place money in a financial account.

**Withdrawal:** The removal of money by a depositor from a financial account.

**Overdraft:** A check written for more than the balance in one's checking account; in colloquial terms, a check that bounces. The bank will mark such a check NSF, for "non-sufficient funds," and will charge a penalty fee for the nuisance involved in handling a bounced check.

**Overdrawn:** The amount of money withdrawn from the account exceeds the balance of the account.

**Balancing an account:** To compare your monthly statement with your check register in order to look for errors and ensure up-to-date, accurate records.

**Reconciliation form:** A form used to balance, or reconcile, an account.

## Overview

Building on the skills they learned in Banking Tools #1, students will learn how to and practice reconciling their account.

## Objectives

Students will learn skills for basic financial tasks and learn good habits for money management.

## Materials and Handouts

**Handout #1:** Check Register

**Handout #2:** Monthly Statement

**Handout #3:** Reconciliation Form

## Teaching Activity

1. To prepare for this lesson, print out a copy of **Handout #1: Check Register**, **Handout #2: Monthly Statement** and **Handout #3: Reconciliation Form** for each student. You should also print out and blow up a large poster size copy of the Reconciliation Form and post it on the blackboard (or transparency/SmartBoard).
2. Remind students about what they learned about filling out a check register for each transaction they make. Tell them that at the end of every month they will receive a monthly statement from their bank. They can either receive this in the email or online, depending on their preference. Tell them it is important to compare the bank's monthly statement with their own records to make sure all the listed transactions are correct. Mistakes can happen! And when they miss those mistakes it can lead to trouble later. Comparing the monthly statement with one's check register is called "balancing an account". By doing this every month students will ensure accuracy and prevent problems with their account.
3. Tell them the first step in reconciling their account is to check the balances on the monthly statement as well as in your check register. Have them lay **Handout #1: Check Register** and **Handout #2: Monthly Statement** side-by-side on their desk.
4. Ask them if the balances are the same. Ask them why there might be different balances. The balances are different for two reasons:
  - the "maintenance fee" is not recorded in the checking register
  - check #357 has not "cleared" yet
5. Explain that sometimes it takes merchants a few days to process payments so if this happens at the end of a month, the transaction may not appear on the statement. This is what is meant when you say that a check has not "cleared" yet. Also, any fees the bank charges might not be in your register but will show up on the monthly statement. Another possible reason for discrepancies between the balance you have in your register and the balance that appears on your bank statement is that a merchant could make a mistake or fraud could occur. For example, a merchant may accidentally charge you twice for something or charge you the wrong amount. These are additional reasons why it is important for you to monitor your account and reconcile your statement at the end of the month!
6. Direct them to look at **Handout #3: Reconciliation Form** and tell them that this form is a good way to keep track of the differences.

7. Tell the class that you're going to fill out the form together. But before you fill out **Handout #3: Reconciliation Form**, you need to update your check register with the transaction listed on the monthly statement that you don't have recorded.
8. Have each of the students write in the "Maintenance Fee" for \$5 on his/her check register. Ask each student to determine the new balance (\$308.10).
9. Next have them look for any "outstanding checks," or checks that were written during the month but have not cleared yet. They will find one check written in their check register that is not on the monthly statement (Check #357). Have one student come forward to write this check in the "Outstanding Check" chart on the Reconciliation Form that is on the board. Have the rest of the students write it in on their personal sheet at their desk.
10. Ask for a volunteer to fill out the first line on the Reconciliation Form on the board, "Ending Balance shown on this statement." Have the student come forward and fill in the answer (\$351.33) on line A.
11. Ask for another student to fill in line B, "Plus Deposits Not Shown on This" (\$0).
12. Have a student fill in line C, "Statement Subtotal," by adding the first two line totals together ( $\$351.33 + 0 = \$351.33$ )
13. Ask the class what they think "Less Total Outstanding Checks" means. Explain that even though the wording is strange, for this line you fill in the total amount for checks that you wrote during that month that haven't cleared yet. You've already written this total in the "Outstanding Checks" chart. Write in the total on line D.
14. Finally have a student figure out and fill in the "Equals Adjusted Ending Balance" line.
15. This is what your final Reconciliation Form should look like:

**ACCOUNT RECONCILIATION FORM**

<b>OUTSTANDING CHECK</b>		
<b>NUMBER</b>	<b>AMOUNT</b>	
	<b>DOLLARS</b>	<b>CENTS</b>
<i>357</i>	<i>43</i>	<i>23</i>
<b>TOTAL</b>	<i>43</i>	<i>23</i>

ENDING BALANCE SHOWN ON THIS STATEMENT A. \$357.33

PLUS DEPOSITS NOT SHOWN ON THIS B. \$0

STATEMENT SUB-TOTAL C. \$357.33

LESS TOTAL OUTSTANDING CHECKS D. \$43.23

EQUALS ADJUSTED ENDING BALANCE E. \$308.10

ADJUSTED ENDING BALANCE SHOWN ABOVE SHOULD AGREE WITH THE BALANCE SHOWN IN YOUR CHECK REGISTER

NOTE: BE SURE TO DEDUCT ANY CHARGES, FEES, OR WITHDRAWALS SHOWN ON YOUR STATEMENT (BUT NOT IN YOUR CHECK REGISTER) THAT MAY APPLY TO YOUR ACCOUNT. ALSO, BE SURE TO ADD ANY DIVIDENDS OR ANY DEPOSITS SHOWN ON YOUR STATEMENT (BUT NOT IN YOUR CHECK REGISTER) THAT APPLY TO YOUR ACCOUNT.