Welcome to the Bank Statement Processing introduction topic.

During this training, we use the acronym BSP for Bank Statement Processing.
Objectives

After completing this unit, you will be able to:
- Explain the options for the external reconciliation of a G/L bank account.
- Describe the Bank Statement Processing (BSP) option.

- In this topic, we discuss the options for the external reconciliation of a G/L bank account.
- During the training we will describe in detail the BSP option
- Note! a mandatory prerequisite for this topics is a good understanding of SAP Business One financial processes and general accepted accounting principles.
Managing Reconciliations in the Bank Account: Business Example

- Maria, the accountant at OEC Computers, has just received by mail a printed bank statement from the bank.
- Maria asks you what is the most effective way for her to enter this bank statement in SAP Business One.
- And how to match the transactions the bank recorded for OEC Computers, with the transaction she recorded for the bank G/L account in SAP Business One.
- You should take into consideration that OEC Computers pays and is paid using all payment means (check and cash deposits, checks for payments as well as bank transfer).

Here is a business example:

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- Maria asks you what is the most effective way for her to enter this bank statement in SAP Business One.
- And how to match the transactions the bank recorded for OEC Computers, with the transaction she recorded for the bank G/L account in SAP Business One.
- You should take into consideration that OEC Computers pays and is paid using all payment means (check and cash deposits, checks for payments as well as bank transfer).
Incoming payments, outgoing payments and deposits post journal entries to the house bank account.

The bank statement serves as a legally binding notification instrument from the bank to its customers.

You need to match the house bank transactions as registered in SAP Business One with the bank statement data and adjust where needed.

You should not match these open items until you receive the bank statement showing that the bank has actually made the payment.

This matching process is called **Bank Reconciliation**, where you make comparison of an account with external data.

In SAP Business One we call this process **External Reconciliation**.

Bank reconciliations help business owners ensure all cash transactions are recorded properly on the accounting ledger and bank statement.
When you perform an external reconciliation, you match the open items of a bank G/L account in SAP Business One with the open items in an external account statement. After doing this, SAP Business One flags those transactions as externally reconciled.

In most cases, the account statement is received from a bank and the account to be reconciled is the associated bank account. The statement, however, can also be received from a business partner that wants to reconcile the business partner account in your books with its own account.

In SAP Business One we also have the internal reconciliation process which is separate to the external reconciliation process.
The term, **Internal reconciliation**, refers to the matching and clearing of open credit items to open debit items within an account (therefore internal). This is necessary for accounts where a business process is not regarded as fully complete until each credit amount has a corresponding debit amount:

- For customer accounts, a receivable (debit) must be followed by an incoming payment (credit).
- For vendor accounts, a liability (credit) must be followed by an outgoing payment (debit).
- When using a bank interim account, an outgoing payment to a vendor made by the payment wizard (debit) must be followed by a transfer posting to the bank G/L account (credit).

In this training we mainly discuss the external reconciliation process.
In SAP Business One you have three options for performing external reconciliation: Reconciliation, Manual Reconciliation, and the Bank Statement Processing.

Note that these are the names of the windows in SAP Business One.

To avoid creating duplicate reconciliations, the user should choose one option and use it to perform external reconciliations.

This decision is depending on the company localization.

Let us review those three options.
The first option in SAP Business One is called **Reconciliation**. It is supported in all localizations.

With this option, you first import, or manually type the bank statement transactions into the system using the *Process External Bank Statement* function.

Then, the system displays side-by-side the open transactions from the **G/L account** in SAP Business One and the imported or typed transaction from the **bank** statement. You reconcile between matching transactions in SAP Business One side and the bank slide. If required, you can perform balancing transactions to match your data with that of the bank.

You can choose a reconciliation type: Manual, Automatic, or Semi-Automatic. These work in a very similar manner to the internal reconciliation types.

To use Reconciliation, choose the menu path: **Banking → Bank Statements and External Reconciliations → Reconciliation.**
The second option is **Manual Reconciliation**. It is supported in Australia, Brazil, Canada, China, Cyprus, India, Japan, Korea, New Zealand, Singapore, South Africa, United Kingdom, and United States.

With this option, you enter the ending date and balance from the printed statement received from the bank. The system displays open transactions for the bank G/L account. You manually match them against the balance received from the bank.

This function enables you to verify and reconcile the transactions recorded in SAP Business One against the balance received from the bank and to create adjustments if required.

The system tracks the difference between the statement ending balance and the cleared items from the G/L account. The system only allows you to reconcile the account when this difference is 0.

From the manual reconciliation screen, you can create adjustments to close any discrepancies and bring the difference down to 0. For example, you can deposit cash, check and credit card payments that appear on the printed bank statement. You can also post journal entries, or create payments. The system keeps track of the statement balance for the next reconciliation. To use Manual Reconciliation, choose **Banking → Bank Statements and External Reconciliations → Manual Reconciliation**.
The last option is Bank Statement Processing. This option automates the processing and reconciliation of transactions from a bank statement.

It is designed for businesses that intensively use direct Bank transfer for outgoing and incoming payments.

The bank statement processing function lets you generate incoming and outgoing payments, and perform internal, and external, reconciliations.

By entering bank statement details, either automatically or manually, you can create transactions that have not yet been posted, such as incoming payments from a customer or notifications of clearance of payments to a vendor.

This process is relevant for the following localizations: Austria, Belgium, Brazil, China, Cyprus, Czech Republic, Denmark, Finland, France, Germany, Hungary, India, Irish Republic, Italy, Japan, Korea, Netherlands, Norway, Poland, Russia, Singapore, Slovakia, Spain, Sweden, Switzerland, and United Kingdom.
In this demo I will briefly show you how to reconcile the bank G/L account using the reconciliation option.

Use the steps in exercise 1 to demo how to manage external reconciliations in the bank account using the reconciliation option:

- Create an outgoing payment for one of the company vendors using the bank transfer payment means.
- Record the external bank statement received from the bank - enter few rows manually:
  - Include one row for the outgoing payment.
  - Also, include one row for fee or interest that does not appear in the books.
- For the bank account, reconcile the external bank statement transactions you have just recorded with the transactions recorded in your books in SAP Business One.
- If required, perform balancing transactions to match your data with the bank’s data.
In this demo I will briefly show you how to reconcile the bank G/L account using the manual reconciliation option.

Use the steps in exercise 2 to demo how to manage external reconciliations in the bank account using the manual reconciliation option:

- Type the ending balance of the external bank statement, according to a certain date.
- In the Reconciliation Bank Statement window, from the open transactions recorded your books, select two transactions you would like to clear with the current ending balance.
- Create adjustments. This should set the difference between the cleared transactions and the ending balance to zero.
- Finally, reconcile the chosen transactions recorded in SAP Business One against the balance received from the bank.
Managing Bank Statements in SAP Business One: Business Example for BSP

- Maria, the accountant at OEC Computers, creates invoices during the week and sends them to the company’s customers based on goods delivered.
- Once a week she receives and imports an electronic bank statement.
- Since most customers pay by direct bank transfer, she only becomes aware of an incoming payment after she imports the bank file.
- On importing the bank statement she then also wants to:
  - Create the payment in SAP Business One,
  - Identify which invoices have been paid, and
  - Reconcile the payment in SAP Business One with the bank.
- Bank Statement Processing (BSP) helps Maria to automate these tasks.

- The third option for performing external reconciliation is the Bank Statement Processing.
- Here is a business example for managing external reconciliations using the BSP option:
- Maria, the accountant at OEC Computers, creates invoices during the week and sends them to the company’s customers based on goods delivered.
- Once a week she receives and imports an electronic bank statement.
- Since most customers pay by direct bank transfer, she only becomes aware of an incoming payment after she imports the bank file.
- On importing the bank statement she then also wants to:
  - Create the payment in SAP Business One,
  - Identify which invoices have been paid, and
  - Reconcile the payment in SAP Business One with the bank.
- Bank Statement Processing helps Maria to automate these tasks.
Bank statement processing supports the following scenarios:

- Creating, posting, and internal reconciliation of those business partner incoming and outgoing payments made by direct debit or bank transfer and not already entered in SAP Business One.
- Posting and internal reconciliation of interim accounts used in payments with the payment means of bank transfer (via either the payment wizard or manual payment).
- Posting and external reconciliation of bank debits and credits, for example, bank handling charges and interest payments.
- External reconciliation of transactions already posted in SAP Business One, for example, by manual payments or the payment wizard.

In the next topics we will elaborate on the BSP setup and the working process.
Here is a question about the BSP functionality:

- The numbered rows are transactions imported automatically from the bank.
- These two numbered rows represent an interest amount and an outgoing payment.
- Under each numbered row the system proposes documents and journal entries from the house bank account in SAP Business One as candidates for matching with the transactions imported from the bank.
- How does SAP Business One “know” which Business One documents to apply to which bank statement transactions?
The Key to BSP Functionality is Setup

The key to the BSP functionality is the setup:

- To ensure that automation occurs, you must define the correct settings.
- The settings you specify should complement the way the company works with bank statements and payment processing.
- If you follow the setup guidelines, then the functionality should greatly improve and speed up the flow of tasks associated with bank statement processing.
- It is important to emphasize that the automation of the bank statement processing is directly related to the accuracy of the settings as relevant to the business.
Let us go over the working process with BSP using a business example.

Maria manages the bank statement processing at OEC Computers:

She has set up procedures for users who issue marketing documents to enter a BP reference number in both A/R and A/P invoices.

At the end of each week, she receives the bank statement from the house bank and records the details in the Bank Statement Details window.

In the example shown, you can view four rows from the current week’s bank statement:

- An outgoing payment for the amount of **720**
- An incoming interest amount of **25**
- A deposit of **1500**, and
- An incoming payment of **57** from a customer called **Maxi-Teq**.

All rows include the document type and an identification number.
Once the bank statement is brought into SAP Business One, Maria initiates the reconciliation process.

SAP Business One retrieves documents and journal entries that meet the predefined matching criteria to propose them for reconciliation.

Matching criteria are rules that enable automatic reconciliations in SAP Business One. The criteria contains amounts, dates and reference numbers.

In our example, you can see that for the deposit row the system retrieves 2 open transactions for deposits issued to the bank G/L account in SAP Business One. The two deposits have the same amount of **1500** and have a similar reference number.
You can see that for the incoming payment, two invoices were proposed as matches by the system. Both were issued to the customer Maxi-Teq. They were selected because they have a similar amount and their BP reference numbers both start with 123.
Maria reviews the proposals. For each row she approves or rejects the posting proposals and the reconciliations:

For the first two rows in the bank statement, the system was not able to retrieve any existing document or transaction. Therefore, it suggests to create one outgoing payment for the respective vendor documented in the first row.

For the second row the system suggests to create an incoming payment against the interest account to document the incoming interest amount.

Maria chooses to match the deposit with the first deposit transaction that the system retrieved.

And for the incoming payment in the last row she chooses the invoice with the same BP reference number 12345.

Since the payment is not documented in the bank account, SAP Business One will create an incoming payment for Maxi-Teq. This payment is based on the selected invoice and will be internally reconciled against it.

Note that if there is a perfect match between the bank statement row and the posting in SAP Business one, the system will automatically reconcile the transactions. Maria would be able to approve or reject this match.

Also note that all selected transactions will be externally reconciled.

Lastly, Maria finalizes the bank statement and checks the general ledger postings.

In the next topics we will go over the working process step by step.
In this demo I will briefly show you the third option for external reconciliation: the **Bank Statement Processing**.

Use the steps in exercise 3 to demo how to manage external reconciliations in the bank account using the BSP option:

- Define some initial settings.
- Create A/R Invoices with past due date.
- Enter the bank statement rows in the *Bank Statement Details* window including:
  - 2 bank transfers with incoming amounts to close the invoices entered in the previous step and,
  - An outgoing interest amount.
- Create a posting proposal and assign the A/R invoices to the uncleared incoming amounts.
- Finalize the bank statement and check the G/L posting.
You have completed the Bank Statement Processing introduction topic.
Thank you for your time.