

# Turner / + accountants



## Xero Training Manual

### Module 2: The Bank



## 2 The Bank

### 2.1 Adding a bank

In order to add a bank account in Xero, please follow these steps:

1. To add a bank or credit card account:
  - In the **Accounting** menu, select **Bank accounts**
2. Click **Add Bank Account**.
  - Start typing your bank's name:
  - If you can select the bank name from the list, a **bank feed** is available for your account. If you're connecting a direct feed, [check which bank name you need to use for your particular bank](#).
  - If the name of your bank doesn't appear in the list, click **Add it anyway**. This means there are no feeds available for this bank, so you'll need to [manually import bank statements](#) into the account. (see 2.2)
3. Enter a name for the account to identify it in Xero. This name will be used in reports and will display on the dashboard.
4. Each bank or credit card account name must be unique. If you have different accounts with the same name, change the name to make it different, such as adding a number or letter to it.
5. Select your account type:
  - If you're adding a bank account, select the type of account you have with your bank. If your account type isn't shown, select **Other**. Bank feeds aren't available for these account types.
  - If you're adding a credit card account, select **Credit Card** as the account type.
6. Enter your account number:
  - If you're adding a bank account, enter your sort code followed by the account number. The sort code is the first six digits of your bank account number. Xero will automatically put hyphens after the second and fourth numbers as you type the digits.
  - If you're adding a credit card account, enter the last four digits.
7. (Optional) Select the currency for the account. If you need to, [add a foreign currency to your organisation](#) so you can select it for the account. You can't change the currency of a bank account once it's set up.
8. (Optional) If your bank has direct feeds available and you have multiple accounts to add for this bank, click **Add another [bank name] account**.

9. Click **Save** or **Continue**.

## 2.2 Manually importing statements into Xero

There are three formats in which you can manually import your bank statements into Xero. In order of preference these are:

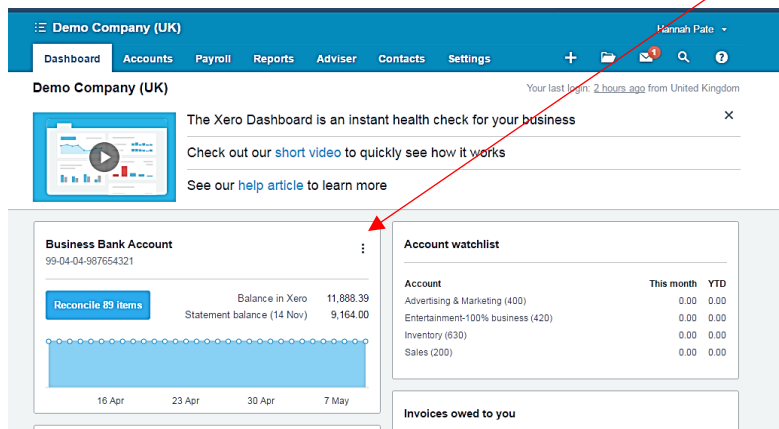
- OFX
  - QIF
  - CSV – The reason CSV is the least favourite option is due to having to re arrange the data to fit into the template provided to you by Xero.
- These are preferred due to being unreadable secure file types.

The first step is to download your bank transactions using your online banking facility. When downloading the transactions always remember to download to a historic date, never today's date as there is still time for further transactions to take place.

If you download the transactions in OFX or QIF files you will not be able to open these. However, Xero will be able to read the data.

Please follow these steps:

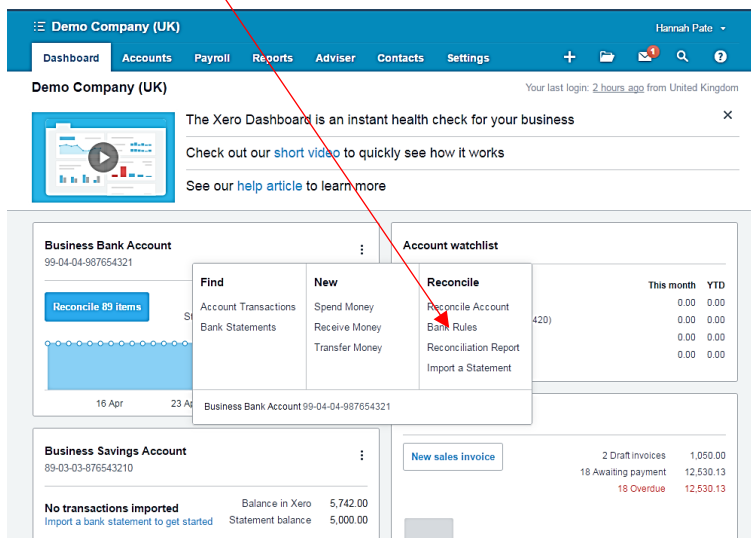
1. Log onto your Xero account
2. Click on the three grey buttons next to your bank account name.



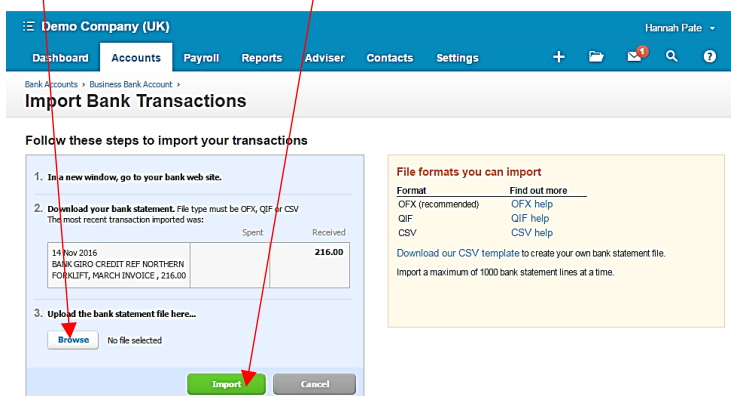
The screenshot shows the Xero dashboard for 'Demo Company (UK)'. The top navigation bar includes 'Dashboard', 'Accounts', 'Payroll', 'Reports', 'Adviser', 'Contacts', and 'Settings'. Below the navigation bar, there is a notification about the Xero Dashboard. The main content area features a 'Business Bank Account' section with a 'Reconcile 89 Items' button and a table showing 'Balance in Xero' (11,888.39) and 'Statement balance (14 Nov)' (9,164.00). To the right, there is an 'Account watchlist' table with columns for 'Account', 'This month', and 'YTD'. A red arrow points to the three grey buttons (a menu icon) next to the 'Business Bank Account' name.

Account	This month	YTD
Advertising & Marketing (400)	0.00	0.00
Entertainment-100% business (420)	0.00	0.00
Inventory (630)	0.00	0.00
Sales (200)	0.00	0.00

- Once you have clicked on the three grey buttons this box will appear, you need to click Import a statement.



- Once you click on Import a Statement it will bring up the following screen. You need to click browse and find the bank transactions which you saved from your online banking. Click on the file and select the file you have downloaded and then click import.



- That is now your bank transactions imported onto Xero.

**Tip: Before you begin to reconcile please make sure your statement balance matches the statement figure on the actual bank statement.**

You will now see on your home page that you have transactions ready to reconcile.

The screenshot shows the Xero dashboard for 'Demo Company (UK)'. The top navigation bar includes 'Dashboard', 'Accounts', 'Payroll', 'Reports', 'Adviser', 'Contacts', and 'Settings'. A notification bell icon shows 1 unread message. Below the navigation, there's a message: 'The Xero Dashboard is an instant health check for your business'. A 'Reconcile 89 items' button is highlighted with a red arrow. The dashboard also shows account balances for 'Business Bank Account' and 'Business Savings Account', an 'Account watchlist' table, and 'Invoices owed to you'.

Account	This month	YTD
Advertising & Marketing (400)	0.00	0.00
Entertainment-100% business (420)	0.00	0.00
Inventory (630)	0.00	0.00
Sales (200)	0.00	0.00

Category	Count	Amount
Draft Invoices	2	1,050.00
Awaiting payment	18	12,530.13
Overdue	18	12,530.13

Here is a link to an online video demonstrating how to manually import a bank statement:  
<https://tv.xero.com/detail/videos/banking/video/5131037091001/import-a-csv-bank-statement-into-xero?autoStart=true>

And what to do if you receive error messages:

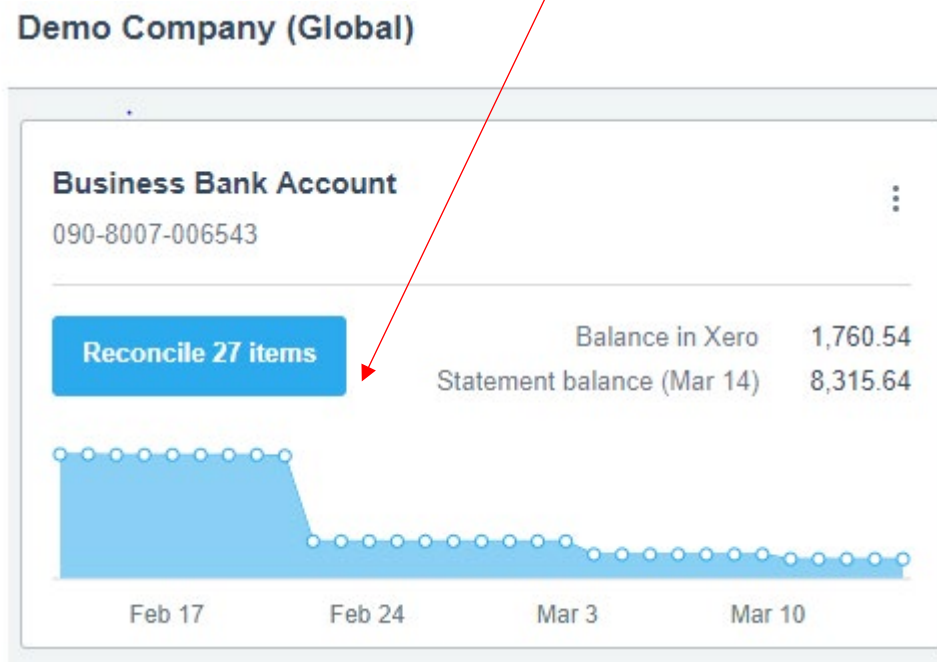
<https://tv.xero.com/detail/videos/banking/video/5131051298001/troubleshooting-csv-bank-statement-imports-in-xero?autoStart=true>

**Tip: For cash drawings from the bank, set up a bank in Xero called 'Cash' and treat this as another bank account.**

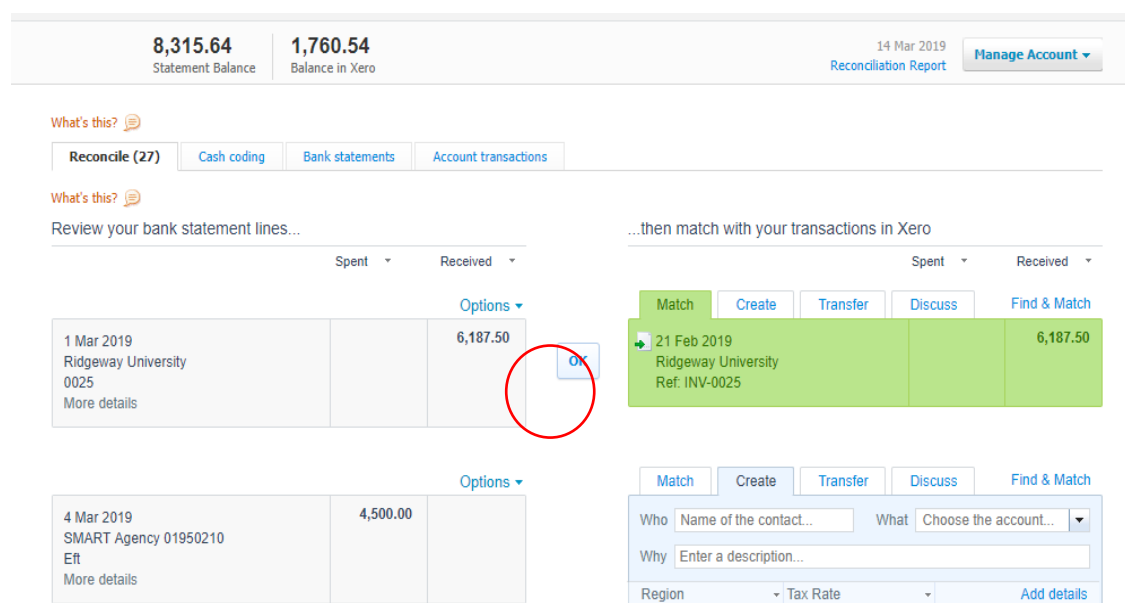
## 2.3 Reconciling your bank account

Now you have imported your bank transactions into Xero the next step is to match the transaction against the correct income/expense code i.e. reconcile your account transactions. (Don't worry if you are not familiar with any of the terminology used, it will all become clear)

1. Click on the reconcile button, this will then take you into the bank transaction screen.



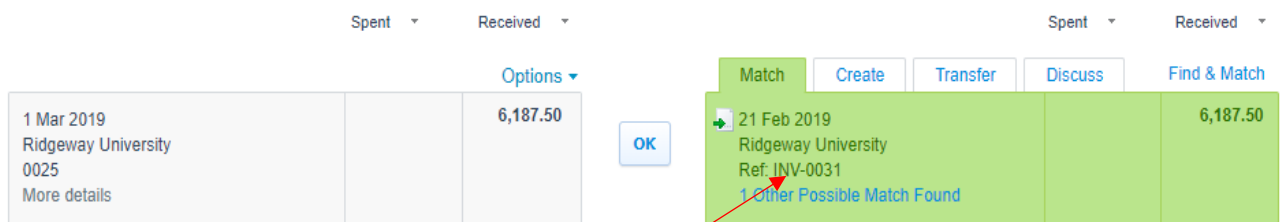
I like to imagine my screen is split in half, the left-hand side is all the transactions which should be the same as on your bank statements. The right-hand side is where you need to tell Xero what that payment or receipt of money is for.



There are a number of ways to reconcile your bank transactions depending on the type of transaction it is. We go into detail on the different types of transaction below.

## 2.4 Matching Transactions

Green transactions mean that you have already manually entered the transaction in Xero as a spend/receive money or bill/invoice, and Xero is suggesting that the transaction matches the transaction in the bank account. If you agree that the transactions match, simply click “Ok” to reconcile.



*Xero will also prompt you if there are other possible matches.* The following screen will appear where you can view the other possible matches and select the bill or invoice that you would like to reconcile.

1 Mar 2019  
Ridgeway University  
0025  
[More details](#)

Options ▾

**6,187.50**

Match Discuss

**Find & select matching transactions below**

---

**1. Find & select matching transactions** ?

Show Spent Items

Show USD items only

Search by name or reference    Search by amount

**Go**

Clear search

Date	Name	Reference	Spent	Received
<input type="checkbox"/>	Ridgeway University	INV-0031		6,187.50 USD
<input type="checkbox"/>	Ridgeway University	INV-0025   P/O CRM08-12		6,187.50 USD

Select all on this page Showing 1 - 2 of 2

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**2. View your selected transactions. Add new transactions, as needed.**

No transactions have been selected

**+ New Transaction** ▾

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**3. The sum of your selected transactions must match the money received. Make adjustments, as needed.**

No transactions selected

**Must match: Money Received** **6,187.50 USD**

**+ Adjustments** ▾

0.00 USD ⚠ Total is out by: 6,187.50

Reconcile

Cancel

## Matching Multiple Bills/Invoices to a single bank Transaction

If for example, a supplier paid two or more invoices with one transaction, Xero would not be able to match the transaction to an invoice. Xero would show a blank Create Transaction screen.

4 Mar 2019  
SMART Agency 01950210  
Eft  
[More details](#)

Options ▾

**4,500.00**

Match Create Transfer Discuss **Fix & Match**

Who  What

Why

Region  Tax Rate  [Add details](#)

You will need to manually find and select the invoices that are being paid.



4 Mar 2019  
SMART Agency 01950210  
Edit  
More details

Options ▾

4,500.00

Match Discuss

**Find & select matching transactions below**

**1. Find & select matching transactions** ?

Show Received Items  
 Show USD items only

Search by name or reference

Search by amount

Date	Name	Reference	Spent	Received

**2. View your selected transactions. Add new transactions, as needed.** + New Transaction ▾

<input checked="" type="checkbox"/> 19 Jul 2017	Catherine Wrathall	Expense Claims	457.89 USD
<input checked="" type="checkbox"/> 20 Jan 2019	Central Copiers	945-OCon	163.56 USD
<input checked="" type="checkbox"/> 22 Jan 2019	SMART Agency	SM0195	2,000.00 USD

**3. The sum of your selected transactions must match the money spent. Make adjustments, as needed.** + Adjustments ▾

Subtotal	2,621.45 USD	+ Adjustments ▾
Must match: Money Spent	4,500.00 USD	2,621.45 USD <span style="color: red; font-weight: bold;">⚠ Total is out by: 1,878.55</span>

Use the search tool circled above to help search for invoices and bills

8 | Page

## Matching Over/Under Payments

If a supplier has underpaid an invoice, Xero will not be able to match the payment to the correct invoice. You will need to select the “Find & Match” button as previously discussed. You can then split the invoice so that it will be partially paid.

The screenshot shows the Xero 'Find & Match' interface. A modal dialog box titled 'Split transaction' is open, prompting the user to split a transaction. The dialog box contains the following information:

- Split this transaction if you need to record a part payment.
- Balance: USD 2,132.51
- Part payment: 2000.00
- Remaining amount: USD 132.51

The 'Split' button is highlighted with a red circle. The background interface shows a list of transactions with columns for Date, Name, Spent, and Received. The 'Split' button is also visible in the background interface, circled in red.

Select the invoice being part paid and select the ‘Split’ option to partially pay the invoice, then press reconcile

If an invoice has been overpaid, you can allocate some of the overpayment to another invoice

If there is no other invoice to allocate the overpayment to, you will need to create a credit note for the overpayment

4 Mar 2019  
City Limousines  
0006-PART  
[More details](#)

Options ▾

Match Discuss \*

Find & select matching transactions below

**1. Find & select matching transactions** ?

Show Spent Items  
 Show USD items only

Search by name or reference 
 Search by amount 
Go

Clear search

Date	Name	Reference	Spent	Received
<input type="checkbox"/> 11 Jan 2019	<a href="#">City Limousines</a>	INV-0006   P/O 9711		250.00 USD
<input type="checkbox"/> 28 Jan 2019	<a href="#">City Limousines</a>	INV-0012   P/O 9711		216.50 USD
<input checked="" type="checkbox"/> 31 Jan 2019	<a href="#">City Limousines</a>	INV-0017   Book	Split	21.70 USD
<input type="checkbox"/> 2 Feb 2019	<a href="#">DIISR - Small Business Services</a>	INV-0016   Yr Ref W08-143		270.63 USD
<input type="checkbox"/> 21 Feb 2019	<a href="#">Ridgeway University</a>	INV-0031		6,187.50 USD
<input type="checkbox"/> 21 Feb 2019	<a href="#">Ridgeway University</a>	INV-0025   P/O CRM08-12		6,187.50 USD

Select all on this page Showing 1 - 10 of 10

**2. View your selected transactions. Add new transactions, as needed.**

<input checked="" type="checkbox"/> 31 Jan 2019	<a href="#">City Limousines</a>	INV-0017   Book
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+ New Transaction ▾

Receive Money

Transfer Money

**3. The sum of your selected transactions must match the money received. Make adjustments, as needed.**

Subtotal	21.70 USD	<div style="border: 1px solid #ccc; padding: 2px; display: inline-block;"> <span style="font-size: 0.8em;">+ Adjustments ▾</span> </div>
Must match: Money Received <b>100.00 USD</b>	21.70 USD	<span style="font-size: 0.8em;">⚠ Total is out by: 78.30</span>

- Select the invoice that is being paid
- Select 'New Transaction' and 'Receive Money'
- You will need to create a credit note for the amount that has been overpaid
- Select Overpayment from the drop-down option as shown below

2. View your selected transactions. Add new transactions, as needed. ?

Received as Overpayment

From City Limousines Date 4 Mar 2019 Reference

Currency USD United States Dollar

Description	Amount	Account	Tax Rate	Region	Amount USD
Overpayment	78.30	610 - Accounts Receivable	Tax Exempt (0%)		78.30
Subtotal					78.30
<b>TOTAL</b>					<b>78.30</b>

Save Transaction Cancel

3. The sum of your selected transactions must match the money received - Received 100.00 USD - Total is out by 78.30

- Ensure the contact is correct, enter a description of your choice and save the transaction
- This credit note will now show under Invoices awaiting payment in your sales overview screen as a credit note until you raise future sales invoices for this customer. At this time, you can allocate the credit to the newly raised invoice

Sales > Invoices > View Overpayment

Awaiting Payment

To City Limousines Date 4 Mar 2019 Paid into Business Bank Account

Attention: Accounts Dept  
1206 Harbour Tower  
59-65 South Street  
COPPERTOWN  
[Edit address](#)

Overpayment Options

- Allocate Credit
- Void Total 8.30
- Edit

Amounts do not include Tax

Description	Amount	Account	Tax Rate	Region	Amount USD
Overpayment	78.30	Accounts Receivable	Tax Exempt		78.30
Subtotal					78.30
Total No Tax 0%					0.00
<b>Total Credit</b>					<b>78.30</b>

Make a cash refund

Amount 78.30 Date  Paid From  Reference  Add Refund

- To allocate the credit, select the overpayment and select 'Overpayment Options' the 'Allocate Credit'.

Sales > Invoice >

## Allocate Credit Balance

**Allocate balance on Overpayment**

Invoice	Date	Invoiced	Amount Due	Amount to Credit
INV-0006	11 Jan 2019	250.00	250.00	<input type="text" value="78.30"/>
INV-0012	28 Jan 2019	216.50	216.50	<input type="text"/>
INV-0017	31 Jan 2019	21.70	21.70	<input type="text"/>
INV-0024	9 Mar 2019	703.63	703.63	<input type="text"/>
<b>Cash refund</b>				
Outstanding Credit Balance				78.30
Total Amount to Credit				78.30
<b>Remaining Credit</b>				<b>0.00</b>

- Allocate the credit against the relevant sales invoice and select allocate credit.

## Creating Transactions

If you have not already created the transaction in Xero, you can create and reconcile the transaction from the reconciliation screen.

Match **Create** Transfer Discuss Find & Match

Who  What

Why

Region  Tax Rate

Use the 'Create' Tab and fill in the following details:

**Who:** The business or person you are paying or receiving from.

**What:** The chart of account code that you would like to allocate the transaction to. Use the drop-down menu for a list of already set up nominal codes. *If there isn't a nominal category suitable or you are unsure which to pick, then please contact Turner and Turner for further assistance.*

**Why:** This is where you add a little bit more detail to the transaction.

**Add Details:** To add even more detail such as a reference or allocate a transaction to more than one account etc, select the 'Add details' link to open up the following page.

1. This will then provide you will more options to add further information. The first box to complete is the reference, in here you should add either the invoice number of the supporting purchase or sales invoice or any identifying reference so you can easily link that transaction to the corresponding paperwork.

The next box to complete is the description, this is where you enter a brief description of what you have bought or sold.

Options ▾

Match Discuss

4 Mar 2019  
SMART Agency 01950210  
Eft  
More details

4,500.00

Find & select matching transactions below

1. Find & select matching transactions - 0 transactions selected

2. View your selected transactions. Add new transactions, as needed. ?

Spent as Direct Payment ▾

To SMART Agency 01950210 Date 4 Mar 2019 Reference

USD United States Dollar Amounts are Tax Inclusive ▾

Item	Description	Qty	Unit Price	Account	Tax Rate	Region	Amount USD
...	Insurance	1.00	2,000.00	433 - Insurance	Tax Exempt (0%)		2,000.00
...	Resale goods	1.00	2,500.00	300 - Purchases	Tax on Purchase...		2,500.00
...							
...							
...							

Add a new line Assign expenses to a customer

Subtotal 4,500.00  
Includes Tax 8.25% 190.53  
**TOTAL 4,500.00**

Save Transaction Cancel

3. The sum of your selected transactions must match the money spent - Spent 4,500.00 USD - Total is out by 4,500.00

## Transferring Money Between Accounts

The screenshot shows a transaction list with a transaction from 1 Mar 2019 for Ridgeway University, amounting to 6,187.50. An 'Options' dropdown menu is open, and the 'Transfer' tab is selected. The 'Transfer' dialog box is displayed, showing 'Business Savings Account' selected as the bank account and a 'Reference' field. An 'OK' button is circled in red.

- Simply select the account that the transfer relates to on the 'Transfer' Tab and press ok.
- Then go into the corresponding and you will notice that this transaction has already been 'MATCHED'. Simply press ok on this transaction.

**BE AWARE: YOU WILL NOT NEED TO USE THE TRANSFER TAB IN THE CORRESPONDING BANK ACCOUNT FOR THE TRANSFER AS IT WILL HAVE ALREADY BEEN MATCHED. USING THE TRANSFER TAB WILL DUPLICATE THE TRANSACTION.**

## Discussing transactions

Simply leave a comment for your advisor.

The screenshot shows a transaction list with a transaction from 1 Mar 2019 for Ridgeway University, amounting to 6,187.50. The 'Discuss' tab is selected in the dialog box. The 'Discuss' dialog box is displayed, showing a text area with the comment: 'I wasn't sure what to do with this receipt. The customer has overpaid by £27.50.' and a 'Ctrl+S at any time to save' prompt.

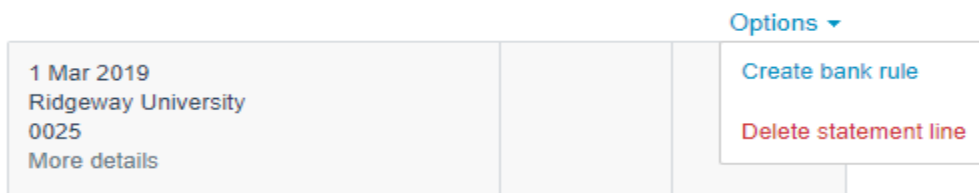
## Time Saving Tip – Bank Rules

Bank rules are a handy tool that allows you to save time if you have a of reoccurring bank entries for example Motor insurance paid monthly by direct debit.

Here is an online help video on Bank rules:

<https://tv.xero.com/detail/videos/banking/video/5127808505001/using-bank-rules-to-automate-reconciliation-in-xero?autoStart=true>

Bank rules can be created by selecting the 'Create rule' button in Xero bank reconciliation.



- 1) When the bank rule is first set up, Xero will suggest a condition to which this particular bank line will adhere to.

The first drop down menu will, by default, be set as either "Payee", "Reference" or "Description", depending on what the bank statement text has been imported as. This will differ depending on the bank feed you use, or the option you select when importing statements manually via CSV.

I would suggest changing this to "any text field", which is more flexible and will future-proof the rule against any changes to the bank feed down the line.

The second drop down menu will default to "equals", but I prefer to change this to "contains", as it lets you cut out any references and other information which won't consistently appear on the transaction. A good example of this is bank charges, which often mention the month they are in respect of, such as "CHARGES OCT18", where unless you remove the OCT18 part, the rule will only work once a year.

- 2) **Contact** – Change to "an existing or new contact" then complete the name of the contact.
- 3) **Fixed value line items:** this is generally left blank
- 4) **Allocate remainder in following ratios:** you will complete this in the same way as you complete the bank reconciliations on the dashboard. You will need to ensure you select the relevant nominal code and also ensure the VAT rate is correct.
- 5) **Set the reference.....** This should be changed to "from the reference"
- 6) **Target the bank account** – This allows you to set the rule from a specific bank account or to pick up the details and apply the rule from any of your bank accounts.
- 7) **Give the rule a title** – This is what you want the rule to be called so you can identify the rule on the list.

When the bank rule has been created and Xero picks up the rule on your bank transactions the transaction will look like this:



14 Mar 2019	15.50	
7-Eleven		
More details		

Options ▾

Match Create Transfer Discuss Find & Match

Apply rule 7-Eleven Contact name 7-Eleven

Edit rule | Don't apply rule View details

OK

## Cash Coding

Another way to speed up the bank reconciliation process is to use cash coding. This allows you to reconcile multiple statements lines at the same time.

Here is a useful video on cash coding:

<https://tv.xero.com/detail/videos/banking/video/5130942853001/cash-coding-in-xero?autoStart=true>

For more help on bank reconciliations, here is a link to a help video:

<https://tv.xero.com/detail/videos/banking/video/5130954875001/bank-reconciliation-in-xero?autoStart=true>