

# AUDITOR'S CORNER



FIRST OF THREE-PART SERIES.

<b>Rental Trust Account</b>	
<b>Deposit Cycle</b>	

Account for rental funds with receipts, photocopies, validated bank deposit tickets and worksheets, journal and ledger entries.

**1** Although this first step is not required, we recommend documenting all funds received by preparing receipts for cash and photocopying all checks, money orders, etc.

**RECEIPT** DATE 1/4/0X No. **750410**  
 RECEIVED FROM Charles Clark \$ 1,200  
Twelve hundred & 00/100 DOLLARS  
 FOR RENT  
 FOR \$600 Rent, \$600 Sec Dep 143 North Blvd

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**RECEIPT** DATE 1/4/0X No. **750411**  
 RECEIVED FROM Blake Stephens \$ 1,100  
Eleven hundred & 00/100 DOLLARS  
 FOR RENT  
 FOR \$550 Rent, \$550 Sec Dep 2500 Johnson St

ACCOUNT 1,100.00  CASH From Jan 1 To Jan 31  
 PAYMENT 1,100.00  CHECK  
 BAL. DUE 0  MONEY ORDER By John Broker

**2** Deposit funds in an insured NC bank and keep a copy of the bank-validated deposit ticket in your trust account files

DEPOSIT YOUR REALTY COMPANY, INC. TRUST ACCOUNT DATE <u>1/4/0X</u> # <u>OX-2</u>		
	DOLLARS	CENTS
CURRENCY SDW	\$2,300	00
COINS		
CHECKS		
1.		
2.		
3.		
4.		
<b>TOTAL</b>	<b>\$2,300</b>	<b>00</b>

**3** Make a record of the deposit with a Supplemental Deposit Worksheet identifying remitter/tenant, property, purpose and amount. Balance cash receipts and check copies with deposit ticket and supplemental deposit worksheet. Cross reference deposit ticket to Supplemental Deposit Worksheet.

SUPPLEMENTAL DEPOSIT WORKSHEET Deposit Ticket #2 1/4/0X			
Cross-Reference			
REMITTER/BUYER/TENANT	PROPERTY	PURPOSE	AMOUNT
Clark	143 North Boulevard	Security Deposit	\$600.00
Clark	143 North Boulevard	Jan Rent	\$600.00
Stephens	2500 Johnson Street	Security Deposit	\$550.00
Stephens	2500 Johnson Street	Jan Rent	\$550.00
<b>TOTAL</b>			<b>\$2,300.00</b>

**4** Post the date and amount of funds deposited and reference the corresponding deposit ticket and Supplemental Deposit Worksheet on the journal.

YOUR REALTY COMPANY, INC. TRUST ACCOUNT JOURNAL NC Insured Bank A/C# 123-456-7890					
DATE	DESCRIPTION	NUM	DEPOSITS	CHECKS	BALANCE
1/03/0X	DEPOSIT	OX-1	\$3,600.00		\$3,600.00
1/04/0X	DEPOSIT	OX-2 (A)	\$2,300.00		\$5,900.00
1/11/0X	Ajax-Plumbing - 143 N. Blvd - Repairs	101		\$75.00	\$5,825.00
1/20/0X	Gerald Howard - 143 N. Blvd Net Jan Rent to Owner	102		\$465.00	\$5,360.00
1/21/0X	Your Realty Company, Inc. 1/0X Mgt Fees	103		\$115.00	\$5,245.00
1/22/0X	Jack Thomas - NSF - 1362 Main St	DM (B)		\$2,500.00	\$2,745.00
1/30/0X	Perry Mason, Attorney 119 Maple Closing	104		\$1,000.00	\$1,745.00
1/31/0X	DEPOSIT	OX-3	\$2,500.00		\$4,245.00
1/31/0X	NC Insured Bank Check Printing Charges	DM		\$25.00	\$4,220.00

(A) - Referenced to sequentially numbered deposit tickets  
 (B) - Debit Memo  
 ✓ - Cleared Bank

**5** Record the transaction on the ledger identifying the property, the parties to the transaction, the amount, date and purpose of the deposit and from whom received.

NAME: <u>Gerald Howard, Owner - - Clark, Tenant</u>			ACCOUNT NO.		
ADDRESS: <u>143 North Boulevard</u>			SHEET NO.		
DATE	ITEMS		DEPOSITS	CHECKS	BALANCE
1/04	OX Charles Clark Security Deposit	OX-2	\$600.00		\$600.00
1/04	OX Charles Clark Jan Rent	OX-2	\$600.00		\$1,200.00
1/11	OX Ajax Plumbing Repairs	101		\$75.00	\$1,125.00
1/20	OX Gerald Howard Net Jan Rent To Owner	102		\$465.00	\$660.00
1/21	OX Your Realty Co., Inc. Jan Management Fee	103		\$60.00	\$600.00

# AUDITOR'S CORNER



SECOND OF THREE-PART SERIES.

## Rental Trust Account Disbursement Cycle

Following these five steps will enable you to correctly maintain trust account records of disbursements on rental properties.

**2** If the check pertains to more than one property/owner ledger, prepare a Supplemental Disbursement (Check) Worksheet to detail the property, purpose and amount of the check. This is the basis for an audit trail to the journal and property ledgers.

SUPPLEMENTAL CHECK WORKSHEET YOUR REALTY CO., INC. 1/21/0X - CHECK #103 (E)		
PROPERTY	PURPOSE	AMOUNT
143 North Boulevard	1/0X Management Fees	\$60.00
2500 Johnson Street	1/0X Management Fees	\$55.00
		\$115.00

(E) - Date and check number provide cross-reference to corresponding check.

**4** Post the information on the supplemental disbursement (check) worksheet onto the individual property ledger sheets. Calculate and record the running balance on each property ledger sheet.

NAME: Gerald Howard, Owner - - Clark, Tenant		ACCOUNT NO.		
ADDRESS: 143 North Boulevard		SHEET NO.		
DATE	ITEMS	DEPOSITS	CHECKS	BALANCE
1/04	OX Charles Clark Security Deposit	OX-2 \$600.00		\$600.00
1/04	OX Charles Clark Jan Rent	OX-2 \$600.00		\$1,200.00
1/11	OX Ajax Plumbing Repairs	101	\$75.00	\$1,125.00
1/20	OX Gerald Howard Net Jan Rent To Owner	102	\$465.00	\$660.00
1/21	OX Your Realty Co., Inc. Jan Management Fee	103	\$60.00	\$600.00

  

NAME: Allan Ward, Owner - - Stephens, Tenant		ACCOUNT NO.		
ADDRESS: 2500 Johnson Street		SHEET NO.		
DATE	ITEMS	DEPOSITS	CHECKS	BALANCE
1/04	OX Blake Stephens Security Deposit	OX-2 \$550.00		\$550.00
1/04	OX Blake Stephens Jan Rent	OX-2 \$550.00		\$1,100.00
1/21	OX Your Realty Co., Inc. Jan Management Fee	103	\$55.00	\$1,045.00

**1** Prepare the trust account check. If the check is for one property ledger, record the applicable ledger on the memo line.

Your Realty Company Trust Account Anytown, NC 12345	103
	1/21/0X
Your Realty Company, Inc.	\$ 115.00
One hundred fifteen and <sup>00</sup> /100	Dollars
1/0X Mgt Fees - SCW	John Broker

**3** Record the check on the journal. Calculate and record the running journal balance.

YOUR REALTY COMPANY, INC. TRUST ACCOUNT JOURNAL NC Insured Bank A/C# 123-456-7890					
DATE	DESCRIPTION	NUM	DEPOSITS	CHECKS	BALANCE
1/03/0X	DEPOSIT	OX-1 (A) ✓	\$3,600.00		\$3,600.00
1/04/0X	DEPOSIT	OX-2 ✓	\$2,300.00		\$5,900.00
1/11/0X	Ajax-Plumbing - 143 N. Blvd - Repairs	101 ✓		\$75.00	\$5,825.00
1/20/0X	Gerald Howard - 143 N. Blvd Net Jan Rent to Owner	102		\$465.00	\$5,360.00
1/21/0X	Your Realty Company, Inc. 1/0X Mgt Fees	103 ✓		\$115.00	\$5,245.00
1/22/0X	Jack Thomas - NSF - 1362 Main St	DM (B) ✓		\$2,500.00	\$2,745.00
1/30/0X	Perry Mason, Attorney 119 Maple Closing	104		\$1,000.00	\$1,745.00
1/31/0X	DEPOSIT	OX-3	\$2,500.00		\$4,245.00
1/31/0X	NC Insured Bank Check Printing Charges	DM ✓		\$25.00	\$4,220.00

(A) - Referenced to sequentially numbered deposit tickets  
(B) - Debit Memo  
✓ - Cleared Bank

**5** Reconcile all the individual property ledgers to the journal (i.e., add up the ending running balances on the ledgers and compare to the ending journal balance for agreement).

NAME: Your Realty Company, Inc. - Personal Funds		ACCOUNT NO.		
ADDRESS:		SHEET NO.		
DATE	ITEMS	DEPOSITS	CHECKS	BALANCE
1/03	OX Your Realty Company Inc. Personal Funds	OX-1 \$100.00		\$100.00
1/31	OX NC Insured Bank Check Printing Charges	DM	\$25.00	\$75.00

  

NAME: Clay (Seller) to Thomas (Buyer)		ACCOUNT NO.		
ADDRESS: 1362 Main Street		SHEET NO.		
DATE	ITEMS	DEPOSITS	CHECKS	BALANCE
1/03	OX Jack Thomas EMD	OX-1 \$2,500.00		\$2,500.00
1/22	OX Jack Thomas NSF	DM	\$2500.00	\$0.00
1/31	OX Jack Thomas Redeposit NSF EMD Check	OX-3 \$2,500.00		\$2,500.00

# AUDITOR'S CORNER



THIRD OF THREE-PART SERIES.

## Rental Trust Account Monthly Reconciliation

Reconcile the trust account bank statement to the journal and ledgers.

**1** Check off on the journal (see step 4) the checks and deposits that have cleared on the bank statement.

NCIB					
North Carolina Insured Bank			Account Number # 123-456-7890		
			Statement Period: 1/1/0X-1/31/0X		
			Page 1 of 1		
Your Realty Co., Inc. Trust Account 132 Main Street Anywhere, NC 27000					
WITHDRAWALS					
Date	Check No.	Amount	Date	Check No.	Amount
1/13/0X	101	\$ 75.00			
1/22/0X	103	\$115.00 *			
*Indicates a skip in sequential check numbers					
DEPOSITS					
1/4/0X		\$3,600.00			
1/5/0X		\$2,300.00			
OTHER DEBITS					
1/22/0X	DM	\$2,500.00	Non-Sufficient Funds - Check Returned		
1/31/0X	DM	\$ 25.00	Printed Check Charges		
Closing Date	Previous Balance	Deposits	Withdrawals	Other Debits	Ending Balance
1/31/0X	\$ 00.00	\$ 5,900.00	\$ 190.00	\$ 2,525.00	\$ 3,185.00

**3** List the ledger sheets by owner or property and the balances on a trial balance.

NAME: Your Realty Company, Inc. - Personal Funds						ACCOUNT NO.
ADDRESS:						SHEET NO.
DATE	ITEMS		DEPOSITS	CHECKS	BALANCE	
1/03	Your Realty Company Inc. Personal Funds	OX-1	\$100.00		\$100.00	
1/31	NC Insured Bank Check Printing Charges	DM		\$25.00	\$75.00	

  

NAME: Clay (Seller) to Thomas (Buyer)						ACCOUNT NO.
ADDRESS: 1362 Main Street						SHEET NO.
DATE	ITEMS		DEPOSITS	CHECKS	BALANCE	
1/03	Jack Thomas EMD	OX-1	\$2,500.00		\$2,500.00	
1/22	Jack Thomas NSF	DM		\$2500.00	\$0.00	
1/31	Jack Thomas Redeposit NSF EMD Check	OX-3	\$2,500.00		\$2,500.00	

  

NAME: Gerald Howard, Owner - Clark, Tenant						ACCOUNT NO.
ADDRESS: 143 North Boulevard						SHEET NO.
DATE	ITEMS		DEPOSITS	CHECKS	BALANCE	
1/04	Charles Clark Security Deposit	OX-2	\$600.00		\$600.00	
1/04	Charles Clark Jan Rent	OX-2	\$600.00		\$1,200.00	
1/11	Ajax Plumbing Repairs	101		\$75.00	\$1,125.00	
1/20	Gerald Howard Net Jan Rent To Owner	102		\$465.00	\$660.00	
1/21	Your Realty Co., Inc. Jan Management Fee	103		\$60.00	\$600.00	

  

NAME: Allan Ward, Owner - Stephens, Tenant						ACCOUNT NO.
ADDRESS: 2500 Johnson Street						SHEET NO.
DATE	ITEMS		DEPOSITS	CHECKS	BALANCE	
1/04	Blake Stephens Security Deposit	OX-2	\$550.00		\$550.00	
1/04	Blake Stephens Jan Rent	OX-2	\$550.00		\$1,100.00	
1/21	Your Realty Co., Inc. Jan Management Fee	103		\$55.00	\$1,045.00	

**2** To reconcile the bank statement, add to the ending balance (\$3,185) the total of deposits not cleared yet (\$2,500) and subtract the total of checks not cleared yet (\$1,465). The reconciliation total should equal the journal balance (\$4,220).

Bank Account Reconciliation		Your Realty Company, Inc.	
Period Ending: 1/31/0X			
Ending Balance from Bank Statement		A.	\$ 3,185.00
List Deposits in Transit (Deposits posted to the journal that have not cleared the bank)	\$ 2,500.00		
Total Deposits in Transit		+ B.	\$ 2,500.00
List Outstanding Checks (Checks posted to the journal that have not cleared the bank)			
Check	Date	Amount	
102	1/20/0X	\$ 465.00	
104	1/20/0X	\$ 1,000.00	
		\$	
Total Outstanding Checks		- C.	\$ 1,465.00
Reconciled Bank Balance		D.	\$ 4,220.00

**4** The total of the balances listed on the ledger sheet trial balance (\$4,220) should equal the journal and the reconciled bank balance. These must equal before you have properly completed a trust account reconciliation in compliance with the Commission's rules.

YOUR REALTY COMPANY, INC. TRUST ACCOUNT JOURNAL NC Insured Bank A/C# 123-456-7890					
DATE	DESCRIPTION	NUM	DEPOSITS	CHECKS	BALANCE
1/03/0X	DEPOSIT	OX-1 (A)	\$3,600.00		\$3,600.00
1/04/0X	DEPOSIT	OX-2	\$2,300.00		\$5,900.00
1/11/0X	Ajax-Plumbing - 143 N. Blvd - Repairs	101		\$75.00	\$5,825.00
1/20/0X	Gerald Howard - 143 N. Blvd Net Jan Rent to Owner	102		\$465.00	\$5,360.00
1/21/0X	Your Realty Company, Inc. 1/0X Mgt Fees	103		\$115.00	\$5,245.00
1/22/0X	Jack Thomas - NSF - 1362 Main St	DM (B)		\$2,500.00	\$2,745.00
1/30/0X	Perry Mason, Attorney 119 Maple Closing	104		\$1,000.00	\$1,745.00
1/31/0X	DEPOSIT	OX-3	\$2,500.00		\$4,245.00
1/31/0X	NC Insured Bank Check Printing Charges	DM		\$25.00	\$4,220.00

(A) - Referenced to sequentially numbered deposit tickets  
(B) - Debit Memo  
✓ - Cleared Bank

YOUR REALTY COMPANY, INC. TRIAL BALANCE		
NC INSURED BANK A/C # 123-456-789		
DATE: 1/31/0X		
OWNER	PROPERTY	AMOUNT
Your Realty Company, Inc.		\$75.00
Clay	1362 Main Street	\$2,500.00
Howard	143 North Boulevard	\$600.00
Ward	2500 Johnson Street	\$1,045.00
<b>TOTAL</b>		<b>\$4,220.00</b>