

MONTH END PROCEDURES HANDBOOK



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INTRODUCTION & THOUGHTS

Save days on your month-end close process

Even when equipped with a month-end close checklist, sometimes bookkeepers & accountants find themselves struggling with incomplete or missing documentation. Things like lost paperwork and/or incorrect data entries are common occurrences which can cause serious delays.

Why is month-end and reconciliations so important? There are several things that this process brings to light that you may not be aware of. Some examples are; Service charges, NSF checks, and other credit or debit memos. Reconciliations can also bring to light bank errors, such as, a misplaced decimal or transposed two numbers. In other cases, you may have entered incorrect amounts. This process will also help identify if deposits were made to an incorrect account. Since real estate companies frequently have several accounts, it is not impossible for either the bank or your staff to make a deposit to the wrong account. Whatever the cause good preparation paired with finance process automation, makes month-end closing a walk in the park, for accountants and team members alike.



**Keep
Calm
and
Reconcile**

TIP

Daily or Weekly bank reconciliations can keep you ahead of the Month end closing process!



OUTSTANDING AR & AP

Day to day operation can be hectic, we get it! Month-end is your opportunity to cross your t's and dot your i's.

It is not enough to balance your Back Office system to your bank statement; you should also check it over and look for any items that may be out of place. This goes for all income and expenses.

Look for any payments or deposits that are outstanding between your bank accounts.

Pull a pending transaction report for the month end and see if any deals that were on hold are ready to payout. If not, note in your system the reason for the delay.

A transfer of money from escrow/trust to general/where the check was never cashed and the deposit was never made.

Check for any outstanding deposits. Remember, you are posting deposits as they are made. Other than a day or two, a deposit should not be outstanding!

TIP

Recording deposits, payments on invoices, and bills as they happen helps keep month-end short!

OUTSTANDING A/R & A/P

- ☐ Review your A/R Ledger for any overpayments or old deals which haven't received funds yet.
- ☐ Review the A/P Aging, by invoice/bill date, report for any old items
- ☐ Review last month's bank statement's outstanding items for stale dated checks

BANK RECONCILIATION

Why Is Reconciliation Important?

Reconciliations helps to detect fraud like differences in amounts issued by checks, unauthorized checks, transfers, and withdrawals. In addition to fraud detection, reconciliations help with maintaining cash flows. You cannot issue funds to your suppliers/vendors without knowing your bank balances. This knowledge helps prevent overdrawn accounts and bounced items. Monthly reconciliations also detect any clerical mistakes performed by your bank or yourself!

TRUST/ESCROW

01.

Due to compliance rules around Trust/Escrow accounts, this account should be handled, more or less, with care. Steps to ensure clean Trust/Escrow accounts are as follows:

Review your Trust/Escrow deposit and Transfer reports and match against your bank statement(s).

Review you trust sub-ledger and check for any negative balances, and deposits or transfers that are outstanding. Adjust or report accordingly.



Brokerages holding Trust or Escrow will have compliance outlined for them by their local council/board regarding how to handle incoming/outgoing funds.

COMMISSIONS

02.

Some Regions treat the Commissions accounts like a Trust/Escrow accounts. Steps to ensure clean Trust/Escrow accounts are as follows:

Review your Commission deposit and Transfer reports and match against your bank statement(s).

Review you Commission trust sub-ledger and check for any negative balances, and deposits or transfers that are outstanding. Adjust or report accordingly.

GENERAL/ OPERATING

03.

This account will record your Brokerage's Operational income and expenses. This will be your most substantial account to reconcile deposits/payments against.

Income can be from deal splits/fees, etc, so review the appropriate income reports from your commission management and/or accounting softwares and match against your bank statement(s).

Expense (Spent) bank lines can be checked against your check registrar.

TIP

With the flow of funds to and from your accounts, are you sure nothings missing? Check your transfer reports against your bank accounts weekly to keep on track!

MONTHLY EXPENSES

Agent Expenses, Invoices, Operating costs, Oh My!

Operating costs, agent expenses, payroll, and outstanding invoices can all accrue quite quickly throughout the month! It can be daunting to match every item to a bank line in your accounting software.

It's important to make sure any outstanding invoices/bills have been paid/marked paid. If you have amounts on your bank statement lines that you're not sure what they're for, you can run an aged AR and aged AP reports, in your accounting software to discover if any of those amounts match those bills, most accounting software is intuitive enough to match your amounts to your unpaid bills for easy reconciliation. However, if the amount received is off, by even a penny, the match will not happen and those aged reports can help you quickly identify the error.

Taking advantage of bank rule automation can help you save both time and frustration, specifically with recurring items, regardless if the amounts differ month to month. Most brokerages have several recurring costs throughout the month, such as payroll and agent's monthly invoices, and bank rules will help you keep ahead of the month end grind.



TIP

Utilize bank rule automation!

Here are some of the top accounting software programs that offer this.

[Xero](#)

[QuickBooks Online](#)

[Sage](#)

FINANCIAL REPORTING

Save days on your month-end close process

Even when equipped with a month-end close checklist, sometimes bookkeepers & accountants find themselves struggling with incomplete or missing documentation. Things like lost paperwork and/or incorrect data entries are common occurrences which can cause serious delays.

That's why even the best-prepared finance teams need great tools. In Real Estate a good document management software, commission management software, and accounting software, is key to your success. Whether it's your daily or month end processes, stacked integrations help automate tedious processes, empowering employees to reduce data entry, while giving finance teams greater visibility.

Good preparation paired with finance process automation, makes month-end closing a walk in the park, for accountants and team members alike.

TIPS

Subledger and Liability don't match the bank balance?

Timing issues can result in differences between the bank balance and your subledger & Liability accounts.

Example, If you post a payout on Dec 31st, the subledger and liability accounts will reflect that but your bank may post the payment the following day, thus, the bank balance will be higher than both the liability and the subledger by that amount.

If you cut checks on the bills to be paid you can quickly review those payments made after the reconciliation date. If that doesn't catch the difference you can analyze all the ins and outs from the liability account by opening the account transactions for the period and compare that to the ins and outs from the bank account.

Subledger out of balance with the Liability Account?

If your liability account is not lining up with your subledger, export all the transactions from your liability account. This is a record of all items posted in and out of the liability account which should ALL come from your Commission Management software. Look for items that have not been posted by comparing the description of items. *There should be no manually created transactions in these accounts.* If no transactions pop out then you can simply compare using deal numbers and descriptions. All credits should be offset with debits to the liability account upon paying out an agent. Download the subledger for the last date that it was reconciled, here you have a list of all deals that are holding funds. Review the transactions from the Account Transaction report for the month in your Accounting software. All deposits held have a credit balance so any funds released from the account should see an offsetting debit reducing the balance for the deal to \$0. Unfortunately, if there were any manual entries, bills voided or removed from your accounting software it may take reviewing each deal one at a time.



MONTH END CHECKLIST

OUTSTANDING A/R & A/P

- ☐ Review your A/R Ledger for any overpayments or old deals which haven't received funds yet.
- ☐ Review the A/P Aging, by invoice date, report for any old items
- ☐ Review last month's bank statement's outstanding items for stale dated checks

BANK RECONCILIATIONS

TRUST/ESCROW

- ☐ Review Trust ledger for any negative balances
- ☐ Complete Trust/Escrow bank reconciliation

COMMISSION ACCOUNT

- ☐ Review Commission Trust ledger for any deals with negative balances
- ☐ Check for deals that have closed but funds have not been transferred
- ☐ Complete Commission Trust bank reconciliation

GENERAL/OPERATING ACCOUNT

- ☐ Complete General bank reconciliation

MONTHLY EXPENSES

- ☐ Review your aged AR Report for any outstanding bills to be paid
- ☐ Review your aged AP Report for any outstanding invoices to be paid
- ☐ Review Agent's Expenses Uncovered report for bad debt

FINANCIAL REPORTING

- ☐ Download Trial balance, Subledger, and Balance Sheet
- ☐ Ensure the Subledger total, Trust liability account total, and bank balance all match
- ☐ Run the Balance Sheet ensuring a match to the liability account
- ☐ Print an agent's receivable ledger and agree to the trial balance
- ☐ Submit bank statements & Subledger reports for review and sign off

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