

The Five R's of Trust Accounts



Trust Account In-Class Exercise
Worked

Recording Practice

Your brokerage firm name is Go Get Em Real Estate Brokerage. Using the sample trust account activity below, complete the journal and ledger forms.

April 1	Opened trust account with Community State Bank
April 1	Deposited \$75 for bank charges and minimum balance requirement
April 1	Entered property management agreement with Barbara Warren for 3188 Lake Drive
April 2	Received \$7,500 earnest money deposit (check #7664) from Frank Poland on 755 Plains Way property owned by Yin Sun
April 2	Received a \$1,000 earnest money deposit (check #112) from Charles King on 1241 First Street property owned by Adam and Helen Baker
April 4	Deposited \$1,000 earnest money deposit received from Charles King
April 4	Deposited \$7,500 earnest money deposit received from Frank Poland
April 5	Bank service charge of \$25 was deducted from trust account for printed checks and deposit slips
April 8	Received and deposited \$1,500 cash from Howard Gower for security deposit on 3188 Lake Drive owned by Barbara Warren
April 8	Received and deposited \$3,059 (check #902) from Howard Gower for April prorated rent on 3188 Lake Drive owned by Barbara Warren
April 9	Received and deposited \$3,500 (check #212) from Barbara Warren to cover anticipated expenses for 3188 King Drive
April 10	Received additional earnest money deposit of \$2,000 (check #114) from Charles King on 1241 First Street property owned by Adam and Helen Baker
April 11	Deposited \$2,000 earnest money deposit received from Charles King
April 14	Received a \$4,500 earnest money deposit (check #1044) from Paul Upshaw on 281 Galaxy Trail owned by Oliver Thomas with instructions to hold until offer accepted
April 15	Issued check number 1001 for \$69.00 to Comfort Heating and Air for HVAC service on 3188 King Drive
April 15	Received a \$5,200 earnest money deposit (check #8876) from Denise White on 2351 South Meadow Circle owned by Mary Tyler
April 16	Received an earnest money deposit of \$3,000 (check #755) from Tim and Michelle McAfee for property located at 16 North Main St owned by Veronica Daniels
April 17	Deposited \$5,200 earnest money deposit from Denise White for 2351 South Meadow Circle

April 17	Deposited \$3,000 earnest money deposit from Tim and Michelle McAfee for 16 North Main St
April 17	Issued check number 1002 in the amount of \$7,500 to Frank Poland as earnest money disbursement agreed upon with seller, Yin Sun, owner of 755 Plains Way
April 18	Received notice to transfer \$5,200 earnest money deposit from 2351 South Meadow to 684 County Line Road owned by Sam Wilson
April 22	Returned Oliver Thomas' \$4,500 check #755 after seller rejected the offer
April 27	Issued check number 1003 for \$2,809 to Barbara Warren for rental income
April 30	Issued check number 1004 for \$250 to Go Get Em Real Estate Brokerage for property management fee on 3188 King Drive

Date	Check #	Payee/Property	Purpose	Debit	Credit	Balance
4/1			Minimum balance req		75	75
4/4	112	Charles King - 1247 Main St	Earnest money		1,000	1,075
4/4	7664	Frank Poland - 755 Plains Way	Earnest money		7,500	8,575
4/5			Checks & deposit slips	25		8,550
4/8	Cash	Howard Gower - 3188 Lake Dr	Security deposit		1,500	10,050
4/8	902	Howard Gower - 3188 Lake Dr	Prorated rent - April		3,059	13,109
4/9	212	Barbara Warren - 3188 Lake Dr	Maintenance & repairs		3,500	16,609
4/11	114	Charles King - 1247 Main St	Add'l earnest money		2,000	18,609
4/14	1044	Paul Upshaw - 281 Galaxy Trl	Earnest money		4,500	23,109
4/15	1001	Comfort Heating & Air	HVAC service -3188 Lake Dr	69		23,040
4/17	8876	Denise White - 2351 S. Meadow Cir	Earnest money		5,200	28,240
4/17	755	Tim/Michelle McAfee - 16 Main St	Earnest money		3,000	31,240
4/17	1002	Frank Poland - 755 Plains Way	Earnest money disbursement	7,500		23,740

4/18	Transfer	Denise White - 684 County Line Rd	Change property EM - \$5,200			23,740
4/22	755	Paul Upshaw - 281 Galaxy Trl	EM return - offer rejected	4,500		19,240
4/27	1003	Barbara Warren - 3188 Lake Dr	Rental income	2,809		16,431
4/30	1004	Go Get Em Brokerage	Property Mgmt fee	250		16,181

Trust Account Ledger						
Go Get Em Real Estate Brokerage						
Date	Deposit/ Check #	Rec'd from/ Paid to	Purpose	Debit	Credit	Balance
4/1	Deposit	Bank	Min. bal. req		75	75
4/5		Bank	Checks & dep slips	25		50
4/30	1004	Broker	Property mgmt fee		250	300

Trust Account Ledger						
Property Address: 3188 Lake Drive						
Tenant: Howard Gower			Landlord: Barbara Warren			
Date	Deposit/ Check #	Rec'd from/ Paid to	Purpose	Debit	Credit	Balance
4/8	Cash	Howard Gower	Sec. dep		1500	1500
4/8	902	Howard Gower	Prorated rent - April		3059	4559
4/9	212	Barbara Warren	Maintenance & repairs		3500	8059
4/15	1001	Comfort Heating & Air	HVAC service	69		7990
4/27	1002	Barbara Warren	Rental income	2809		5181

Trust Account Ledger						
Property Address: 755 Plains Way						
Buyer: Frank Poland				Seller: Yin Sun		
Date	Deposit/ Check #	Rec'd from/ Paid to	Purpose	Debit	Credit	Balance
4/2	7664	Frank Poland	Earnest money		7500	7500
4/17	1002	Frank Poland	Earnest money disbursement	7500		0

Trust Account Ledger						
Property Address: 1241 First Street						
Buyer: Charles King		Seller: Adam & Helen Baker				
Date	Deposit/ Check #	Rec'd from/ Paid to	Purpose	Debit	Credit	Balance
4/2	112	Charles King	Earnest money		1000	1000
4/11	114	Charles King	Earnest money		2000	3000

Trust Account Ledger						
Property Address: 281 Galaxy Trail						
Buyer: Paul Upshaw			Seller: Oliver Thomas			
Date	Deposit/ Check #	Rec'd from/ Paid to	Purpose	Debit	Credit	Balance
4/14	1044 - Hold	Paul Upshaw	Earnest money		4500	4500
4/22	1044 - Return	Paul Upshaw	Return earnest money - offer rejected	4500		0

Trust Account Ledger						
Property Address: 2351 South Meadow Circle						
Buyer: Denise White			Seller: Mary Tyler			
Date	Deposit/ Check #	Rec'd from/ Paid to	Purpose	Debit	Credit	Balance
4/15	8876	Denise White	Earnest money		5200	5200
4/18	Transfer	Denise White	New property	5200		0

Trust Account Ledger						
Property Address: 16 North Main Street						
Buyer: Tim & Michelle McAfee			Seller: Veronica Daniels			
Date	Deposit/ Check #	Rec'd from/ Paid to	Purpose	Debit	Credit	Balance
4/17	755	Tim & Michelle McAfee	Earnest money		3000	3000

Trust Account Ledger						
Property Address: 684 County Line Road						
Buyer: Denise White			Seller: Sam Wilson			
Date	Deposit/ Check #	Rec'd from/ Paid to	Purpose	Debit	Credit	Balance
4/18	Transfer	Denise White	Earnest money		5200	5200

Reconciliation Worksheet

1.	Bank Statement Ending Balance	\$	
2.	Subtract: Outstanding Checks		
	Check No.	Amount	
		\$	
		\$	
		\$	
		\$	
3.	Total of Outstanding Checks	\$	
4.	Add: Posted deposits in Transit		
	Date	Amount	
		\$	
		\$	
		\$	
5.	Total of Deposits in Transit	\$	
6.	Adjusted Bank Balance: (Subtract Line 3 from Line 1, and Add Line 5)		\$
7.	Journal Balance		\$
8.	Client/Property Ledger Balances		
	Client/Property	Ledger Balance	
		\$	
		\$	
		\$	
		\$	
9.	Company Ledger Balance	\$	
10.	All Ledgers Balance: (Total of client/property and company ledgers)		\$

To complete the monthly reconciliation, the following balances must be equal:

Line 6 Reconciled bank statement balance

Line 7 Journal balance

Line 10 Ledgers balance

Reconciliation Worksheet - Worked

1.	Bank Statement Ending Balance		13181	
2.	Subtract: Outstanding Checks			
	Check No.	Amount		
	1003	2809		
	1004	250		
3.	Total of Outstanding Checks		3059	
4.	Add: Posted deposits in Transit			
	Date	Amount		
	4/8	3059		
	4/17	3000		
5.	Total of Deposits in Transit		6059	
6.	Adjusted Bank Balance: (Subtract Line 3 from Line 1, and Add Line 5)			16181
7.	Journal Balance			16681
8.	Client/Property Ledger Balances			
	Client/Property	Ledger Balance		
	1241 First Street	3000		
	3188 Lake Drive	5181		
	16 Main Street	3000		
	684 County Line Road	5200		
9.	Company Ledger Balance		300	
10.	All Ledgers Balance: (Total of client/property and company ledgers)			16681

To complete the monthly reconciliation, the following balances must be equal:

Line 6 Reconciled bank statement balance

Line 7 Journal balance

Line 10 Ledgers balance

Bank Statement

Community State Bank
Central Branch

Monthly Statement

Date of Statement: April 30, 20XX

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Go Get Em Real Estate Brokerage
Trust Account

Checking Account

SUMMARY: Previous statement balance on March 31, 20XX	\$0.00
Total Deposits	\$20775.00
Total Checks	\$7569.00
Total Other Debits	\$25.00
Statement Balance on April 30, 20XX	\$13,181.00

CHECKS/OTHER DEBITS

Check No.	Date Posted	Amount
1001	4/18	\$69.00
1002	4/19	\$7,500.00

Other Debits

Date Posted	Description	Amount
4/5	Checks and deposit slips	\$25.00

DEPOSITS/ OTHER CREDITS

DEPOSITS	Date Posted	Amount
	4/1	\$75.00
	4/3	\$7,500.00
	4/5	\$1000.00
	4/9	\$1,500.00
	4/10	\$3500.00
	4/12	\$2000.00
	4/18	\$5200.00