**Freckeltons Limited – Property mark report**

**Client money handling**

Accounts Function

The role is carried out between Sarah Massey with assistance from Malcolm Freckelton. The daily bank reconciliations are mainly carried out by Sarah. No other members of staff get involved in the financial side of the client property management system, Lottie and Tracey refer to Malcolm who has overall control.

Computer System

The rent management system is Focus Microsystems. The system is backed up to the cloud every day.

Bank accounts

The company now operates 3 bank accounts:

050567 45165096 – Property management account

050567 49401578 – Property management account 2 (run as a deposit a/c as higher interest rate)

Both are with Virgin Money 3 East Gates, Leicester LE1 5YA

They use internet banking to make it easier to transfer money into the deposit account when surplus funds are held in the main client account (though this rarely happens) and also to have the latest transactions available to them. Sarah is the main user of this, however Michael Massey and Malcolm also have access. The office has its own log on and password, but has restricted access, they can view and print statements for both client accounts but cannot transfer money etc or see the office account.

Receipts

Post is opened by the directors. Any cheques received are split between client and office account.

Client account cheques are recorded on a banking sheet with tenant’s name and reference along with any other details. If the cheques are not from the actual tenant this is also noted on the sheet.

Any cash/cheques received over the counter are also recorded on these sheets.

Banking is carried out daily where possible. Since Yorkshire Bank closed in L’Boro & Coalville, the account has been transferred to the Leicester branch and they have also set up an agreement with the Post Office which enables them to pay cash and cheques in, using a banking envelope. Due to this they now have two separate paying books for the same account, one for cash and the other for cheques.

The receipts are input to the computer from the banking sheet, and the sheets are marked as input. Direct banking’s are also extracted from the statement and entered onto the system. The statements are also marked as input when all entries have been entered.

The bank is reconciled on a Tuesday and Thursday by Sarah. If Sarah is away Malcom will carry out the reconciliations.

The accounting entries are:

DR Bank

CR Tenants ledger/excess rents

DR Rents/Ins/Grd rent etc

CR Landlords ledger

Monies Due

Each day a program on the computer system is used to search for rents due. Invoices and statements are printed and sent to tenants.

Accounting entries:

DR Tenants ledger

CR Rents/Ins/Grd rent etc

Often rental income is paid in advance. This money is automatically posted to an excess rents account. When the computer looks for rents due, it automatically searches for any advance rents paid by that tenant and posts from the excess rent ledger to the tenants ledger.

Accounting Entries:

DR Excess rents

CR Tenants ledger

Monies Due from Landlord

When a landlord has a debit balance on the account, Malcolm reviews it and request monies from the landlord. This income when received is posted to the landlords ledger account.

Accounting Entries:

DR Bank

CR Landlords ledger

Deposits

Deposits are held by Freckeltons in respect of tenants. These are split between commercial rent deposits (referred to on the system as custodial scheme) and protected amounts (insured by TDS but held by the firm) Usually custodial scheme means that a scheme administrator i.e TDS hold the deposit but this was the only way they could get the system to differentiate between residential and commercial (the commercial property deposits are held under a rent deposit deed) Currently Freckeltons hold ALL deposits in their client bank account.

Accounting Entries:

DR Bank

CR Deposits account

Payments

On behalf of Landlords

Freckeltons are responsible for the general upkeep of properties (unless specified otherwise by Landlords)

When a repair etc needs doing, Freckeltons instruct tradesmen to carry out the work. If the repair is for a large amount, the amount is discussed with the landlord before the work is carried out.

When the work is complete, the tradesman invoices Freckeltons where it is input onto the computer, and a check is carried out that the landlord has sufficient money in their account:

DR Landlord ledger

CR Tradesman account

Freckeltons then pay the invoice (payment run every two weeks)

DR Tradesman account

CR Bank

The invoice is put in the landlord’s folder where it is sent along with the landlords statement.

Mostly they are now paid by BACS.

The quote for work is sent to the landlord in advance who has to agree for the work to be carried out, once agreed Shannon liaises with the tradesmen to complete the work and receives the invoice, she agrees this to the quote and the work agree with the land lord then give to Sarah to put onto the system. If there are any discrepancies then Michael is involved to rectify.

Freckeltons Fees

When the statement is due to be sent to the landlord with monies owing to him (dates depend on contract, often if a contract is quarterly, and there is money owing Freckeltons will pay before the due date) Freckeltons raise their fee:

DR Landlords ledger

CR Freckeltons fees – net

CR Freckeltons fees – VAT

When Freckeltons actually pay their fees over:

DR Freckeltons fees

DR Freckeltons fees – VAT

CR Bank

Freckeltons usually keep money owing to them in the fee creditor account so that any debit balances occurring on landlords accounts are covered by Freckeltons own money.

Payments to Landlords

When payments are due, statements are printed off showing:

* Rent in arrears from tenant b/f and c/f
* Rents due and rents received from tenant
* Freckeltons management fee
* Deductions for any expenses paid on behalf of landlords

Either a cheque is sent to the landlord for the balance, or where the Landlord is paid by BACS, the management system generates a BACS report for filing which is manually checked by Malcolm or Michael before submission.

Tax deducted from Overseas Landlords rent

This is deducted by Freckeltons and paid over by them on a quarterly basis. (None at present)

Accounting Entries:

DR Landlords ledger

CR Tax retained account