

Reconcile System to Bank Report.

This report calculates for any date in the past the balance that should be in the physical bank account. This can be used to quickly illustrate to accountants and regulatory bodies such as the RICS the amount and make-up of Client funds held. The report relies on the system being up to date, in particular that all bank statement entries have been uploaded for the period (but not necessarily posted/reconciled). The report provides the location of a full breakdown for each category of monies. Some of these are only available on a 'month end' basis.

The report is split into 4 groups of balances:-

People Balances – these are the balances of landlords, tenants and contractors accounts.

Sales Commission – these are both invoiced and uninvoiced charges applied to people's accounts.

Control Account Balances – these are other balances held including NRL.

Unreconciled and Not Banked – these are monies which have not yet completed their journey in or out of the bank account.

People Balances.

Landlords in Credit – This is usually rents collected for a landlord, but not yet paid out. It also includes Maintenance Float held.

Tenants in Credit – This is usually Deposits held by the Letting Agent or rent paid in advance

Contractors in Credit – This is usually maintenance deductions made from the landlord but not yet paid to the Contractor.

Landlord Debtors – Any landlords account with a negative balance usually because a maintenance deduction or a charge has been made but no funds are held to cover it.

Tenant Debtors – Usually any tenants owing money to the letting agent (not owing rent to the landlord or owing a bond deposit).

Contractor Debtors – Any Contractors account with a negative balance.

A list of the balance for each individual person is available in *Accounts Reports > Debtors & Creditors*. This report provides this detail for the previous day or on a 'month end' basis i.e. on the last day of any month. The amounts shown will not change after the date selected as it ignores future adjustments.

Sales Commission.

Sales Invoiced Net – Charges applied and invoiced but not yet drawn down.

Sales Invoiced VAT – The VAT on charges applied and invoiced but not yet drawn down.

Sales Uninvoiced Net – Charges applied but not yet invoiced.

Sales Uninvoiced VAT – The expected VAT component of charges applied but not yet invoiced.

These amounts do not necessarily reflect whether the person has paid the charge (i.e. the amount can lawfully be drawn down from the Client Account to the Trading Account). To identify charges invoiced but not yet paid use the *Accounts Reports > Invoiced But Not Paid* . The amounts shown will not change after the date selected as it ignores future adjustments.

Both the Invoiced and the Uninvoiced control accounts have to be included in the *Reconcile System to Bank Report*. This is because when a charge is applied to a person their main account is debited and the sales control account is credited (even before it's invoiced). The person side of the transaction is reflected in the People Balances section of this report. On invoicing a charge the Uninvoiced Sales is debited and the Invoiced Sales is credited i.e. the money is moved from the Uninvoiced Sales control account to the Invoiced Sales control account.

For Companies on 'Drawdown Paid Sales Only':-

We can get a breakdown of the amount that make up the Sales Invoiced Net and Sales Invoiced VAT accounts shown on the Reconcile System to Bank Report.

The Sales Invoiced Net amount shown on the Reconcile System to Bank Report is made up of Invoiced Sales paid but not drawdown + Invoiced Sales not paid (for all months).

So, this amount can be built up by:-

- a. Go to Home > Reports > Accounts Reports > Invoices Not Drawdown. Sum up column J (i.e sales paid but not yet drawdown)
- b. Go to Reports > Accounts Reports > Invoices Not Paid. Colum E less column H (i.e. debtors)

Control Account Balances.

These are 'other' balances required to calculate the overall balance including:-

NRL – This is the Non Resident Landlord Tax deducted from a landlord, awaiting payment to HMRC.

Rent Guaranteed – The balance of money due to/from the Clients Account for Letting Agents using the Rent Guarantee functionality.

General – This is commonly used as a 'suspense account' or a place to post monies not related to people. This account may not be required in this report (depending on how it has been used). LetMC staff can hide it from the report by going to *Control Panel > Company Settings > Modify Company Details – Accounting* .

Other Custom Control Accounts – Any control accounts created under *Accounting > Bank Reconciliation > Manage Custom Accounts* are included unless they are hidden by unticking the *Include in Reconcile System to Bank Report* in *Manage Custom Accounts* . As a general rule they should be included if bank statement entries e.g. bank charges or interest payment are directly posted to them. They should also be shown for Custom Accounts created to reflect Bank Accounts linked to the Client Bank Account (where money is only lodged in the

account via the Client Account). These bank accounts are often used for Tenant's Deposits. The amounts shown will not change after the date selected as it ignores future adjustments.

Unreconciled and Not Banked.

Less: Not Yet Banked – This is money received by using *Take A Payment* but not yet paid into the bank (using *Make a Bank Deposit*). This would typically be cash and cheques still sat in the Letting Agents office. The People Balances includes these amounts because on making *Take a Payment* the system credits the person and debits the bank control account, and creates a *Payment Item* which is listed in the *Make a Bank Deposit*. It is therefore included in the People Balances, but it hasn't yet been paid into the bank.

The *Reconcile System to Bank* report calculates the Not Yet Banked amount (i.e. amount listed in *Make a Bank Deposit* on the selected date) by including transactions that:-

- Transaction Created before Date
- Transaction is un-authorized Today or it was authorised after the Date
- Transaction is not yet linked to a payment or the payment was created after the Date AND created after the transaction creation date.

The amounts shown will not change after the date selected as it ignores future adjustments.

Less: Cards Not Yet Banked – This is the equivalent for Debit and Credit Cards. This is only applicable to Letting Agents with *Reconcile Debit & Credit Cards* activated.

Less: Unreconciled Payment Groups – These are the 'unused' *Payment Groups* with a created date on or before the date selected on the *Reconcile System to Bank Report*. These will typically be outgoing cheques not yet cashed by the beneficiary and other payments in/out that take a day or more to appear on the bank statement e.g. an outgoing BACS will have debited the Landlord Account but will not appear debiting the bank statement for another 3 days. The amounts shown will not change after the date selected as it ignores future adjustments (these are reflected separately in the *Less: Future Deleted / Adjusted Payment Groups* field).

Less: Future Deleted / Adjusted Payment Groups - These are payment groups that existed at that time, but were later deleted or the amount changed. This would typically be an outgoing cheque lost in the post being cancelled on LetMC (by going to Manage Payment Groups and deleting it). Another example might be the amount of cash being banked is changed via the Make a Bank Deposit View. The amount shown can change after the date selected on the report as it takes into account future adjustments.

Plus: Contra of Posted Statement Entries - This is to 'catch' the situation where a staff member applies a contra to an incoming standing order payment (on a person's main account). This could arise where a bank statement entry has been 'linked as electronic payment' to the incorrect person. The correct method to reverse this would be to then transfer the money from the incorrect person to the correct person. Applying a contra does not reverse

the bank statement entry onto the *Reconcile Bank Statements* view but places the contra in the *Bank Control Account* . This amount is then reflected in the *Plus: Contra of Posted Statement Entries* . To 'clear' the amount from this section, the contra transaction has to be contra back to the person again. Then the amount can be correctly journalled to the correct person. The amount shown can change after the date selected on the report as it takes into account future adjustments.

Plus: Corrected 'Take a Payment' - This reflects the situation where a *Take A Payment* is done after the actual money is banked. This would typically arise where the Letting Agent banked some money (without creating a receipt in the system via Take a Payment), then when attempting to match-off/link-up incoming payments in *Reconcile Bank Statements* discovers the amount. Then they go to *Take A Payment* , then *Make a Bank Deposit* to create a payment group to match-off/link-up to the statement entry. The amount shown can change after the date selected on the report as it takes into account future adjustments.

Plus: Future Adjusted Unreconciled Payment Groups.

This reflects the effects of an additional payment items being added to a payment group at a date after the payment group was created. An example could be a situation where a payment group was created by using *Banking Debit and Credit Cards* on the 8th April. This payment group included a number of individual card payment items adding up to £8790.50. However, when the Letting agent came to reconcile/link-up this item to the incoming payment from the PDQ company on the 14th April , they realised there was a missing card payment item for £180 (because the incoming payment from PDQ was £8970.50). They then create a new payment item by going to *Take a Payment* and receipting another £180. This item is then added to the existing payment group dated 8th April. The payment group is then linked and posted to the incoming bank statement entry from PDQ.

The *Reconcile System to Bank* report shows the payment group on the 8th April as being £8970.50 in the *Less: Unreconciled Payment Groups* , but shows the £180 in the *Plus: Future Adjusted Unreconciled Payment Groups* . The net effect of this on the overall balance of the report is to show £8790.50.

Plus: Bank statement entries uploaded but not reconciled within period

This reflects the bank statement entries dated on or before the *Reconcile System to Bank* date, but were not reconciled in *Reconcile Bank Statements* until after this date. This is the actual bank account movement relevant to the period which was not reflected in the *People Balances* or similar for the period.

If a Letting Agent works on a 'month end' basis, and uploads and reconciles bank statement entries on a daily basis, then the bank statement entries dated the last day of the month are not actually reflected on the system until the 1st of the following month. So, in this example, to get the *Reconcile System to Bank Report* accurate, the Letting Agent uploads the bank statement entries dated the last day of the month on the following 1st of the month. Then, they go to the *Reconcile System to Bank* report which will then reflect the bank movement (as a result of the entries of the previous day) in the amount shown next to *Plus: Bank statement entries uploaded but not reconciled within period* . It makes no difference whether the

Letting Agent posts/reconciles these statement entries as the *Reconcile System to Bank Report* will only include these amounts in the *Plus: Bank statement entries uploaded but not reconciled within period* and not in the *People Accounts* or similar.

The system design reason for this is that these reconciled bank statement entries are not subsequently reflected in the *Reconcile System to Bank* report, is because the *Debtors and Creditors* report is not updated again after midnight on the last day of the month. This then means that the *Debtors and Creditors* report always provides a comparable breakdown for the People Balances in the *Reconcile System to Bank* report.

Total - This should match the amount in the Actual Bank.

This only currently works for companies with one bank account which has been reconciled on LetMC from the date it was opened. If this is not the case the Letting Agent should carry out this calculation manually.

The sum total of all sections should equal the balance of the real bank account at that date. As an additional check the *Check against sum total of bank statement entries uploaded* amount should correspond. If there is a difference, then this indicates an erroneous journal posting (or similar problem) which has not been identified in the report. The best approach to identifying the amount is to select the previous days on the *Reconcile System to Bank* report to identify the day that the difference is first shown. Then the focus should be around identifying the amount on that date. Often, they are related to unusual contra transactions or unusual journals posted by a staff member.

If no difference is shown on the report, but the balance on the actual bank statement is different, then the first area to check is that all the bank statement entries have been correctly uploaded into the software via *Reconcile Bank Statements* . This is done by exporting the bank statement entries from the *Reconcile Bank Statements* view into Excel. Then, compare the number of statement entries to the number shown on the Bank's actual bank statement (to check for missing statement entries). If these match, then the next step is to check that the amounts uploaded match the amounts in the actual Bank. To do this, separately sum the debits and the credits and then match these to the sum of the debits and credits on the actual bank statement. This then confirms that the software 'knows about' every bank statement entry.

Any historical difference (usually there is less money in the bank account than the LetMC client records shows) you would probably choose to write off by creating a new control account called 'Legacy balancing' and post a journal (debit Opening Balance, credit Legacy Balancing) which then makes your RStB add up. You would then need to transfer the actual money back from your trading account into the client account and link it to the Legacy Balancing control account to bring the control bank balance to £0.

You should ensure that your landlord and tenant records on LetMC have the correct balance before doing this and in particular take a detailed look at any 'made up' contractors that have been used for unidentified transactions or similar.