**VISULATE – Trial Balance Report**

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**GOAL: Creation of trial balance from current system**

A trial balance is a worksheet that consists of the balance of ledger accounts. In order to create a trial balance it is necessary to create ledgers for each account that provide a running balance, which would allow the user to run a trial balance at any given date. These ledgers will also allow the system to run other reports such as a Profit & Loss and Balance Sheet, which users will find beneficial.

I’ve included samples of a general ledger and trial balance to give you a visual.

|  |  |  |  |
| --- | --- | --- | --- |
| **General Ledger Account: Cash** | | | |
|  |  |  |  |
|  | **Debit** | **Credit** | **Balance** |
| **1/1/2009** | 600.00 |  | 600.00 |
| **1/31/2009** |  | 400.00 | 200.00 |
| **2/10/2009** | 6,000.00 |  | 6,200.00 |
| **2/28/2009** |  | 500.00 | 5,700.00 |
| **3/15/2009** |  | 400.00 | 5,300.00 |
| **4/30/2009** | 4,000.00 |  | 9,300.00 |
| **5/1/2009** |  | 3,000.00 | 6,300.00 |
| **5/5/2009** | 525.00 |  | 6,825.00 |

|  |  |  |
| --- | --- | --- |
| **Trial Balance** | | |
|  |  |  |
| **Account** | **Debit** | **Credit** |
| Cash | 6,825.00 |  |
| Accounts Receivable | 275.00 |  |
| Parts Inventory | 2,225.00 |  |
| Accounts Payable |  | 2,000.00 |
| Capital |  | 7,500.00 |
| Revenue |  | 1,100.00 |
| Expenses | 1,275.00 |  |
| **Total** | 10,600.00 | 10,600.00 |

**POSTING OPTIONS**

**Pushed Through Method:**

This method would require a general ledger as well. However, with this method the account balances would not be “official” until the balances were approved and “pushed through” into the trial balance. After this has occurred, it would be possible to run other reports.

**Automatic Method:**

The general ledger could be kept in “real time”, updating automatically as transactions are completed. (It is possible that the trial balance could be included on the Welcome Screen, with the other information such as alerts and cash flow.)

In my opinion, I believe that the automatic method is more efficient and would be more desirable to positional users. The automatic method would eliminate the additional steps needed in the “pushed through” method and would allow for users to run a profit & loss of balance sheet without having to first approve a trial balance.

**ANTICIPATED SCREENS**

**Trial Balance:**

For this report I would expect a screen in which I can input the desired date and submit my request for the report. I would then expect the trial balance to be displayed and would expect to have features such as a “refresh” button and field where I can change the date, as needed. I would also like to be able to access the accounts represented on the trial balance by selecting the account name from the report which would then open up a screen which displays the ledger for that account. My thought on this is that users would not want to have to exit the report should they find a discrepancy within the report or wish to research an account/transaction.

**Pushed-Through Method:**

This method consists of running and approving a trial balance prior to the figures being posted to the account. I would expect to see screens related to the approval of the trial balance.

**Automatic Method:**

Since this method consists of the ledger account automatically updating all of the work for this function we be done behind the scenes, eliminating the additional screens needed in with the Pushed-Through Method.

**NOTES ON CURRENT CHART OF ACCOUNTS:**

|  |  |  |
| --- | --- | --- |
| ACCT# | Name | Notes/Rules |
| 1110 | Escrow – Tax and Insurance | This account would increase as escrow payments are made to the bank. |
| 1150 | Escrow – Mortgage Payments | Mortgages should be set-up as a mortgage (note) payable and paid accordingly. I am not familiar with a need for an escrow account related to mortgage besides payments collected for taxes and insurance. |
| 1200 | Accounts Receivable | Allocations are set |
| 1300 | Capital Improvements | One thing to note: Costs incurred for "tenant turnover" are not necessarily considered a capital improvement. A capital improvement would be an upgrade to the property, not the replacement of worn carpet due to tenants. We should be careful not to impose rules on transactions that users may mistake as tax advice. |
| 1400 | Reserve Fund | One thing to be careful of is that if Visulate is used to track an actual bank account rather than just a generic "cash" account without reconciliation, in order for this reserve fund to remain accurate it will actually need to be an equity account. EXAMPLE: Money is reserved monthly from the bank account. The actual balance of the bank account will not adjust, however, a reserve-equity account will increase. Having the reserve account as an asset account implies that this account is separate from the "cash" account. |
| 1500 | Supplies | This account would be used to track inventory on hand, such as light fixtures, etc. This account would increase with the purchase of new inventory and decrease when inventory is used for tenant turnover or general repairs. At that time the inventory would either be charged to the tenant or absorbed by the investor. (It wouldn't be a bad idea to eventually have a function that would turn the supply-asset into a supply-expense with the push of a button.) |
| 1700 | Land | Transactions for these accounts can be handled a couple ways. 1) Write a check, which would be written out of the selected (default) bank account. The account selected would be the appropriate asset account. (DB=Bank/Cash, CR=Asset) 2) Journal entry: An entry would be made to DR and CR the appropriate accounts. This would allow for a business partner to add property and increase their capital contribution, without effecting a bank account. |
| 1750 | Buildings |
| 1780 | Accumulated Depreciation Buildings | Contra account, which would be set-up on a schedule for an automatic J/E (adjustment). |
| 1800 | Equipment | Handled the same as the acquisition of Buildings and Land. |
| 1880 | Accumulated Depreciation Equipment | Contra account, which would be set-up on a schedule for an automatic J/E (adjustment). |
| 2100 | Notes Payable | This could be opened up with a check or a J/E. It also might not hurt to eventually develop a system for tracking N/Ps, where the amortization can be entered so payments will be calculated automatically. |
| 2200 | Accounts Payable | Allocations are set |
| 2300 | Tenant Deposits | This transaction could be handled by creating a running balance for the tenant. The first charge would be for the security deposit/pet deposit. Payment of that charge would create a current liability (current because most res. leases are not for more than a year). |
| 2400 | Pre-Paid Rent | This account *could* be eliminated. If rent is prepaid it can just be applied to AR, which would create a (credit) balance prior to the appropriate charge. (i.e. a BS is ran for 3/31/09, which shows a balance of (1,000.00) - this means that the tenant overpaid their account by paying April rent in March. |
| 3000 | Business Owner, Capital | These accounts would be effected by draws and contributions in the form of checks and deposits. |
| 3500 | Business Owner, Drawing |

**Other notes:**

I think that it would be beneficial to add separate accounts for electricity, gas and WST expenses, rather than having these expenses combined in “utilities”. Although it may not effect tax reporting, the ability to monitor utilities is important and something that investors I have worked with have required. Not to mention that monitoring these expenses can help detect repair issues and potential drug activity.

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Account | Debit | Credit | Debit Amount | Credit Amount |
| 1100 - Cash | 378,839.87 | 376,438.45 | 2,401.42 |  |
| 1150 - Escrow - Mortgage Payments | 97,365.43 | 94,078.42 | 3,287.01 |  |
| 1200 - Accounts Receivable | 395,094.72 | 378,839.87 | 16,254.85 |  |
| 1300 - Capital Improvements | 33,505.26 |  | 33,505.26 |  |
| 1800 - Equipment | 1,310.00 |  | 1,310.00 |  |
| 2200 - Accounts Payable | 470,516.87 | 521,213.18 |  | 50,696.31 |
| 4000 - Rental Income |  | 393,517.00 |  | 393,517.00 |
| 4010 - Late Fees |  | 784.00 |  | 784.00 |
| 4020 - Other Income |  | 793.72 |  | 793.72 |
| 5200 - Utilities | 10,061.50 |  | 10,061.50 |  |
| 5300 - Property Taxes | 74,218.76 |  | 74,218.76 |  |
| 5400 - Insurance | 70,456.03 |  | 70,456.03 |  |
| 5500 - Repairs, Cleaning and Maintenace | 77,888.42 |  | 77,888.42 |  |
| 6010 - Advertising Expense | 238.00 |  | 238.00 |  |
| 6020 - Auto and Travel Expense | 5,765.87 |  | 5,765.87 |  |
| 6200 - Office and General Business Expense | 494.00 |  | 494.00 |  |
| 6700 - Interest Expense | 149,909.91 |  | 149,909.91 |  |
| Total |  |  | 445,791.03 | 445,791.03 |

**HOW DOES VISULATE MAKE MONEY?**

In my opinion, I think that the best way for Visulate to make money would for it to be developed into a system that encompasses all of the needs of investors and property managers alike. I think that there is enough room in the market for a system to effectively compete with other systems that provide similar functions. The key will be to keep the costs for the user low. It would also, in my opinion, be a good idea to eventually look to other vendors, such as PayLease (who provides online payment options for tenants and applicants) to see if there is a way to integrate these services into Visulate.