



THE ABC OF TRUST ACCOUNTING (part 2)

You will notice that there is a basic principle shift in trust accounting from general accounting, which is that the money being handled by the sheriff, remains the property of a third party and never forms part of the sheriff's profit. In some cases a portion of the money received may constitute "sheriffs fees" which must be separated from the trust monies in a transparent manner for clarification and auditing purposes.

When receiving money from a debtor, the sheriff may add the fees for execution to the amount owing in terms of the issued writ. The sheriff shall endorse the writ by writing the amount of the debt and fees collected, sign it and have it countersigned by the debtor or person making the payment.

In some situations the trust money is received by way of a sale in execution rather by way of direct payment by the debtor. In these situations the sheriff shall clearly indicate in the vendu roll the amounts received for each item sold reflecting the total amount of the proceeds of the sale, and reflecting all the allowable deductions of sheriffs' fees and costs from the proceeds.

This is done by way of a distribution account that accompanies the sheriff's return of service. Although the procedure requires all these preliminary checks and balances, the follow-up procedures of general bookkeeping remains applicable.

Imagine you are the sheriff of a medium-sized office. Over a period of two weeks you execute various writs and in the process receive full payment, which includes your fees. You also conduct a sale in execution of various matters and have to deal with the proceeds of this sale, which includes the deduction of sheriff's fees and the distribution of the proceeds of the sale.

Step one

Issue receipts for all amounts received.

Step two

Enter amounts received into the bank deposit book. On the counter page of the bank deposit book, record all the transactions by recoding the receipt numbers contained in the bank transaction(s).

The total amount of the receipts issued for that period must equal the amount of the bank deposit. Endorse the date of banking on the counter page of the receipt book.

Step three

Once payment of the trust money is made by cheque, record the cheque number on the counter page or carbon copy of the specific receipt issued for that matter. Cross out the receipt with a red pen indicating the cheque number and date of payment. Enter on the counter page of the cheque book the receipt number for which transaction the payment is made. Always counter record or endorse as indicated.

Reconciliation

At any stage when it becomes necessary, but at least once a week, reconcile the account using the following method:

- Add all the amounts reflected on the receipts not crossed out for payment
- Cross check the bank statement with the cheque book to determine cheques issued that have already been reflected on the statement as paid out. Add up all cheques not reflected on the bank statement from your cheque book stubs.
- The total amount of the receipts banked, without cheques issued, added to the total amount of the unpaid cheques should equal the balance of the bank statement. The amounts of bank charges should be taken from the business account and should therefore not have a debit influence. Interest earned in this account should be a surplus.
- The trust account should never have a negative balance.