

FACTSHEET – TRUST ACCOUNT LEDGER

Under the trust account framework there are strict record keeping requirements. Each trust account is required to have its own set of records including a separate trust account ledger.

What does it do and why is it important?

In simple terms, the trust account ledger shows **who is owed what** from the trust account. It records changes to beneficial interests in amounts that are held (or meant to be held) in trust.

Why does the trust account ledger have to be separate from the business ledger?

The trust account ledger must be separate from the business's general ledger because they have different purposes and record information differently.

What is a business's general ledger?

A general ledger is a business's main record-keeping system for their financial data. It sorts and summarises transactions and assists with preparing and producing financial reports.

	Business's General Ledger	Trust Account Ledger
Purpose	The general ledger outlines the business's assets, liabilities, equity, profit and loss.	The trust account ledger shows what the trustee holds on behalf of beneficiaries - their 'beneficial interest' in amounts held in trust.
Accounts	a separate account for: <ul style="list-style-type: none"> • profit and loss accounts (e.g. sales, purchases, wages, superannuation) • accounts payable • accounts receivable • bank accounts including the business, project and/or retention trust account 	A separate account for: <ul style="list-style-type: none"> each beneficiary • trustee as a beneficiary, and • either – • project trust bank account (for a project trust ledger) OR • retention trust bank account (for a retention trust ledger)
A change is recorded when	A transaction occurs, a liability arises.	A beneficial interest arises or ends.

What are the different accounts on a business ledger?

- profit and loss accounts (e.g. sales, purchases, wages, superannuation)
- accounts payable
- accounts receivable
- bank accounts including the business, project and/or retention trust account

What are the different accounts on a trust accounts ledger?

- each beneficiary
- trustee as a beneficiary, and
- either -
 - project trust bank account (for a project trust ledger) OR
 - retention trust bank account (for a retention trust ledger)
- Note: for the purposes of accounting – also a withholding/pending account and an interest account may be used.

When are changes recorded on the trust account ledger?

For the PTA:

- On payment to beneficiary.
- When payment is due to beneficiary (and no payment).
- When payment schedule given to beneficiary.
- When payment claim is certified or assessed as payable to beneficiary.
- When an adjudication decision, court order, binding decision from a dispute resolution process has been made.
- When money deposited by trustee or principal.
- When interest is received.
- When trustee withdraws funds for themselves.
- When retentions withheld are transferred into the RTA.

When updating the PTA ledger the relevant date to use as the date the beneficial interest arises may be different from the date that it's actually entered – ie. some entries are to be backdated.

For the RTA:

- When payment has been made and retentions have been withheld.
- When retentions are transferred into RTA.
- When trustee tops up RTA.
- When trustee wants to reallocate funds to themselves as they've corrected defects or omissions.
- When retentions are released to beneficiary.
- When retentions are used to pay another party that has fixed defects.
- When interest is received.
- When the trustee withdraws funds for themselves.
- When an adjudication decision, court order, binding decision from a dispute resolution process has been made.

What are trust records?

Under the trust account framework there are strict record keeping requirements. Each trust account is required to have its own set of records including general project documentation, financial records, notices given and received and audit documentation. It is the trustee's responsibility to keep compliant trust records. Some software systems can assist with this requirement.

What are the trust account financial records?

The following records and reports make up the trust account financial records:

1. the trust account bank statements
2. a separate trust account ledger
3. a trust account ledger trial balance statement
4. a record of deposits and withdrawals (similar to a cashbook)
5. copies of monthly bank reconciliations completed.