

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 IS THE LEDGER AND WHY IS IT IMPORTANT?

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

The ledger can be used to help determine how much a trustee is entitled to from the trust funds and therefore able to withdraw to pay themselves or cover other project costs.

WHY IS THE TRUST LEDGER 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.

The trust ledger cannot be an extract of the general accounting records. It applies the opposite method of credit and debit entry to traditional accounting and it does not record assets, liabilities, capital and revenue - it records changes to a beneficial interest for beneficiaries.

WHAT LEDGER ACCOUNTS MUST BE KEPT?

A trust ledger is made up of and includes separate sub-ledger accounts for the following:

- each beneficiary
- the trustee
- the trust (bank) account.

This applies for both the project and retention trusts.

The ledger accounts should be named in a way to identify its purpose (e.g. name of the beneficiary, name of the trustee).

WHEN IS THE TRUST LEDGER TO BE UPDATED?

The trust account ledger must be updated when there is a change in beneficial interest to a beneficiary of the account. These are called relevant 'transactions' and occur when an activity or event affects the financial position and value of beneficial interest in the trust.

For the PTA a transaction occurs:

- when a payment claim is received
- when payment schedule given
- on payment to beneficiary
- when an RCTI is issued
- 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.



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For the RTA a transaction occurs:

- 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.

HOW SOON DO CHANGES NEED TO BE RECORDED ON THE LEDGER?

An activity or event that causes a change to a beneficial interest must be recorded **within 3 business days** of occurring.

The date recorded in the ledger is the date the event or activity occurred, not the date it was entered. For example:

- a payment claim given on 1 July 2024 and entered on 3 July 2024 is recorded as 1 July 2024.
- a payment from the account is recorded as the date the amount was withdrawn, not the date the payment instruction was made.

WHAT INFORMATION MUST BE RECORDED?

When posting a transaction to a ledger account, the following information should be shown:

INFORMATION	LEDGER COLUMN NAME	EXAMPLES
Date of the transaction	Date	Date the payment claim was given Date of payment schedule Date of deposit/withdrawal from account Date the retention was withheld.
Transaction reference or identifier for the transaction	Reference/ID	Journal reference number
Reason for the transaction	Particulars/Details	Received from, given to, paid to and Invoice number
Amount of the transaction	Debit/(Credit)	Dollar value of the transaction

Each transaction will have two corresponding entries, one on each separate sub-ledger as a debit and credit.

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Visit <https://buildingtrusts.com.au/> or contact us via phone 0481 194 000 or email at laura@buildingtrusts.com.au.

