

Current process

Real world activity	Balance sheet (accrual)	Rental owner ending balance	Management income detailed (accrual)	Available cash
Set up a property: Property reserve: \$500 Management fees: 10% of income	0	Ending cash balance: 0 Reserve: \$500 Deposits held: 0	0	(\$500)
Owner contribution of \$500 to cover property reserve (deposited immediately)	Assets Operating account \$500 Equity Owner contribution \$500	Ending cash balance: \$500 Reserve: \$500 Deposits held: 0	0	0
Lease setup: Charge security deposit of \$1,000 Charge rent of \$1,000 Charge late fee of \$50	Assets Accounts receivable \$2,050 Operating account \$500 Liabilities Security deposit liability \$1,000 Equity Owner contribution \$500 Retained earnings \$1,050	Ending cash balance: \$500 Reserve: \$500 Deposits held: 0	Income Late fee income: \$50 <i>This report is from the point of view of the property, but PMs are using it to see how much they should collect from management income accounts. Essentially, they are looking at it from the point of view of the PM company. Need to consider the audience of "PM company".</i>	0
Tenant payment (and deposit): Security deposit: \$1,000 Rent: \$1,000 Late fee: \$50	Assets Operating account \$2,550 Liabilities Security deposit liability \$1,000 Equity Owner contribution \$500 Retained earnings \$1,050	Ending cash balance: \$1,500 Reserve: \$500 Deposits held: \$1,000	Income Late fee income: \$50 <i>There will also be \$100 due as management fees, but this is not reflected anywhere.</i>	\$1,000 <i>Management fees are known but not yet reflected. Paying the owner \$1,000 would result in an overpayment.</i>
Pay vendors: Landscaping: \$25	Assets Operating account \$2,525 Liabilities Security deposit liability \$1,000 Equity Owner contribution \$500 Retained earnings \$1,025	Ending cash balance: \$1,475 Reserve: \$500 Deposits held: \$1,000	Income Late fee income: \$50	\$975
Record management fee expense: 10% of rent = \$100 <i>"Record management fees" does not collect money from the "management income accounts" (late fees in this case). Collecting money from management income accounts is a separate process</i>	Assets Operating account \$2,425 Liabilities Security deposit liability \$1,000 Equity Owner contribution \$500 Retained earnings \$925	Ending cash balance: \$1,375 Reserve: \$500 Deposits held: \$1,000	Income Late fee income: \$50 Expenses Management fees: \$100 <i>The "net income = income - expenses" equation applied here would result in a net income of -\$50, but actually the PM company had net income of \$100 at this point.</i>	\$875
Record management income: \$50 late fee income (as described in help article 111172)	Assets Operating account \$2,375 Liabilities Security deposit liability \$1,000 Equity Owner contribution \$500 Retained earnings \$875	Ending cash balance: \$1,375 Reserve: \$500 Deposits held: \$1,000	Income Late fee income: 0 Expenses Management fees: \$100 <i>The "net income = income - expenses" equation applied here would result in a net income of -\$100, but actually the PM company had net income of \$150 at this point.</i>	\$875 <i>The check to pay the "PM company" vendor cancels out the income</i>
Pay rental owner: owner draw of \$875 from available cash	Assets Operating account \$1,500 Liabilities Security deposit liability \$1,000 Equity Owner contribution \$500 Owner draw (\$875) Retained earnings \$875	Ending cash balance: \$500 Reserve: \$500 Deposits held: \$1,000	Income Late fee income: 0 Expenses Management fees: \$100	0

After FTAC 1

Real world activity	Balance sheet (accrual)	Rental owner ending balance	Management income detailed (accrual)	Available cash	Balance of "Incidental management fees" (new entity)
Set up a property: Property reserve: \$500 Management fees: 10% of income	0	Ending cash balance: 0 Reserve: \$500 Deposits held: 0	0	(\$500)	0
Owner contribution of \$500 to cover property reserve (deposited immediately)	Assets Operating account \$500 Equity Owner contribution \$500	Ending cash balance: \$500 Reserve: \$500 Deposits held: 0	0	0	0
Lease setup: Charge security deposit of \$1,000 Charge rent of \$1,000 Charge late fee of \$50	Assets Accounts receivable \$2,000 Operating account \$500 Liabilities Security deposit liability \$1,000 Equity Owner contribution \$500 Retained earnings \$1,000	Ending cash balance: \$500 Reserve: \$500 Deposits held: 0	Funds due to PM company Late fee income: \$50 Funds paid to PM company 0	0	0
Tenant payment (and deposit): Security deposit: \$1,000 Rent: \$1,000 Late fee: \$50	Assets Operating account \$2,500 Liabilities Security deposit liability \$1,000 Equity Owner contribution \$500 Retained earnings \$1,000	Ending cash balance: \$1,500 Reserve: \$500 Deposits held: \$1,000	Funds due to PM company Late fee income: \$50 FTAC 4: maybe also list \$100 management fee here Funds paid to PM company 0	\$1,000	\$50
Pay vendors: Landscaping: \$25	Assets Operating account \$2,475 Liabilities Security deposit liability \$1,000 Equity Owner contribution \$500 Retained earnings \$975	Ending cash balance: \$1,475 Reserve: \$500 Deposits held: \$1,000	Funds due to PM company Late fee income: \$50 FTAC 4: maybe also list \$100 management fee here Funds paid to PM company 0	\$975	\$50
Record management fee expense: 10% of rent = \$100	Assets Operating account \$2,375 Liabilities Security deposit liability \$1,000 Equity Owner contribution \$500 Retained earnings \$875	Ending cash balance: \$1,375 Reserve: \$500 Deposits held: \$1,000	Funds due to PM company Late fee income: \$50 Funds paid to PM company Management fees: \$100	\$875	\$50
Consider combining these two steps					
Record management income: \$50 late fee income (as described in help article 111172)	Assets Operating account \$2,375 Liabilities Security deposit liability \$1,000 Equity Owner contribution \$500 Retained earnings \$875	Ending cash balance: \$1,375 Reserve: \$500 Deposits held: \$1,000	Funds due to PM company 0 Funds paid to PM company Management fees: \$150	\$875	0
Pay rental owner: owner draw of \$875 from available cash	Assets Operating account \$1,500 Liabilities Security deposit liability \$1,000 Equity Owner contribution \$500 Owner draw (\$875) Retained earnings \$875	Ending cash balance: \$500 Reserve: \$500 Deposits held: \$1,000	Funds due to PM company 0 Funds paid to PM company Management fees: \$150	0	0

After FTAC 2 (without doing FTAC 1)

Real world activity	Balance sheet (accrual)	Rental owner ending balance	Management income detailed (accrual)	Available cash
Set up a property: Property reserve: \$500 Management fees: 10% of income	0	Ending cash balance: 0 Reserve: \$500 Deposits held: 0	0	(\$500)
Owner contribution of \$500 to cover property reserve (deposited immediately)	Assets Operating account \$500 Equity Owner contribution \$500	Ending cash balance: \$500 Reserve: \$500 Deposits held: 0	0	0
Lease setup: Charge security deposit of \$1,000 Charge rent of \$1,000 Charge late fee of \$50	Assets Accounts receivable \$2,050 Operating account \$500 Liabilities Security deposit liability \$1,000 Equity Owner contribution \$500 Retained earnings \$1,050	Ending cash balance: \$500 Reserve: \$500 Deposits held: 0	Income Late fee income: \$50	0
Tenant payment (and deposit): Security deposit: \$1,000 Rent: \$1,000 Late fee: \$50	Assets Operating account \$2,550 Liabilities Security deposit liability \$1,000 Equity Owner contribution \$500 Retained earnings \$1,050	Ending cash balance: \$1,500 Reserve: \$500 Deposits held: \$1,000	Income Late fee income: \$50	\$1,000
Pay vendors: Landscaping: \$25	Assets Operating account \$2,525 Liabilities Security deposit liability \$1,000 Equity Owner contribution \$500 Retained earnings \$1,025	Ending cash balance: \$1,475 Reserve: \$500 Deposits held: \$1,000	Income Late fee income: \$50	\$975
Record management fee expense: 10% of rent = \$100 "Record management fees" does not collect money from the "management income accounts" (late fees in this case). Collecting money from management income accounts is a separate process	Assets Operating account \$2,425 Liabilities Security deposit liability \$1,000 Equity Owner contribution \$500 Retained earnings \$925	Ending cash balance: \$1,375 Reserve: \$500 Deposits held: \$1,000	Income Late fee income: \$50 Expenses Management fees: \$100	\$875
Record management income: \$50 late fee income (as described in help article 111172)	Assets Operating account \$2,375 Liabilities Security deposit liability \$1,000 Equity Owner contribution \$500 Retained earnings \$875	Ending cash balance: \$1,375 Reserve: \$500 Deposits held: \$1,000	Income Late fee income: 0 Expenses Management fees: \$100	\$875
Pay rental owner: owner draw of \$875 from available cash	Assets Operating account \$1,500 Liabilities Security deposit liability \$1,000 Equity Owner contribution \$500 Owner draw (\$875) Retained earnings \$875	Ending cash balance: \$500 Reserve: \$500 Deposits held: \$1,000	Income Late fee income: 0 Expenses Management fees: \$100	0

On property balance breakdown, when comparing Assets to (Available cash + Reserve + Deposits held) there is a discrepancy from the \$50 designated as late fee income.