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:0Reserve:\$500Deposits 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:\$500Reserve:\$500Deposits held:0	0	0
Lease setup: Charge security deposit of \$1,000 Charge rent of \$1,000 Charge late fee of \$50	AssetsAccounts receivable\$2,050Operating account\$500LiabilitiesSecurity deposit liability\$1,000EquityOwner contribution\$500Retained earnings\$1,050	Ending cash balance:\$500Reserve:\$500Deposits held:0	IncomeLate fee income:\$50This 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".	0
Tenant payment (and deposit): Security deposit: \$1,000 Rent: \$1,000 Late fee: \$50	AssetsOperating account\$2,550LiabilitiesSecurity deposit liability\$1,000EquityOwner contribution\$500Retained earnings\$1,050	Ending cash balance:\$1,500Reserve:\$500Deposits held:\$1,000	Income Late fee income: \$50 There will also be \$100 due as management fees, but this is not reflected anywhere. Q. Why is available cash only \$1,000 when retained earning is \$1,050? A. The extra \$50 is designated as late fee income.	S
Pay vendors: Landscaping: \$25	AssetsOperating account\$2,525LiabilitiesSecurity deposit liability\$1,000EquityOwner contribution\$500Retained earnings\$1,025	Ending cash balance:\$1,475Reserve:\$500Deposits held:\$1,000	Income Late fee income: \$50	
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	AssetsOperating account\$2,425LiabilitiesSecurity deposit liability\$1,000EquityOwner contribution\$500Retained earnings\$925	Ending cash balance:\$1,375Reserve:\$500Deposits held:\$1,000	IncomeLate fee income:\$50ExpensesManagement fees:\$100The "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.	
Record management income:	Assets	Ending cash balance: \$1,375	Income The check to pay the "PM	\$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

\$500

\$1,000

Income The check to pay the "PM \$875 Late fee income: 0 company" vendor cancels out the income Expenses Management fees: \$100 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.

0

Pay rental owner: owner draw of \$875 from available cash

Assets

Operating account \$1,500

Liabilities

Security deposit liability \$1,000

Ending cash balance: \$500 Reserve: Deposits held:

Late fee income:

Income

Expenses Management fees: \$100

0

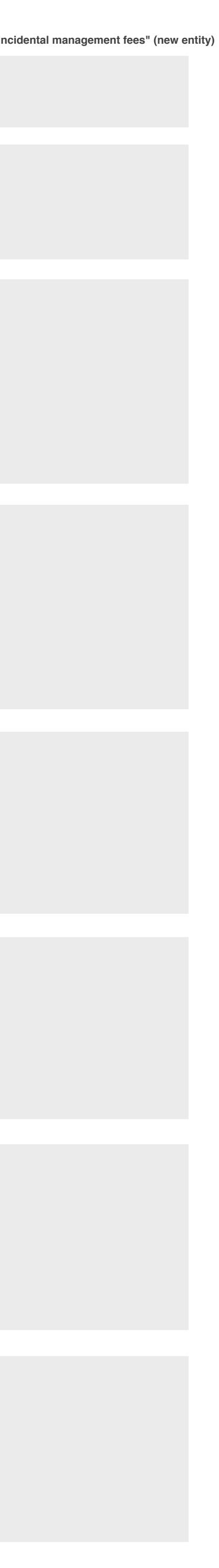
Equity

Owner contribution \$500 (\$875) Owner draw Retained earnings \$875

After FTAC 1				
Real world activity	Balance sheet (accrual)		Rental owner ending	balance
Set up a property: Property reserve: \$500 Management fees: 10% of income	0		Ending cash balance: Reserve: Deposits held:	0 \$500 0
Owner contribution of \$500 to cover property reserve (deposited immediately)	Assets Operating account Equity Owner contribution	\$500 \$500	Ending cash balance: Reserve: Deposits held:	\$500 \$500 0
Lease setup: Charge security deposit of \$1,000 Charge rent of \$1,000 Charge late fee of \$50	Assets Accounts receivable Operating account Liabilities Security deposit liability Equity Owner contribution Retained earnings	\$500 \$50 of late fee	Ending cash balance: Reserve: Deposits held:	\$500 \$500 0
Tenant payment (and deposit): Security deposit: \$1,000 Rent: \$1,000 Late fee: \$50	Assets Operating account Liabilities Security deposit liability Equity Owner contribution Retained earnings	\$2,500 \$1,000 \$500 \$1,000	Ending cash balance: Reserve: Deposits held:	\$1,500 \$500 \$1,000
Pay vendors: Landscaping: \$25	Assets Operating account Liabilities Security deposit liability Equity Owner contribution Retained earnings	\$2,475 7 \$1,000 \$500 \$975	Ending cash balance: Reserve: Deposits held:	: \$1,475 \$500 \$1,000
Record management fee expense: 10% of rent = \$100	Assets Operating account Liabilities Security deposit liability Equity Owner contribution Retained earnings	\$2,375 7 \$1,000 \$500 \$875	Ending cash balance: Reserve: Deposits held:	: \$1,375 \$500 \$1,000
Consider combining these two steps				
Record management income: \$50 late fee income (as described in help article 111172)	Assets Operating account Liabilities Security deposit liability Equity Owner contribution Retained earnings	\$2,375 7 \$1,000 \$500 \$875	Ending cash balance: Reserve: Deposits held:	: \$1,375 \$500 \$1,000
Pay rental owner: owner draw of \$875 from available cash	Assets Operating account Liabilities Security deposit liability Equity Owner contribution Owner draw Retained earnings	\$1,500 7 \$1,000 \$500 (\$875) \$875	Ending cash balance: Reserve: Deposits held:	: \$500 \$500 \$1,000

Management income detailed (accrual)	Available cash	Balance of "Inc
0	(\$500)	0
0	0	0
Funds due to PM company Late fee income:\$50on "Incidental management fees" entity's books (on accrual basis)Funds paid to PM company 0	0	0
Funds due to PM companyLate fee income:\$50FTAC 4: maybe also list \$100 management fee hereFunds paid to PM company0	\$1,000 FTAC 4: maybe also reflect \$100 management fee here to reduce available cash by \$100	\$50
Funds due to PM company Late fee income: \$50FTAC 4: maybe also list \$100 management fee hereFunds paid to PM company 0	\$975 FTAC 4: maybe also reflect \$100 management fee here to reduce available cash by \$100	\$50
Funds due to PM company Late fee income: \$50Funds paid to PM company Management fees: \$100	\$875	\$50
Funds due to PM company 0Funds paid to PM company Management fees: \$150	\$875	0
Funds due to PM company 0	0	0

Funds paid to PM company Management fees: \$150

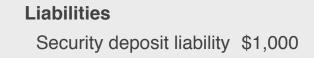


After FTAC 2 (without doing FTAC 1)

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:0Reserve:\$500Deposits 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	Ending cash balance:\$500Reserve:\$500Deposits held:0	Income Late fee income: \$50	0
	Liabilities Security deposit liability \$1,000			
	EquityOwner contribution\$500Retained earnings\$1,050			
Tenant payment (and deposit): Security deposit: \$1,000 Rent: \$1,000	Assets Operating account \$2,550	Ending cash balance: \$1,500 Reserve: \$500 Deposits held: \$1,000	Income Late fee income: \$50	\$1,000

\$1,000

Deposits held:



	Equity Owner contribution \$500 Retained earnings \$1,050	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.		
Pay vendors: Landscaping: \$25	AssetsOperating account\$2,525LiabilitiesSecurity deposit liability\$1,000EquityOwner contribution\$500Retained earnings\$1,025	Ending cash balance: \$1,475 Reserve: \$500 Deposits held: \$1,000	Income Late fee income: \$50	
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	AssetsOperating account\$2,425LiabilitiesSecurity deposit liability\$1,000EquityOwner contribution\$500Retained earnings\$925	Ending cash balance: \$1,375 Reserve: \$500 Deposits held: \$1,000	IncomeLate fee income:\$50ExpensesManagement fees:\$100	\$875
Record management income: \$50 late fee income (as described in help article 111172)	Assets Operating account \$2,375	Ending cash balance: \$1,375 Reserve: \$500	Income Late fee income: 0	\$875

\$1,000

\$500

\$1,000

\$50 late fee income (as described in help article 111172)

Late fee: \$50

Operating account \$2,375 Liabilities Security deposit liability \$1,000

Equity \$500 Owner contribution Retained earnings \$875

Pay rental owner: owner draw of \$875 from available cash

Assets

Operating account \$1,500

Liabilities

Security deposit liability \$1,000

Ending cash balance: \$500 Reserve: Deposits held:

Deposits held:

Late fee income:

Income

Expenses

Management fees:

\$100

0

0

Expenses Management fees: \$100

Equity

Owner contribution \$500 Owner draw (\$875) Retained earnings \$875