

Example – First Month of Trust Account Activity (Pooled and Specific Trust Investment Accounts)

Types of transactions include:

- receipts (retainer in cash, estate proceeds and litigation settlement);
 - disbursements (Receiver General, statement of account, and client settlement);
 - a transfer between two different matters; and
 - specific trust investment account transactions (investment, interest earning, and redemption).
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To demonstrate the trust accounting records that result from some of the various types of transactions, this example of first month activity starts with a narrative of transactions.

Following the narrative, the transactions are entered on books of original entry as well as the applicable ledgers. Finally, monthly trust reconciliations for both the pooled and specific trust investment accounts are demonstrated.

Transaction Narrative

Red & Red LLP has an approved trust account supervisor who has completed the education and exam. The trust account supervisor has opened a pooled trust account and notified the Law Society.

As the trust account supervisor, you have decided to use a manual system, with a separate book of original entry for transactions for your pooled and specific trust investment accounts.

TRANSACTION 1 – RECEIPT OF BANK DRAFT INTO POOLED TRUST ACCOUNT FOR BLACK ESTATE

On May 1, you receive a draft for \$50,000 from Credit Union #1 for the Estate of Ms B. Black, file # 001.

This is recorded in the book of original entry, and the applicable client ledger.

TRANSACTION 2 – INVESTMENT OF FUNDS FROM TRANSACTION 1

As the funds on the first transaction meet the criteria for a specific trust investment account, you proceed to issue your first trust cheque to invest the funds.

You have invested in a three month guaranteed investment certificate, as you do not anticipate needing the funds in the short term.

You update the book of original entry for the pooled trust account for cheque #1. You also update the book of original entry for the specific trust investment account for the receipt.

In addition, the client ledger created for transaction 1 is updated (#001). You also need to create a ledger for the specific trust investment account (#001 STIA).

TRANSACTION 3 – RECEIPT OF CASH INTO POOLED TRUST ACCOUNT FOR BROWN DIVORCE

On the R. Brown Divorce (File #002), your client provides you with \$2,500 in cash on May 1.

At the time you receive the funds, you issue a receipt from your duplicate receipt book since you are receiving cash, ensuring to record all the required information, including Mr. Brown's signature. He must also receive a copy of the receipt after it is completed.

You also make the necessary entries in your book of original entry and Mr. Brown's ledger.

TRANSACTION 4 – RECEIPT OF BANK DRAFT INTO POOLED TRUST ACCOUNT FOR FUSCHIA ESTATE

On May 4, you receive another draft, this time from the Bank #2. It is for \$5,000 on the Estate of Mr. F. Fuchsia (#003).

Once again, you make the necessary entries in both your book of original entry and the Fuchsia Estate ledger.

TRANSACTION 5 – ADDITIONAL FUNDS RECEIVED ON THE FUSCHIA ESTATE FOR THE POOLED TRUST ACCOUNT

A cheque for \$35,000 from Investment Dealer #3 arrives May 7, also for the Fuchsia Estate (#003). Your book of original entry and ledger need to be updated.

TRANSACTION 6 – INVESTMENT OF FUNDS ON FUSCHIA ESTATE

Similar to Transaction 2, you are investing client trust funds, after first depositing them to your pooled trust account. Don't forget to use the correct payee on the cheque "Red & Red LLP in trust for the Estate of F. Fuchsia". The investment is made on May 8, for \$40,000.

In this case, you are using a daily interest account for the investment, as you anticipate needing to withdraw funds from it shortly to pay various estate related expenses.

TRANSACTION 7 – PAYMENT OF AN INTERIM STATEMENT OF ACCOUNT FROM TRUST MONEY ON THE BROWN DIVORCE

Work has been progressing on the Brown divorce matter (#002), and it is time for an interim billing. You start by confirming there are funds available in the matter, first checking the ledger to ensure there are sufficient funds in trust to pay for the account. You also confirm that the funds are available by noting that the retainer was received in cash and has been deposited to the bank.

You prepare a statement of account that totals \$2,300, and provide it to Mr. Brown in your afternoon meeting with him on May 15. After he has left, you prepare a trust cheque for \$2,300.00, updating both the book of original entry and Mr. Brown's ledger to reflect the transactions.

By the way, don't forget to that this payment to the firm becomes a receipt in your *general* account – you'll need to update your general account book of original entry accordingly.

TRANSACTIONS 8 & 9 – WITHDRAWAL OF FUNDS FROM THE FUSCHIA SPECIFIC TRUST INVESTMENT ACCOUNT, AND PAYMENT TO THE RECEIVER GENERAL

In order to pay an income tax liability of the Fuchsia Estate, the personal representative has authorized payment of \$850 from trust to the Receiver General. Looking at the ledger for the pooled trust account for this matter, there is no money in the pooled account. However, the specific trust investment account ledger has \$40,000. Therefore, instructions were sent to the savings institution to transfer \$1,000 from the specific trust investment account. As there is no cheque stock on a specific trust investment account, the instructions to the bank are done in writing, with the correspondence signed by a member of the firm with signing authorization at the bank. The savings institution may issue a draft, or transfer the funds internally directly to the pooled trust account.

From the bookkeeping perspective, the withdrawal from the specific trust investment account and deposit to the pooled trust account is now recorded in each book of original entry and the ledgers for matter #003 & #003 STIA.

Once verifying the funds have been deposited to the pooled account, a trust cheque can be written for the disbursement, and the corresponding entries recorded in the book of original entry and ledger for matter #003. The withdrawal is done on May 15 and the income tax payment on May 16.

TRANSACTIONS 10 - 14 – SETTLEMENT TRANSACTIONS AND MATTER TO MATTER TRANSFER FOR MR. WHITE

On May 31, settlement proceeds were received on the White matter (#004) by wire transfer directly to the trust account. After confirming with your savings institution that the funds were deposited, you:

- Record the receipt in your book of original entry and Mr. White's ledger;
- Write a trust cheque to the Manitoba Clinic to pay for a disbursement on the matter, again updating the book of original entry and ledger.

Also on May 31, the following occurs for the same client:

- When you call Mr. White to advise him that the settlement proceeds have been received, Mr. White agrees that \$3,000 of the settlement proceeds can be used for a statement of account you had rendered earlier that week on his domestic matter (file #005);
- After your call, you prepare another trust cheque, this one payable to Mr. White, for partial settlement proceeds (book of original entry and ledger updated for this too);
- When you meet with Mr. White in the afternoon, you provide him with a reporting letter for the accident, enclosing the cheque for net settlement proceeds, as well as a statement of account for \$2,000 for your services related to the matter. Within the reporting letter, you have confirmed his earlier verbal authorization for the transfer to the domestic matter (you could have instead chosen to ask him to sign an Order to Pay or Transfer Authorization during the meeting to document his consent); and
- After your meeting, you record the transfer in your book of original entry and both affected ledgers.

(Although this is not demonstrated in the example, you prepare two trust cheques the next day (June 1) to Red & Red LLP for the statement of account for each of matters 004 and 005.)

TRANSACTION 15 – INTEREST IS EARNED ON THE FUSCHIA ESTATE INVESTMENT

As the investment for this matter is a daily interest account, your savings institution has credited \$150 to the investment on May 31.

Both the book of original entry and ledger for the specific investment are updated to reflect the transaction.

Example Books of Original Entry and Client Trust Ledgers

TRUST BOOKS OF ORIGINAL ENTRY – Pooled Trust Account

Not every column will be used for every transaction. Each column is labelled with a number:

- (1) Use these columns for every transaction;
 - (2) In addition to columns labelled (1), use these columns when you *receive* money; and
 - (3) In addition to columns labelled (1), use these columns when you *disburse* money (i.e. write a cheque).
- Transfers between client matters can be recorded as a *disbursement* from one client and a *receipt* for the other.

Date (1)	Client Name &/or Number (1)	Description (1)	Source of Funds (2) *	Form of Receipt (2) *	Receipt # (2) *	Cheque Payee (3) *	Cheque # (3) *	Cheque Amount (3)	Receipt Amount (2)	Balance (1)
May 1, 20XX	Black – Estate 001	Estate funds	Credit Union #1	Draft	1				50,000	50,000
May 1, 20XX	Black – Estate 001	Invest in specific trust investment account				Red & Red LLP in trust for Estate of B. Black	1	50,000		0
May 1, 20XX	Brown – Divorce 002	Retainer	R. Brown	Cash	2				2,500	2,500
May 4, 20XX	Fuchsia – Estate 003	Estate funds	Bank #2	Draft	3				5,000	7,500
May 7, 20XX	Fuchsia – Estate 003	Estate funds	Investment Dealer #3	Cheque	4				35,000	42,500
May 8, 20XX	Fuchsia – Estate 003	Invest in specific trust investment account				Red & Red LLP in trust for Estate of F. Fuchsia	2	40,000		2,500
May 15, 20XX	Brown – Divorce 002	Fees & disbursements				Red & Red LLP	3	2,300		200

* These columns do not apply for matter to matter transfers.

TRUST BOOK OF ORIGINAL ENTRY – Pooled Trust Account

Not every column will be used for every transaction. Each column is labelled with a number:

- (1) Use these columns for every transaction;
- (2) In addition to columns labelled (1), use these columns when you *receive* money; and
- (3) In addition to columns labelled (1), use these columns when you *disburse* money (i.e. write a cheque).

Transfers between client matters can be recorded as a *disbursement* from one client and a *receipt* for the other.

Date (1)	Client Name &/or Number (1)	Description (1)	Source of Funds (2) *	Form of Receipt (2) *	Receipt # (2) *	Cheque Payee (3) *	Cheque # (3) *	Cheque Amount (3)	Receipt Amount (2)	Balance (1)
May 15, 20XX	Fuchsia – Estate 003	Partial redemption of specific trust investment account	Fuchsia specific trust investment account	Transfer	5				1,000	1,200
May 16, 20XX	Fuchsia – Estate 003	Income taxes				Receiver General	4	850		350
May 31, 20XX	White – Accident 004	Settlement	MPIC	Wire	6				20,000	20,350
May 31, 20XX	White – Accident 004	Doctor's report				Manitoba Clinic	5	500		19,850
May 31, 20XX	White – Accident 004	Settlement proceeds				Mr. W. White	6	14,500		5,350
May 31, 20XX	White – Accident 004	Transfer to domestic matter White #005						3,000		2,350
May 31, 20XX	White – Domestic 005	Transfer from accident matter White #004							3,000	5,350

* These columns do not apply for matter to matter transfers.

TRUST BOOK OF ORIGINAL ENTRY – Specific Trust Investment Account

Not every column will be used for every transaction. Each column is labelled with a number:

- (1) Use these columns for every transaction;
- (2) In addition to columns labelled (1), use these columns when you *receive* funds from the pooled trust account or the investment earns interest; and
- (3) In addition to columns labelled (1), use these columns when you *return* money to the pooled trust account (i.e. partial or full redemption of the investment).

Date (1)	Client Name &/or Number (1)	Description (1)	Source of Funds (2)	Destination of Funds Disbursed (3) *	Redemption Amount (3)	Receipt Amount (2)	Balance (1)
May 1, 20XX	Black – Estate 001 STIA	Initiate investment	Transferred from pooled trust account			50,000	50,000
May 8, 20XX	Fuchsia – Estate 003 STIA	Initiate investment	Transferred from pooled trust account			40,000	90,000
May 15, 20XX	Fuchsia – Estate 003 STIA	Partial redemption		Pooled trust account	1,000		89,000
May 31, 20XX	Fuchsia – Estate 003 STIA	Interest	Investment earnings			150	89,150

* Although this must be a firm pooled trust account, this column becomes relevant if the firm has more than one pooled trust account. Otherwise, this column will always contain 'pooled trust account'.

CLIENT TRUST LEDGER – Pooled Trust Account

Not every column will be used for every transaction. Each column is labelled with a number:

- (1) Use these columns for every transaction;
- (2) In addition to columns labelled (1), use these columns when you *receive* money; and
- (3) In addition to columns labelled (1), use these columns when you *disburse* money (i.e. write a cheque).

Transfers between client matters can be recorded as a *disbursement* from one client and a *receipt* for the other.

MATTER: Estate of Ms B. Black							FILE # 001	
NAME: Mr. E. Black, executor								
ADDRESS: 15 Lake City Drive								
Date (1)	Description (1)	Source of Funds (2)	Receipt # (2)	Cheque Payee (3)	Cheque # (3)	Cheque Amount (3)	Receipt Amount (2)	Balance (1)
May 1, 20XX	Estate funds	Credit Union #1 - draft	1				50,000	50,000
May 1, 20XX	Invest in specific trust investment account			Red & Red LLP in trust for Estate of B. Black	1	50,000		0

CLIENT TRUST LEDGER – Specific Trust Investment Account

Not every column will be used for every transaction. Each column is labelled with a number:

- (1) Use these columns for every transaction;
- (2) In addition to columns labelled (1), use these columns when you *receive* funds from the pooled trust account; and
- (3) In addition to columns labelled (1), use these columns when you *return* money to the pooled trust account (i.e. partial or full redemption of the investment).

MATTER: Estate of Ms B. Black					FILE # 001 STIA	
NAME: Mr. E. Black, executor						
ADDRESS: 15 Lake City Drive						
Date (1)	Description (1)	Source of Funds (2)	Destination of Funds Disbursed (3)*	Redemption Amount (3)	Receipt Amount (2)	Balance (1)
May 1, 20XX	Invest in guaranteed investment certificate	Transferred from pooled account			50,000	50,000

* Although the funds must be returned to a firm pooled trust account, this column becomes relevant if the firm has more than one pooled trust account. Otherwise, this column will always contain 'pooled trust account'.

CLIENT TRUST LEDGER – Pooled Trust Account

Not every column will be used for every transaction. Each column is labelled with a number:

- (1) Use these columns for every transaction;
- (2) In addition to columns labelled (1), use these columns when you *receive* money; and
- (3) In addition to columns labelled (1), use these columns when you *disburse* money (i.e. write a cheque).

Transfers between client matters can be recorded as a *disbursement* from one client and a *receipt* for the other.

MATTER: Divorce							FILE # 002	
NAME: Mr. R. Brown								
ADDRESS: 31 Cherrylane								
Date (1)	Description (1)	Source of Funds (2)	Receipt # (2)	Cheque Payee (3)	Cheque # (3)	Cheque Amount (3)	Receipt Amount (2)	Balance (1)
May 1, 20XX	Retainer	R. Brown - cash	2				2,500	2,500
May 15, 20XX	Statement of account #1			Red & Red LLP	3	2,300		200

CLIENT TRUST LEDGER – Pooled Trust Account

Not every column will be used for every transaction. Each column is labelled with a number:

- (1) Use these columns for every transaction;
- (2) In addition to columns labelled (1), use these columns when you *receive* money; and
- (3) In addition to columns labelled (1), use these columns when you *disburse* money (i.e. write a cheque).

Transfers between client matters can be recorded as a *disbursement* from one client and a *receipt* for the other.

MATTER: Estate of F. Fuchsia							FILE # 003	
NAME: Ms M. Fuchsia, executrix								
ADDRESS: 15 Byron Bay								
Date (1)	Description (1)	Source of Funds (2)	Receipt # (2)	Cheque Payee (3)	Cheque # (3)	Cheque Amount (3)	Receipt Amount (2)	Balance (1)
May 4, 20XX	Estate funds	Bank #2 – draft	3				5,000	5,000
May 7, 20XX	Estate funds	Investment Dealer #3 – cheque	4				35,000	40,000
May 8, 20XX	Invest in specific trust investment account			Red & Red LLP in trust for Estate of F. Fuchsia	2	40,000		0
May 15, 20XX	Partial redemption of specific trust investment account	Fuchsia specific trust investment account #003 STIA	5				1,000	1,000
May 16, 20XX	Income taxes			Receiver General	4	850		150

CLIENT TRUST LEDGER – Specific Trust Investment Account

Not every column will be used for every transaction. Each column is labelled with a number:

- (1) Use these columns for every transaction;
- (2) In addition to columns labelled (1), use these columns when you *receive* funds from the pooled trust account; and
- (3) In addition to columns labelled (1), use these columns when you *return* money to the pooled trust account (i.e. partial or full redemption of the investment).

MATTER: Estate of F. Fuchsia					FILE # 003 STIA	
NAME: Ms M. Fuchsia, executrix						
ADDRESS: 15 Byron Bay						
Date (1)	Description (1)	Source of Funds (2)	Destination of Funds Disbursed (3) *	Redemption Amount (3)	Receipt Amount (2)	Balance (1)
May 8, 20XX	Invest in Daily Interest Account	Pooled trust account			40,000	40,000
May 15, 20XX	Partial redemption		Pooled trust account	1,000		39,000
May 31, 20XX	Interest for May	Investment earnings			150	39,150

* Although the funds must be returned to a firm pooled trust account, this column becomes relevant if the firm has more than one pooled trust account. Otherwise, this column will always contain 'pooled trust account'.

CLIENT TRUST LEDGER – Pooled Trust Account

Not every column will be used for every transaction. Each column is labelled with a number:

- (1) Use these columns for every transaction;
- (2) In addition to columns labelled (1), use these columns when you *receive* money; and
- (3) In addition to columns labelled (1), use these columns when you *disburse* money (i.e. write a cheque).

Transfers between client matters can be recorded as a *disbursement* from one client and a *receipt* for the other.

MATTER: Accident							FILE # 004	
NAME: Mr. W. White								
ADDRESS: 76 ABC Street								
Date (1)	Description (1)	Source of Funds (2) *	Receipt # (2) *	Cheque Payee (3) *	Cheque # (3) *	Cheque Amount (3)	Receipt Amount (2)	Balance (1)
May 31, 20XX	Settlement	MPIC – wire transfer	6				20,000	20,000
May 31, 20XX	Doctor's report			Manitoba Clinic	5	500		19,500
May 31, 20XX	Settlement proceeds			Mr. W. White	6	14,500		5,000
May 31, 20XX	Transfer to domestic matter White #005					3,000		2,000

* These columns do not apply for matter to matter transfers.

CLIENT TRUST LEDGER – Pooled Trust Account

Not every column will be used for every transaction. Each column is labelled with a number:

- (1) Use these columns for every transaction;
- (2) In addition to columns labelled (1), use these columns when you *receive* money; and
- (3) In addition to columns labelled (1), use these columns when you *disburse* money (i.e. write a cheque).

Transfers between client matters can be recorded as a *disbursement* from one client and a *receipt* for the other.

MATTER: Domestic							FILE # 005	
NAME: Mr. W. White								
ADDRESS: 76 ABC Street								
Date (1)	Description (1)	Source of Funds (2) *	Receipt # (2) *	Cheque Payee (3) *	Cheque # (3) *	Cheque Amount (3)	Receipt Amount (2)	Balance (1)
May 31, 20XX	Transfer from accident matter White #004						3,000	3,000

* These columns do not apply for matter to matter transfers.

Monthly Trust Reconciliations

Using the example transactions for May, a monthly reconciliation for both the pooled trust account and the specific trust investment accounts will be illustrated below.

The basic concept of a monthly reconciliation is to compare firm records with the savings institution's records. Since every transaction is recorded by the firm in both the book of original entry and the client trust ledgers, both records are used as part of the reconciliation.

POOLED TRUST ACCOUNT

If you were using an electronic accounting system, your first step after month end would be to print your book of original entry. This usually means the first business day after the end of the month. Since Red & Red LLP is using a manual system, this step does not apply.

For members with manual systems, the first step in the bank reconciliation generally begins after receipt of monthly statement. Firms who use on-line banking (on a 'read only' basis) sometimes log in to obtain their account information so they can reconcile earlier than waiting for the monthly statement to be ready.

When Red & Red LLP's bank statement arrives, the ending balance at May 31 is \$20,315.

Since this is Red & Red LLP's first month of operations, there is no prior reconciliation to reference. Otherwise, the prior month's reconciliation is used for the list of reconciling items that were outstanding that have now cleared, or as is sometimes the case for outstanding cheques, remain outstanding again in the current month's reconciliation.

Now that all necessary records have been gathered, it's time to perform the reconciliation:

1. Account for all enclosures with your statement: Occasionally a cheque clears the bank, but either the original or image is not provided by your savings institution with the monthly statement. Make a note of it. You will need to contact your savings institution to ensure you receive the missing record.
2. Review the bank statement and cleared cheques: All transactions should look reasonable – there shouldn't be any surprises! However, if you see a bank charge that shouldn't be there, you need to make note of it. It will be a reconciling item, as well as something that needs to be investigated further and corrected as part of your follow up after the reconciliation has been completed.

In our example, the bank charged \$35 to the account for cheque printed charges after the account was opened. Since it should not have been deducted from the trust account, you will add it back in the reconciliation calculation.

3. Compare transactions in your book of original entry with the bank statement: Your firm should have a record of each withdrawal and deposit in the statement. So, you systematically compare each transaction on your statement with your book of original entry.

Anything on your statement that is not in your book of original entry? You need to make a note of it. It will be a reconciling item for the month, and needs to be investigated.

There will likely be transactions in your book of original entry that are not on your statement. In our example, cheques 5 and 6 have not yet cleared the bank by May 31, so they are outstanding items.

Outstanding cheques are deducted from the bank statement balance in a reconciliation.

After this step is completed, you know which transactions on your book of original entry are different from your monthly statement.

4. Make a list of the client ledgers for the pooled trust account with balances at the end of the month: As part of the reconciliation process, you must compile a list of ledgers with balances outstanding at May 31.

In our example, Brown (#002), Fuchsia (#003), and White (#004 and #005) had balances at the end of the month. This list will become the third part in the reconciliation.

A completed bank reconciliation for the items noted above is on the next page:

Red & Red LLP

Pooled Trust Account Bank Reconciliation

May 31, 20XX

Ending Balance from the bank statement \$20,315 (a)

Outstanding Cheques:

<u>Chq Date</u>	<u>Chq #</u>	<u>File #</u>	<u>Payee</u>	<u>Amount</u>
May 31	5	004	Manitoba Clinic	\$ 500
May 31	6	004	Mr. White	<u>\$14,500</u>

Total Outstanding Cheques \$15,000 (b)

Other Reconciling Items:

Bank charge May 1 cheque printing \$ 35 (c)

Reconciled Bank Balance (a) – (b) + (c) \$ 5,350 (PART 1)

Balance of Book of Original Entry as at May 31 \$ 5,350 (PART 2)

Client Trust Listing:

<u>File #</u>	<u>Client</u>	<u>Matter</u>	<u>Last Entry Date</u>	<u>Amount</u>
#002	Brown	Divorce	May 15, 20XX	\$ 200
#003	Fuchsia	Estate	May 16, 20XX	\$ 150
#004	White	Accident	May 31, 20XX	\$ 2,000
#005	White	Domestic	May 31, 20XX	<u>\$ 3,000</u>

Total Client Trust Ledgers \$ 5,350 (PART 3)

As Part 1, 2 and 3 are all the same, you are in balance. You reconciled!

SPECIFIC TRUST INVESTMENT ACCOUNT

If a member has activity in more than one specific trust investment account at the same savings institution during the month, the monthly reconciliation can include all accounts together. In comparison, should the member have more than one pooled trust account, each account must be reconciled separately.

So, in the case of Red & Red LLP, the daily investment account for the Fuchsia estate and the guaranteed investment certificate for the Black estate can be reconciled together.

A reconciliation of a specific trust investment account also starts with the receipt of the monthly statement. As was the case with pooled trust accounts, firms who use on-line banking (on a 'read only' basis) sometimes log in to obtain their account information so they can reconcile earlier than waiting for monthly statements to arrive.

The type of monthly statement you receive will depend both on the type of investment, as well as which savings institution you are using. Furthermore, for guaranteed investment certificates with some institutions, you may not automatically receive a monthly statement for transactions. Regardless of these factors, you *must* obtain a monthly statement of balance in some form. In some cases, firm staff request that a teller print the information when they attend to their savings institution on the first banking day subsequent to month end.

As was mentioned for the pooled account, there is no prior reconciliation to reference, as this is Red & Red LLP's first month of operations.

As all necessary records have been gathered, here are some guidelines for performing the reconciliation:

1. Review the monthly statement(s):
 - a. Ensure the savings institution has set up the investment correctly – is the investment for the Black estate in the name of "Red & Red LLP in trust for the Estate of Ms B. Black"?

The investment for the Fuchsia Estate should be similarly named.

 - b. You should also be reviewing the transactions to ensure they are reasonable.
 - c. Compare each monthly statement with the corresponding STIA ledger.

Since Red & Red LLP has more than one specific trust investment account at month end, an additional comparison between the monthly statements and the firm records must be performed. The balance for the

Black estate on the guaranteed investment certificate should be the same as the ledger balance for the Black estate. The same is true for the Fuchsia estate.

2. Compare transactions in the specific trust investment account book of original entry with the monthly statement: As with your pooled trust account, you need to systematically compare each transaction on your statements with your book of original entry. Anything on your statement that is not in your book of original entry? Equally, is there anything on your book of original entry that is not reflected on your statements? You need to make a note of these differences. They will be reconciling items for the month, and need to be investigated and resolved.
3. Make a list of the STIA client ledgers with balances at the end of the month:

In our example, Black (#001STIA) and Fuchsia (#003STIA) had balances at the end of the month. A list of these matters must be prepared, with the total compared with the book of original entry balance.

A completed bank reconciliation for the items noted above is on the next page:

Red & Red LLP

Specific Trust Investment Account Reconciliation

May 31, 20XX

Ending Balance from the bank statements:

Black guaranteed investment certificate	\$50,000	
Fuchsia daily interest account	<u>\$39,150</u>	
Total statement balances		\$89,150
Outstanding Items		<u>nil</u>
<u>Reconciled Bank Balance</u>		<u>\$89,150</u> (PART 1)
<u>Balance of Specific Trust Investment Account Book of Original Entry as at May 31</u>		<u>\$89,150</u> (PART 2)

Client Trust Listing:

<u>File.#</u>	<u>Client</u>	<u>Matter</u>	<u>Last Entry Date</u>	<u>Amount</u>	
001 STIA	Black	Estate	May 1, 20XX	\$50,000	
003 STIA	Fuchsia	Estate	May 31, 20XX	<u>\$39,150</u>	
<u>Total Client Trust Ledgers</u>					<u>\$89,150</u> (PART 3)

As Part 1, 2 and 3 are all the same, you are in balance. You reconciled!