



NOVA SCOTIA  
BARRISTERS' SOCIETY

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**T R U S T   A C C O U N T S   M A N U A L**

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# DISCLAIMER

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The Trust Accounts Manual was prepared in accordance with regulations found in the *Legal Profession Act*. Should there be a discrepancy between the two documents, the *Legal Profession Act* will take precedence.



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# DEFINITIONS

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The following definitions and terms are commonly used when referring to trust accounts.

**Authorization documents** - Letters and other written material in files authorizing, documenting or explaining a trust transaction.

**Book of Original Entry** - A book (or books) recording in chronological order the receipt of all trust money, showing from whom and for whom the funds were received and all disbursements made out of trust money, showing to whom and for whom the funds were paid and showing the date when funds were received and/or disbursed. This is also referred to as a “synoptic,” a “cash book” or a “trust journal.” The book of original entry can be comprised of separate journals for receipts and disbursements.

**Cash** – Coins referred to in Section 7 of the Currency Act of Canada, notes issued by the Bank of Canada pursuant to the Bank of Canada Act that are intended for circulation in Canada and coins or bank notes of countries other than Canada.

**CDIC (Canadian Deposit Insurance Corporation)** – A federal insurance agency that provides insurance for deposits of up to \$60,000/client.

**Client** - Any person or body of persons, incorporated or unincorporated, from whom or on whose behalf a barrister, in connection with his/her practice, receives money or other valuable property.

**Client Trust Ledger** - An individual ledger noting all transactions with that client’s funds. If a client has trust funds on deposit for more than one matter, separate ledger cards should be kept pertaining to each matter. In a computerized system, this would be an electronic record of the transactions for a single client.

**CUDIC (Credit Union Deposit Insurance Corporation)** - Provides insurance for deposits at authorized credit unions.

**Deposit book** - A bound book supplied by the bank in which deposits are recorded chronologically.

**Electronic Funds Transfer** - Any transfer of monies from one bank account to another that is done via a computer system or by telephone.

**Escrow** - Deed / instrument delivered into the hands of a third person, to be held by that person until the happening of a contingency or performance of a condition, and then delivered by that person to the grantee or promisee.

**Fees Book** - A file with chronological copies of bills to clients.

**Financial Institution** – Those institutions legally entitled to accept money on deposit and includes chartered banks, trust or loan companies, credit unions and Caisses Populaires.

**Firm** – A partnership, a law corporation, any other joint arrangement, or any legal entity carrying on the practice of law.

**Funds** – Cash, currency, securities and negotiable instruments or other financial instruments that indicate the person’s title or interest in them.

**General Account** - A deposit account in a financial institution, maintained by a barrister in connection with the practice of law other than a trust account. This account is sometimes referred to as an operating account. It would be used to receive money for services already rendered and billed, and to pay for the normal operating expense of running a practice (rent, stationery, telephone, etc.)

**General Trust Account** – A deposit account in a financial institution, maintained by a barrister and designated as a trust account into which the barrister deposits money received in trust from or on account of more than one client.

**Money** – Value received by way of current coin, government or bank notes, cheques, drafts, credit cards slips, electronic funds transfer, post office orders or express or bank money orders.

**Other Valuable Property** - Anything of value which could be negotiated or transferred by the barrister, including securities, stock certificates, bonds, debentures, deposit receipts, treasury bills, negotiable instruments and real property but not including money, company seals and minute books.

**Other Valuable Property Record / Register** - A record showing all other valuable property held in trust for each client.

**Receipt book** - A bound book used to record chronologically the receipt of trust funds.

**Reconciliation** - A process of comparing internal financial records (ie. journals and ledgers) pertaining to an account with external records (ie. bank statements) to ensure that all deposits and withdrawals have been recorded properly and that the balance of funds is correct.

**Reconciliation form** - A cover sheet showing the bank account balance, outstanding deposits and cheques, and the balance in the trust account according to the reconciliation process.

**Specific Trust Account** – A Trust Account maintained for one particular (specific) client.

**Transfer Record** - A ledger showing all transfers of money between client's trust ledger account and another trust account with the reason for the transfer.

**Trust Account Ledger** - See Book of Original Entry.

**Trust Account** - A deposit account in a financial institution kept by a lawyer (or firm) for deposit & retention of clients' money or other valuable property, in connection with the practice of law.

**Trust Money** includes

- (i) money received in trust belonging in whole or in part to a client, or to be held on behalf of the client, or at the direction or order of the client or another,
- (ii) money advanced to a practising lawyer for fees for services not yet rendered or for disbursements not yet made, and
- (iii) money over which a lawyer has sole signing authority or control in any capacity with respect to the administration of an estate or a trust, as a guardian or under a power of attorney

**Trust Property** - Any property of value belonging to a client, other than trust money, received by a practising lawyer in trust, or to be held on behalf of or at the direction or order of the client, and over which the practising lawyer has sole signing authority or control in any capacity with respect to the administration of an estate or a trust, as a guardian or under a power of attorney.

# SETTING UP A TRUST ACCOUNT

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## ***Setting Up a General Trust Account***

Regulations governing the operation of a lawyer's Trust Account are very specific about the minimum requirements that must be met to open a trust account.

Each lawyer (or firm) opening a new trust account (not simply an additional Bank Account) must:

- Complete the Society's Trust Account Education Program
- Have a Licensed Public Accountant Review and certify that the Lawyer's (or Firm's) accounting procedures to ensure compliance with the Society's regulations.
- Establish a Trust Account at an appropriate Financial Institution
- Notify the Executive Director of the opening of the Trust Account
- Notify the Nova Scotia Law Foundation via Form LF1

### **Trust Account Education Program**

The Society's Trust Account Education Program is offered in a flexible format to make it easy for each lawyer to complete the program within his/her work schedule. For information on the availability of the program lawyers are asked to contact the Director, Finance and Administration.

### **Accountant Certification**

An accountant licensed by the Public Accountants Board of Nova Scotia must certify to the Society and in writing that the lawyer's accounting and internal control procedures meet the minimum requirements set out in the Society's regulations.

### **Establish an Account at a Financial Institution**

The deposit account established at a financial institution in accordance with the Society's regulations must be denoted as "In Trust" and in the case of a General Trust Account must pay any interest earned on the account to the Nova Scotia Law Foundation.

The General Trust Account must not be charged with any bank charges. It is the lawyer's responsibility to ensure that the account is established so that any such costs are withdrawn from the lawyer's general account.

Only interest-bearing accounts or investments are eligible for use as lawyers' trust accounts. Non-interest bearing accounts or accounts where interest is not paid until a minimum balance is reached are not eligible to be used as trust accounts.

### **Notification to the Executive Director**

Regulation 4.1.4 requires that upon the opening of a trust account by a practising lawyer or law firm who previously has not had such an account, the practising lawyer or law firm shall immediately give written notice to the Executive Director. A letter to the Executive Director indicating the financial institution and account number is required.

### **Notify the Nova Scotia Law Foundation**

The Nova Scotia Law Foundation receives the interest from each lawyer's General Trust Account. The Foundation has its own specific form for notification. In most cases, this form is on file at financial institutions around the province. If a form is needed, it can only be obtained from the Law Foundation.

## ***Setting Up a Specific Trust Account***

Lawyers have an obligation to protect their client's property (Legal Ethics Handbook). Establishing a Specific Trust Account to hold client funds that will be on deposit more than 30 days meets that obligation.

To set up a Specific Trust Account, each lawyer (or firm) opening a new specific trust account (not simply an additional Bank Account) must:

- Complete the Society's Trust Account Education Program (if not already done)
- Have a Licensed Public Accountant Review and certify that the Lawyer's (or Firm's) accounting procedures to ensure compliance with the Society's regulations (if not already certified)
- Establish a Specific Trust Account at an appropriate Financial Institution
- Notify the Executive Director of the opening of the Trust Account (if the lawyer is opening a Trust Account for the first time)

### **Trust Account Education Program**

The Society's Trust Account Education Program is offered in a flexible format to make it easy for each lawyer to complete the program within his/her work schedule. For information on the availability of the program, lawyers are asked to contact the Director, Finance and Administration.

### **Accountant Certification**

An accountant licensed by the Public Accountants Board of Nova Scotia must certify to the Society and in writing that the lawyer's accounting and internal control procedures meet the minimum requirements set out in the Society's regulations.

### **Establish an Account at a Financial Institution**

The deposit account established at a financial institution in accordance with the Society's regulations must be denoted as "lawyer's name In Trust for client's name". Any interest earned on the account is property of the client and should be paid to him/her.

Additionally, and income tax due on the interest earned on a specific trust account is the responsibility of the client. The lawyer must ensure that the financial institution prepares the T5 in the name of the client. Any bank charges associated with the operation of a specific trust account may be charged against that account/client.

### **Notification to the Executive Director**

Regulation 4.1.4 requires that upon the opening of a trust account by a practising lawyer or law firm who previously has not had such an account, the practising lawyer or law firm shall immediately give written notice to the Executive Director. A letter to the Executive Director indicating the financial institution and account number is required.

## ***Service Nova Scotia Trust Account***

In 2005 Service Nova Scotia established a provision to pay document registration fees and deed transfer tax to the Government of Nova Scotia via direct debit of a bank account. After careful consideration, the Trust Accounts Committee determined that these funds were trust funds held by the lawyer. To prevent a third party from accessing the lawyer's general trust account, a special trust account designated "*The Practising Lawyer (or Law Firm) In Trust for Service Nova Scotia and Municipal Relations.*"

A lawyer or law firm may give permission to the Government of Nova Scotia to withdraw funds from this

account by way of electronic funds transfer and the lawyer (or firm) can transfer the appropriate amount of trust money into this account from the lawyer's (firm's) general trust account.

By establishing the regulations in this way, the lawyer (or firm) can control the amount of trust money accessible to the third party (the Government of Nova Scotia) while still retaining the funds in trust.

# OPERATION OF A TRUST ACCOUNT

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Part 10 of the Society's regulations govern the day to day operation of a lawyer's trust account. Specifically, this section of the regulations identifies what must be put into trust and when it must be deposited, what does not need to be put in trust, what can be taken out of trust, and the allowable methods to withdraw funds from trust. Furthermore Part 10 sets out the minimum record keeping requirements for the operation of both trust accounts and general accounts.

Trust accounts cannot be used as a general account. That is, trust accounts can only contain clients' money. The lawyer has a regulatory duty to ensure that the trust account does not become overdrawn in total or in respect to any one client.

## *Deposits*

All money received in trust from clients must be deposited in a trust account. The regulations require the lawyer to deposit money received from clients into his/her trust account except for money expressly exempted. Money that needs to be deposited to the lawyers trust account includes (but is not limited to):

- Trust money – money that the client specifically gives to the lawyer in trust
- Retainers
- Money received by the lawyer on behalf of a client – proceeds from a property sale, proceeds from settlements or court orders, etc.

The regulations specifically identify money that does not need to be deposited into a lawyer's trust account:

- money that in the ordinary course of business upon its receipt is paid in the form in which it is received to or on behalf of the client (ie. cheque made out to the client by the client's spouse for maintenance arrangements);
- money paid to a lawyer as the lawyer's fee when the fee is earned on the same day the money is received (ie. work done on credit and billed before funds are received); or
- money received by a lawyer under escrow conditions whereby the money is required to be held without deposit

However, in these instances the lawyer must keep a record of the receipt and disbursement of such money. In most cases, if the lawyer has any question about the deposit of money it is usually best to deposit the money into the trust account.

## CERTIFIED CHEQUES

In 1982, on the recommendation of the Special Committee on Trust Accounts, Council agreed that the preferred practice is that lawyers accept only certified cheques for deposit to their trust accounts. In the event that the deposit is not in the form of a certified cheque, bank draft, money order or cash, members are advised not to write any cheques to cover disbursements until it is certain that the deposit has been cleared.

## TIMING OF DEPOSITS

All trust funds must be deposited no later than one banking day after receipt of the funds. In the case of future negotiable instruments (post dated cheques for example), the deposit must be made within one banking day of the date the instrument becomes negotiable.

In the case of funds electronically deposited (from a bank or mortgage company) the lawyer has a duty to seek written confirmation from his/her own financial institution that the funds have been received. The lawyer must seek that confirmation not later than the close of the banking day immediately following the day on which the lawyer was notified of the transfer. It is not sufficient to simply receive notification that funds are being transferred.

## ***Withdrawing Money from the Trust Account***

Money may be withdrawn from a trust account under the following conditions:

- when it is required for payment to, or on account of a client from funds held on that client's behalf;
- when it is to pay a bill rendered by the lawyer or for lawyer's fees which have been authorized by the client;
- to pay a lawyer's disbursements or liabilities incurred on account of a client;
- when it has been deposited to the trust account in error; and
- when the money is transferred directly into another trust account held on behalf of a client.

Trust money to which the lawyer becomes entitled must be withdrawn reasonably promptly. "Reasonably promptly" is not defined but would typically be within 30 days of being earned.

### FORM OF WITHDRAWAL

Regulations allow for funds to be withdrawn from trust accounts by cheque or by way of an electronic funds transfer. The regulations are very specific in their requirements for both forms of withdrawal.

A cheque drawn on a trust account must be marked as a trust cheque, must be payable to a named payee (not be payable to cash or to bearer), must be signed by at least two persons (unless a practising lawyer practises alone and without any partners or associates, in which case that lawyer may be the sole signatory on a cheque drawn on a trust account), at least one of the signatures must be that of a practising lawyer, and cannot be released from the practising lawyer's office or the law firm until the lawyer or law firm is in possession of funds for the credit of the client on whose behalf the cheque is drawn.

Funds can be transferred electronically (via computer based banking) only if the system used requires a password or access code to authorize a financial institution to carry out the transfer, the lawyer maintains the password, and the system produces a written confirmation of the details of the transfer. The lawyer has a duty to get the confirmation no later than the close of the banking day immediately following the day on which the transaction was authorized.

Before an electronic fund transfer (withdrawal) request is communicated to the lawyer's financial institution, the lawyer is required to sign an electronic transfer requisition that provides the details of the transfer. The lawyer has a duty to reconcile the confirmation received from his/her financial institution with the requisition.

Cash withdrawals from a lawyer's trust account are not permitted except in very specific and limited circumstances. Cash withdrawals by way of a debit card are not permitted.

### OVERDRAFTS AND SHORTAGES

The regulations specifically prohibit a lawyer from allowing his/her trust account to become overdrawn. This applies to the trust account (bank account) in total and to any individual client account. Furthermore, a practising lawyer or law firm must report to the Executive Director any overdrafts in the practising lawyer or

law firm's trust account, including a full explanation for how the overdraft occurred.

The regulations (10.5.2) do recognize that errors outside the lawyer's control may result in an overdraft situation. In those instances the lawyer has a duty to rectify the situation within three banking days of notification.

## ***Other Valuable Property***

Other valuable property includes securities or anything of value which could be negotiated or transferred by the lawyer.

Lawyers who handle other valuable property must make note of such transactions in a separate consolidated record. It is not enough to account for such securities by receipts or, for example, correspondence contained only in an estate file folder. Most lawyers in private practice handle bearer bonds, etc., from time to time so that an auditor is entitled to be shown both some type of routine record or register of the valuable property and the certificates on hand.

## ***Cheques Held in Escrow***

A lawyer should never deliver trust cheques to be held in escrow until closing unless the funds have been received for deposit. There is a specific regulation prohibiting a lawyer from releasing a cheque from the practising lawyer's office or the law firm until the lawyer or law firm is in possession of funds for the credit of the client on whose behalf the cheque is drawn.

### **ESCROW AGREEMENTS**

If money is received under escrow conditions which require the money to be held without deposit, it is permissible to do so. However, as with all trust conditions, it is imperative that the specific terms be clearly stated and understood (ie. when the escrow conditions will be satisfied, who determines that they are satisfied, what happens in the event of a disagreement, etc.). Clarity and precision in establishing these conditions will avoid later problems.

## ***Credit Card Payments***

The trust account regulations do not prohibit payment of retainers and disbursements by credit card, as long as the procedure followed for accepting such payments is in accordance with the regulations. For example, many credit card companies charge a transaction fee to the account to which the funds are deposited; such fees are not permitted to be processed through trust accounts. In addition, firms must record credit card slips as "other valuable property" until the actual deposit is received and properly recorded. If the funds are initially deposited to a general or non-trust account, they must be transferred to the trust account within one banking day of their receipt.

## ***Service Charges***

Trust account balances can never be overdrawn - not even by as little as a few cents, so service charges for a trust account must never be taken from the account. Service charges should be withdrawn from a general account at the same bank branch. If you do not have a general account at the institution where your trust

account is held, you should open one.

In accordance with Regulation 10.5.2 any adjustments for errors (ie. a bank inadvertently taking service charges from a trust account) must be made within three banking days of notification of the error in order for the error not to be considered an exception to the regulations.

### ***Floats or Balancing Funds***

Regulation 10.3.5 and 10.3.7 provide that a trust fund is to be used for the deposit and retention of trust money only, and a lawyer must not deposit money in, draw on, or otherwise use a trust account as a general account for office or personal use. The regulations do not permit any mixing of client and lawyer funds, and “floats” or “balancing funds” are not permitted at any time.

#### ORDINARY DEDUCTIONS

Service charges may not be withdrawn from the principal held in a trust account. However, service charges for ordinary activities (deposits and cheques) may be taken from the interest on the same trust account (not another trust account in the same branch). Service charges for other matters such as printing cheques, interest on overdrafts, or charges exceeding the amount of interest, are the responsibility of the lawyer.

#### DEALING WITH SERVICE CHARGES

There is only one acceptable way of dealing with services charges for trust accounts:

The member should instruct the bank to deduct trust account service charges from the general account. When interest is computed and sent to the Law Foundation, the bank should reimburse the general account from that interest for service charges. If there is not sufficient interest, the lawyer’s general account should bear the difference.

### ***Authority on the Account***

#### SIGNING AUTHORITY

All people who have signing authority on a trust account must have their signatures on file with the bank and branch where the account is held. Again, with the exception of a sole practitioner, cheques must be signed by two persons, one of whom must be a lawyer.

### ***Dealing with Cash***

Regulation 4.4 deals with cash transactions and follows the Model Rule on Cash Transactions established by the Federation of Law Societies of Canada. This regulation prohibits a lawyer from receiving or accepting \$7,500 or more in currency in the course of a single transaction.

### ***Annual Reporting Requirements***

Regulation 4.2.2 requires that each lawyer or law firm must file a Trust Account Report (in the prescribed form) within three months of the end of the fiscal year of the lawyer or firm. Note that failing to comply with this regulation results in immediate suspension (Regulation 4.6.1).

## WAIVER OF THE ANNUAL REPORTING REQUIREMENT

The Executive Director may waive the requirement to file a Trust Account Report if in the opinion of the Executive Director it is appropriate to do so. Members wishing to have the reporting requirement waived should make their application in writing and well in advance of the reporting deadline.

### ***Authority of the Executive Director***

Regulation 10.6 outlines the authority of the Executive Director to initiate an investigation or audit of the books, records, and accounts of a practicing lawyer, and law firm, or a former practicing lawyer to determine compliance with the Society's regulations.

The practising lawyer or firm subject to an investigation or audit is obligated to produce to the person conducting the investigation or audit, all evidence which may be required for the investigator to complete the investigation or audit. Failure to cooperate is professional misconduct.

# ACCOUNTING FOR TRUST ACCOUNTS

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Regulation 10.2.1 defines the minimum books and records that a lawyer must keep to account for his/her trust accounts.

- The Book of Original Entry (sometimes referred to as a Journal, a Cash Journal, or a Trust Journal) is used to record all transactions (deposits or disbursements) from one account. The book of original entry is a chronological recording of all the transactions flowing through the account. For ease of reconciling the account, the Book of Original Entry should contain a running balance in the account.
- The Client Trust Ledger (sometimes referred to as a Client Ledger Card) is used to record the transactions (deposits or disbursements) that relate to a single client. The Client Trust Ledger is maintained chronologically for a single client and should contain a running balance. A lawyer or firm must maintain trust records for each individual client, as well as office general accounting records pertaining to the entire practice. There should be an individual trust account ledger for each client with a record of all trust money received (including money to be invested on behalf of the client), all disbursements made from the account, and the balance held in trust. The ledger should also show other valuable property received on behalf of a client as well as property delivered from the lawyer's trust and the undisbursed portion remaining in trust
- A record of all transfers between clients must be maintained. This record should provide an explanation for each transfer.
- A record of all other valuable property held in trust. This record should contain a description of the property, the location of the property, and an estimate of its value (if applicable and practicable).
- A Fees Book or a chronological file of billings. This Fees Book must show all fees charged and other billings to clients and the dates those charges were made.
- A monthly reconciliation file that compares the total balances held in trust (from the Book of Original Entry), with the amounts held in trust for clients (from the Client Ledger Card(s)), and amount shown on the bank statement for each Trust Account.
- All bank statements, cashed cheques, and duplicate deposit slips must be retained.

The regulations also require the lawyer to maintain a book of original entry for money other than trust money and that **all books and records are posted currently** and in ink. In the case of reconciliations, they must be done at least monthly and within thirty (30) days of the month-end. All accounting records must be maintained for at least seven (7) years.

In many cases, computer technology has replaced manual accounting and bookkeeping systems. The trust account regulations require that and computerized system maintains an audit trail for all transactions and that the computer system is backed up appropriately.

**Some Examples of Forms:**

A Book of Original Entry

Book of Original Entry							
Date	Client	Description	Ref #	Type	Cheque	Deposit	Balance

A Client Ledger Card

Client :				Client Number:			
Date	Description	Ref #	Cheque	Deposit	Balance		

A Record of Transfers Between Clients

A RECORD OF TRANSFERS BETWEEN CLIENTS

Funds Transfer Between Clients				
Date	From Client	To Client	Amount	Explanation

**Recording Some Transactions:**

All accounting transactions start with an event. Receiving cheque number 97 for \$1,000.00 on November 1, 2005 from a client (John Doe) as a retainer is an example of such an event. That event should be recorded in the lawyer's accounting records as follows:

Book of Original Entry							
Date	Client	Description	Ref #	Type	Cheque	Deposit	Balance
1-Nov-05	1200	Retainer	97	Cheque		\$ 1,000.00	\$ 1,000.00

Client : John Doe				Client Number: 1200			
Date	Description	Ref #	Cheque	Deposit	Balance		
1-Nov-05	Retainer	97		\$ 1,000.00	\$ 1,000.00		

Other events, such as issuing the lawyer's trust cheque number 3456 on November 3rd for \$28.75 to purchase a Law Stamp and cheque number 3457 on November 8th for \$460.00 for medical reports would be recorded as follows.

Book of Original Entry							
Date	Client	Description	Ref #	Type	Cheque	Deposit	Balance
1-Nov-05	1200	Retainer	97	Cheque		\$ 1,000.00	\$ 1,000.00
3-Nov-05	1200	Nova Scotia Barristers' Society	3456		\$ 28.75		\$ 971.25
8-Nov-05	1200	Medical Practitioner	3457		\$ 460.00		\$ 511.25

Client : John Doe				Client Number: 1200			
Date	Description	Ref #	Cheque	Deposit	Balance		
1-Nov-05	Retainer	97		\$ 1,000.00	\$ 1,000.00		
3-Nov-05	Nova Scotia Barristers' Society	3456	\$ 28.75		\$ 971.25		
8-Nov-05	Medical Practitioner	3457	\$ 460.00		\$ 511.25		

Note how the total maintained on the Book of Original Entry matches the total on the Client Ledger Card. Most lawyers' trust accounts deal with many more client ledger cards, but the fundamental recording of transactions remains the same.

A transfer of funds from Client John Doe to Client Susan Smith would not be recorded on the book of original entry, but would be recorded on the Record of Transfers between clients and on each client ledger card.

Funds Transfer Between Clients				
Date	From Client	To Client	Amount	Explanation
9-Nov-05	John Doe (1200)	Susan Smith (1201)	\$ 500.00	To settle a debt

Client : John Doe				Client Number: 1200	
Date	Description	Ref #	Cheque	Deposit	Balance
1-Nov-05	Retainer	97		\$ 1,000.00	\$ 1,000.00
3-Nov-05	Nova Scotia Barristers' Society	3456	\$ 28.75		\$ 971.25
8-Nov-05	Medical Practitioner	3457	\$ 460.00		\$ 511.25
9-Nov-05	Transfer to S Smith (Client 1201)		\$ 500.00		\$ 11.25

  

Client : Susan Smith				Client Number: 1201	
Date	Description	Ref #	Cheque	Deposit	Balance
9-Nov-05	Retainer	97		\$ 2,000.00	\$ 2,000.00
9-Nov-05	Transfer from J Doe (Client 1200)			\$ 500.00	\$ 2,500.00

As you can see above, the total amount held in trust prior to the transfer was \$2,511.25 (\$511.25 held for John Doe and \$2,000 for Susan Smith). After the transfer, the total amount held in trust (\$2,511.25) is unchanged, but the ownership has changed (\$11.25 for John Doe and \$2,500 for Susan Smith).

## RECONCILING

The process of reconciling the trust account ensures agreement between the amount recorded on the Book of Original Entry, the total of the Client Ledger Cards, and the actual Bank Account.

The regulations require that the reconciliation be done at least monthly, and reconciliations are typically done based on the last calendar day of each month.

The closing, or month-end, balance from the Book of Original Entry is often the easiest number to obtain. It would be the balance shown as of the date the reconciliation is being done. The total from the Client Ledger cards is obtained by adding the balance shown as of the date the reconciliation is being done for all the client ledger cards. If these two amounts do not agree, there has been a calculation error, or a recording error made on the part of the Lawyer. The cause of any variance must be determined and corrected as soon as possible.

Reconciling the internal records to the bank statement involves identifying any transactions that have been recorded, but have not yet cleared the bank, or any transactions that have been recorded by the bank, but are not recorded on the lawyer's records. The process involves comparing the bank statement with the book of original entry and "ticking off" those items that appear on both. Typically, there will be cheques that have been written and recorded on the Book of Original Entry that have not yet cleared the bank. Often there may be deposits made on the last day of the month that have not yet been recorded on the bank statement. From the bank statement side, there may be charges applied that the lawyer was unaware of, and needs to deal with.

The reconciliation formula should be The Bank Statement Balance, plus outstanding Deposits, less outstanding cheques, equals the balance shown on the Book of Original Entry. If it does not agree, check for calculation errors or identify any charges levied by the bank that need to be rectified.

It is recommended that the practising lawyer, or managing partner, initial and date the reconciliation. This provides evidence that the lawyer has reviewed the reconciliation.

# COMPUTERIZED TRUST ACCOUNTING

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The Following Software Packages are in use and can be used to account for lawyers' trust accounts. This list is not exclusive and other software packages may exist that meet the minimum requirements set out in the regulations. Software packages on this list are readily available and are in wide use by lawyers in Nova Scotia. In fact these three software packages account for 62% of all computerized packages in use in Nova Scotia.

PRODUCT
PCLaw Pro
PCLaw
Quickbooks – Premier Professional Services Edition 2005
ESILaw

In any event, you should consult with your accountant to determine which method of accounting for your trust account is most appropriate for your practice and to assist with the installation, set-up, and configuration of your system.

# TRUST ACCOUNT CHECKLIST

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Are your books and records kept up to date?	
Do you review Client Trust Ledgers on a regular basis to identify unusual activities?	
Do you prepare (or review) the trust bank reconciliations on a monthly basis?	
<ul style="list-style-type: none"> <li>Do you initial and date the reconciliations?</li> </ul>	
Are your Trust Account Cheques:	
<ul style="list-style-type: none"> <li>sequentially numbered and accounted for?</li> <li>secured in a locked and fire proof vault or safe?</li> <li>clearly identified as Trust Cheques?</li> <li>printed in a different colour than your general (operating) account cheques?</li> </ul>	
Are your Trust Account Deposit book(s):	
<ul style="list-style-type: none"> <li>clearly identified as being for your trust account</li> <li>stored in a different location than your general (operating) account deposit books?</li> </ul>	
If you have a computerized accounting system,	
<ul style="list-style-type: none"> <li>is your software licensed?</li> <li>is your computer protected with a surge protector?</li> <li>is your data backed up and stored offsite on a regular basis?</li> <li>is your computer system password protected?</li> <li>do you change passwords periodically?</li> </ul>	

# F R E Q U E N T L Y   A S K E D   Q U E S T I O N S

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I have decided to open my own practice. Must I open a trust account if I will be receiving funds on behalf of my clients?

**Yes.**

If so, what is a trust account, and what types are there?

**There are specific and general trust accounts. For more information about each, see the definitions.**

What is required to open a trust account?

**You should advise your financial institution that you are a lawyer, open an account in your name AIn Trust,@ and have cheques ordered. Instruct the financial institution to withdraw any service charges from your general account only and pay interest to the Law Foundation**

Who should I advise when setting up a trust account?

**Contact the Nova Scotia Barristers' Society and advise them of the location, account number, and the date opened. Complete an LF1 Law Foundation form which gives the Law Foundation the information necessary and ensure that your financial institution makes interest on general trust account payments to the Law Foundation.**

What are examples of Aother valuable property@ that I can hold in trust on behalf of a client?

**You can hold stock certificates, bonds, T-Bills, negotiable instruments, cash, and jewellery.**

What is required of me or my firm if I am holding valuable non-cash property in trust?

**You have to keep a separate record of other property held in trust which shows the valuable property received and delivered, and the undisbursed portion held in trust. For an example of what a valuable property register is like, see the sample in Chapter 8 — Samples and Examples.**

When do I advise a client of the choice between the two types of trust accounts?

**You must advise a client that its funds may be deposited in a specific, interest-bearing trust account when you have reasonable and probable grounds to believe that the funds will not be required for 30 days or more and the funds are sufficient to justify the expense of opening a separate specific trust account.**

Even if I believe that my client's trust money will be required for less than 30 days, should I advise my client of the different types of trust accounts?

**Yes — there is no statutory duty for this, but it is good business practice. As a professional courtesy, you should always advise your clients what you are doing with the money they are giving you in trust.**

What is CDIC and CUDIC coverage, and what does it provide?

**CDIC and CUDIC is financial insurance which provides coverage protection for up to \$60,000 for each specific trust account and up to \$60,000 per client listed in a general trust account.**

If I didn't request that my client have the deposit cheque certified, and the cheque is returned to me NSF after the closing and after I have disbursed the money on closing, what should I do?

**You should replace the funds from your general account. Remember that any bank service charges for the NSF cheque cannot come out of the trust account; you should make arrangements to pay for those from the general account as well. You should seek reimbursement from the client as soon as possible.**

Can I deposit some of my or my firm's money in the trust account to cover possible bank charges, bank errors, mathematical errors, etc.?

**No. Trust accounts are only to be used for the deposit and retention of CLIENT trust money. No floats are permitted. For more information, see the section on *Deposits in Chapter 2 — Trust Accounts*.**

Is it true that I am liable if a partner or associate misappropriates funds from my firm's trust account?

**Yes, if you knew or reasonably ought to have known of the misappropriation or fraudulent activity. It is the partners' responsibility to review trust records and reconciliations regularly.**

When is it prudent to write trust cheques?

**Only when the funds have cleared the bank. If your client gives you trust funds which are not in the form of cash, certified cheque or money order, you should wait until you are sure that the funds have cleared before you write any cheques on behalf of that client. If you will need to disburse some of the funds reasonably quickly, you should advise your client to provide you with some form of guaranteed deposit funds.**

What should I do when another lawyer asks to have my firm's trust cheque certified?

**Comply. As you wouldn't be issuing a trust cheque without having the funds in your account, there should be no problem in having your trust account cheque certified.**

What are trust reconciliations, how often should they be completed, and why should I do them?

**Trust reconciliations ensure agreement between the book of original entry, the client ledger cards, and the bank statement. You must do a reconciliation of your client ledger to the trust balance, and this must be done monthly within 30 days of month-end. This provides for accurate, current accounting for all client funds and for early detection of bank errors, overdrafts, etc.**

Due to a clerical error following a property transaction, I have \$100.09 in trust for a client and cannot locate the client now to pay over the funds. What do I do?

**You can make application for disposal of unclaimed trust funds with the Society. Detailed procedures can be found the Society website ([www.nsbns.ca](http://www.nsbns.ca)). But you can only do this if you have held the funds in trust for at least two years. If you have held the funds for five years or more, you can apply for disposal of the funds with the Public Trustee pursuant to Section 5.28(l) of the *Public Trustee Act*.**

I am sole practitioner with a busy practice and very little free time. Is it appropriate to have an accounting firm or bookkeeping service complete my trust account records on a regular basis? What are the implications of doing so? Can I delegate the responsibility for maintaining trust records and reconciliation statement to a staff member or bookkeeper?

**Yes, you can delegate the TASK of maintaining and reconciling your trust accounts to someone else, but not the RESPONSIBILITY. You will be ultimately responsible for any errors or discrepancies. If you are really concerned about your ability to maintain the accounting yourself, you certainly have the option of hiring someone. The accounts will be accurately and professionally maintained, but it may be more costly.**

How do I account for interest earned on clients' trust investments which accumulates quarterly?

**You should do this on the client ledger cards in order to track trust liability.**

How long should I maintain my trust accounting records?

**You must keep the records for at least 7 years.**

I am tired of maintaining my accounting records manually and want to acquire a computerized software package to improve my efficiency. How do I decide which software to use, and what are my responsibilities in respect of the trust account regulations?

**The Nova Scotia Barristers' Society doesn't advocate using any particular computerized accounting software; you are free to use whatever software system you like as long as you adhere to the trust account regulations and do regular back-ups. Any computer software must maintain an audit trail of all changes and corrections to accounting transactions. See the section "Computerized Accounting Systems" for a list of systems that meet the Society's requirements.**

If I'm having trouble with my trust accounts, who can I turn to?

**You can contact the Nova Scotia Barristers' Society and talk to the Director of Finance and Administration. You may be referred to the Trust Accounts Committee for further assistance or advice.**

If I don't work in private practice (but operate a trust account), do I still have to file a Form 20?

**Yes. ANYONE handling trust accounts for any portion of the preceding fiscal year must file a Form 20 for the year. This applies to government employees, people in private practice, members who practise corporate law, and even professors if they are handling trust funds at all.**

Can I have trust accounts at more than one financial institution?

**Yes. In fact, if you are holding an amount in trust for any client which is more than would be covered by the CDIC or CUDIC protection, it is a good idea to spread the money among several trust accounts so as to provide your client(s) with the maximum protection available. But remember that you must disclose all trust accounts to the Society and report on all trust account activity when filing your Form 20 at your fiscal year end.**

What is an Electronic Funds Transfer?

**Electronic Funds Transfer (EFT) is a transfer of funds from one bank account to another through electronic means.**

Why do I need to get confirmation from my bank that money sent to me by EFT have been received? Isn't it enough to know that the sender has transmitted the order?

**The regulations require the confirmation from your local bank as that is the only way to ensure the funds are received. There have been instances when money was confirmed to have been sent to a lawyer's Trust Account only to be sent to a different account in error.**

My client wants me to return the balance of his retainer to him in cash. Is this ok?

**No. The regulations require that disbursements out of a lawyer's trust account be done only by way of a cheque payable to a named payee (not "Cash") or via electronic funds transfer.**

Can I accept Visa or MasterCard (or any other credit card) for payment into my trust account?

**Yes. You will need to implement a procedure to deal with the service charge charged by the credit card company (1 – 5% of the value of the transaction). Some lawyers transfer the amount of the service charge from their operating account into the trust account and consider it a cost of doing business. Others treat it as a disbursement on behalf of the client.**

Can I use a Bank Card (debit card) to operate my trust account?

**You can use a bank card to allow you to deposit client funds to your trust account. Remember to retain the ATM slip showing the amount and date of the deposit and attach it to your deposit book. Bank Cards must never be used to withdraw funds from a trust account. Your financial institution should be able to set up your bank card to restrict its use to just depositing funds.**

I'm leaving practice, what do I need to do to close my trust account?

**To close your trust account you must ensure that all client funds have been disbursed, either for the purpose you were holding them, to the client, or (with the client's consent) to another lawyer in trust. You must then notify your financial institution that you wish to close your trust account. When the bank account is empty, notify the Society and the Law Foundation. File a Final Form 20 identifying the date the trust account was closed. Questions about dealing with clients should be directed to members of the Practice Assistance Committee.**

I am the executor for my grandmother's estate. Do the trust rules apply to me?

**Yes. If you have sole signing authority or control over the assets of the estate, you must treat the estate as being held in trust. That means keeping the required records, notifying the Society and Filing a Form 20 (which includes having those records subject to a review by a Licensed Public Accountant).**

# MONTH IN THE LIFE

Your name is Irwin Melvin Allan Lawyer, and in November of 2005 you have just opened your own law practice located in Anytown, Nova Scotia.

Reviewing your diary for the month of November we find the following transactions flowing through your accounts.

DATE	DESCRIPTION
3-Nov-05	Herbert MacDonald wants you to draw up a separation agreement for him and his wife Shirley. While both Herbert and Shirley have agreed that each will retain what he or she brought into the marriage, there is a dispute over the value of the china they bought after the marriage. Herbert wishes to keep it and is willing to pay his wife half of the fair value. You agree to do the work and to have the china independently appraised. Herbert provides you with a retainer of \$2,500.00. You provide Herbert with a retainer letter, outlining the work you will do and stating your hourly rate of \$150.00 (plus HST).
4-Nov-05	Theresa King approaches you to represent her in a personal injury suit against Amalgamated Department Stores. Theresa slipped and fell in the store a few weeks ago and injured her back. There is no question the store is at fault. You establish that your fee will be a contingency of 20% of the settlement amount and include that in your retainer letter to Theresa.
8-Nov-05	Alistair Burke has arranged a mortgage to consolidate his debts. CIBC, who provided the mortgage funds, insisted that Alistair get some help to pay off a number of outstanding debts and credit cards balances, so he has come to you. Alistair presents you with a list of debts totalling \$15,409.91. You agree to do the work necessary and you inform Alistair that your fee will be \$450.00 (plus HST).
8-Nov-05	You receive a cheque for \$18,500.00 from CIBC on Alistair's behalf and deposit it in your trust account.
8-Nov-05	You write cheque number 001 for \$7,335.87 from your trust account to Scotia Bank to pay out Alistair's outstanding loan
8-Nov-05	You write cheque number 002 for \$4,978.56 from your trust account to Credit Union Atlantic to pay out Alistair's outstanding loan.
8-Nov-05	You write cheque number 003 for \$300.09 from your trust account to Kent Building Supplies to pay off Alistair's outstanding account.
8-Nov-05	You write cheque number 004 for \$1,509.87 from your trust account to MasterCard to pay off Alistair's outstanding account
8-Nov-05	You write cheque number 005 for \$1,300.65 from your trust account to Visa to pay off Alistair's outstanding account
8-Nov-05	You write cheque number 006 for \$256.87 from your trust account to Sears Canada to pay off Alistair's outstanding account
8-Nov-05	Having completed all the work for Alistair as you agreed, you generate an invoice and mail it to him. You then write cheque number 007 to I.M.A. Lawyer for \$517.50 for your fees and HST.
8-Nov-05	A quick calculation determines that you can forward the balance of \$2,300.59 to Alistair. You write cheque number 008 to him for that amount. Alistair tells you that he's heard that Herbert and Shirley MacDonald might be selling their china for a good price and he'd prefer that you hold this money for him. You advise him that he may want to place it in a specific trust account. He considers the amount too small for that to be worthwhile so you void cheque number 008.
10-Nov-05	The appraisal of Herbert's china has come in. The china is appraised at \$1,620.00. Antique Appraisers have submitted their bill for \$200.00 plus HST for their work and you pay it with cheque number 009 from your trust account.

DATE	DESCRIPTION
10-Nov-05	Charles Smith has retained you to act on his behalf in the sale of his house. He signed an agreement of purchase and sale a couple of months ago for \$150,000.00 and the closing is set for the 15th on this month. He provides you with a copy of the agreement of purchase and sale which you review and you note that there are a number of costs that Charles must pay. You determine that your fee will be \$750.00 plus HST.
10-Nov-05	Fred and Sally Jones want you to represent them in the purchase of their new home. They had been pre-approved for a mortgage with the Royal Banks and signed an agreement to a house for \$163,500.00 earlier this week. They are planning to take possession and move in on November 24th. After talking to them, you determine that your fee will be \$600.00 plus HST.
13-Nov-09	You complete the separation agreement for Herbert MacDonald and his wife. You are in contact with Herbert and Jack Black (Shirley's lawyer) and they agree with the appraisal amount for the China. You issue cheque 010 for \$810.00 to Jack Black Law – In Trust.
13-Nov-09	You prepare a bill for Herbert MacDonald representing the 8 hours of work you did on his behalf. You send him the bill and issue cheque 011 to I.M.A. Lawyer for \$1,380.00 (Including HST).
14-Nov-09	You pay office expenses from you general account as follows: <ul style="list-style-type: none"> <li>• \$127.50 to Aliant for your telephones</li> <li>• \$237.67 to Staples for office Supplies</li> <li>• \$83.67 to Leasco for the Photocopier lease</li> <li>• \$97.27 to Future Shop for your computer lease</li> <li>• \$575.00 to The Landlord for rent</li> </ul>
15-Nov-05	A courier drops off a trust cheque from Green and Associates for \$150,000.00 for the purchase of Charles Smith's house and you immediately deposit it in your trust account.
15-Nov-05	You write cheque number 012 to Nova Scotia Realty for \$10,350.00 for the Real Estate Commission on Charles' house.
15-Nov-05	You write cheque number 013 to PetroCan for \$375.00 to top off the oil tank at Charles' house.
15-Nov-05	You write cheque number 014 to the Royal Bank for \$94,357.50 to pay out the balance of Charles' mortgage.
15-Nov-05	You write cheque number 015 to The Registry of Deeds for \$86.25 to record the release of Charles' mortgage.
16-Nov-05	You prepare your bill for Charles and send it to him and write cheque number 016 to I.M.A. Lawyer for \$862.50 (including HST).
19-Nov-05	You receive a telephone call from Big Law Inc. representing Amalgamated Department Stores. The company wants to avoid any negative publicity and offers a \$30,000.00 settlement to Theresa King.
20-Nov-05	After a consultation with Theresa King she agrees with the settlement proposed and Big Law Inc. delivers a \$30,000.00 trust cheque to your office.
22-Nov-05	You write cheque number 017 to Theresa King for \$23,100.00.
22-Nov-05	You prepare your bill for Theresa King and give it to her with her settlement cheque. You the write cheque 018 to I.M.A. Lawyer for \$6,900.00 (including HST).
23-Nov-05	You receive a call from the Royal Bank mortgage centre that they have transferred \$132,000.00 to your trust account.
23-Nov-05	Fred Jones drops off a cheque for \$33,100.00
24-Nov-05	You confirm with your bank that the \$132,000.00 expected from the Royal Bank was received. Your bank provides you with a fax outlining the details of the transfer.
24-Nov-05	You write cheque number 019 to Jack Black Law – In Trust for \$163,500.00 to conclude the Jones' purchase.
24-Nov-05	You prepare a bill for the Jones and write cheque number 020 to I.M.A. Lawyer for \$690.00 (including HST) for your fees.
25-Nov-05	Alistair Burke and Herbert MacDonald arrive in your office to tell you that they have agreed that Alistair will buy Herbert's china for \$1,900.00. Alistair asks you to transfer the money to Herbert.
24-Nov-05	You prepare a bill for the Jones and write cheque number 020 to I.M.A. Lawyer for \$690.00 (including HST) for your fees.

**BOOK OF ORIGINAL ENTRY**

Date	Client	Description	Ref #	Type	Cheque	Deposit	Balance
3-Nov-05	1000	Retainer	97	Cheque		\$ 2,500.00	\$ 2,500.00
8-Nov-05	1002	Loan from CIBC		Cheque		\$ 18,500.00	\$ 21,000.00
8-Nov-05	1002	Scotia Bank	001		\$ 7,335.87		\$ 13,664.13
8-Nov-05	1002	Credit Union Atlantic	002		\$ 4,978.56		\$ 8,685.57
8-Nov-05	1002	Kent Building Supplies	003		\$ 300.09		\$ 8,385.48
8-Nov-05	1002	MasterCard	004		\$ 1,509.87		\$ 6,875.61
8-Nov-05	1002	Visa	005		\$ 1,300.65		\$ 5,574.96
8-Nov-05	1002	Sears Canada	006		\$ 256.87		\$ 5,318.09
8-Nov-05	1002	IMA Lawyer	007		\$ 517.50		\$ 4,800.59
8-Nov-05	1002	Alistair Burke	008	-	<del>\$ 2,300.59</del>		\$ 2,500.00
8-Nov-05	1002	**Void cheque 008**	***	*VOID*		\$ 2,300.59	\$ 4,800.59
10-Nov-05	1000	Antique Appraisers	009		\$ 230.00		\$ 4,570.59
13-Nov-05	1000	Jack Black Law - InTrust	010		\$ 810.00		\$ 3,760.59
13-Nov-05	1000	IMA Lawyer	011		\$ 1,380.00		\$ 2,380.59
15-Nov-05	1003	Green and Associates	3763	Cheque		\$ 150,000.00	\$ 152,380.59
15-Nov-05	1003	Nova Scotia Realty	012		\$ 10,350.00		\$ 142,030.59
15-Nov-05	1003	PetroCan	013		\$ 375.00		\$ 141,655.59
15-Nov-05	1003	Royal Bank	014		\$ 94,357.50		\$ 47,298.09
15-Nov-05	1003	Registry of Deeds	015		\$ 86.25		\$ 47,211.84
15-Nov-05	1003	IMA Lawyer	016		\$ 862.50		\$ 46,349.34
20-Nov-04	1001	Big Law Inc.	4671	Cheque		\$ 30,000.00	\$ 76,349.34
22-Nov-05	1001	Theresa King	017		\$ 23,100.00		\$ 53,249.34
22-Nov-05	1001	IMA Lawyer	018		\$ 6,900.00		\$ 46,349.34
23-Nov-05	1004	Royal Bank	DD	Direct		\$ 132,000.00	\$ 178,349.34
23-Nov-05	1004	Fred Jones	132	Cheque		\$ 33,100.00	\$ 211,449.34
24-Nov-05	1004	Jack Black Law - InTrust	019		\$ 163,500.00		\$ 47,949.34
24-Nov-05	1004	IMA Lawyer	020		\$ 690.00		\$ 47,259.34

**CLIENT LEDGER CARDS**

Client : Herbert MacDonald			Client Number: 1000		
Date	Description	Ref #	Cheque	Deposit	Balance
3-Nov-05	Retainer	97		\$ 2,500.00	\$ 2,500.00
10-Nov-05	Antique Appraisers	009	\$ 230.00		\$ 2,270.00
13-Nov-05	Jack Black Law - In Trust	010	\$ 810.00		\$ 1,460.00
13-Nov-05	IMA Lawter	011	\$ 1,380.00		\$ 80.00
24-Nov-05	Allistair Burke - re china			\$ 1,900.00	\$ 1,980.00

Client : Theresa King			Client Number: 1001		
Date	Description	Ref #	Cheque	Deposit	Balance
20-Nov-05	Big Law	4671		\$ 30,000.00	\$ 30,000.00
22-Nov-05	Theresa King	017	\$ 23,100.00		\$ 6,900.00
13-Nov-05	IMA Lawyer	018	\$ 6,900.00		\$ -

Client : Alistair Burke			Client Number: 1002		
Date	Description	Ref #	Cheque	Deposit	Balance
8-Nov-05	CIBC			\$ 18,500.00	\$ 18,500.00
10-Nov-05	Scotia Bank	001	\$ 7,335.87		\$ 11,164.13
13-Nov-05	Credit Union Atlantic	002	\$ 4,978.56		\$ 6,185.57
13-Nov-05	Kent Building Supplies	003	\$ 300.09		\$ 5,885.48
13-Nov-05	Mastercard	004	\$ 1,509.87		\$ 4,375.61
13-Nov-05	Visa	005	\$ 1,300.65		\$ 3,074.96
13-Nov-05	Sears Canada	006	\$ 256.87		\$ 2,818.09
13-Nov-05	IMA Lawyer	007	\$ 517.50		\$ 2,300.59
13-Nov-05	Alistair Burke	008	\$ 2,300.59		\$ 0.00
13-Nov-05	***VOID****	008	\$ -	\$ 2,300.59	\$ 2,300.59
24-Nov-05	Transfer to Herbert MacDonald-China		\$ 1,900.00		\$ 400.59

**CLIENT LEDGER CARDS** *(cont'd)*

<b>Client : Charles Smith</b>			<b>Client Number: 1003</b>		
<b>Date</b>	<b>Description</b>	<b>Ref #</b>	<b>Cheque</b>	<b>Deposit</b>	<b>Balance</b>
15-Nov-05	Green and Associates	3763		\$ 150,000.00	\$ 150,000.00
15-Nov-05	Nova Scotia Realty	012	\$ 10,350.00		\$ 139,650.00
15-Nov-05	PetroCan	013	\$ 375.00		\$ 139,275.00
15-Nov-05	Royal Bank	014	\$ 94,357.50		\$ 44,917.50
15-Nov-05	Registry of Deeds	015	\$ 86.25		\$ 44,831.25
15-Nov-05	IMA Lawyer	016	\$ 862.50		\$ 43,968.75

<b>Client : Fred and Sally Jones</b>			<b>Client Number: 1004</b>		
<b>Date</b>	<b>Description</b>	<b>Ref #</b>	<b>Cheque</b>	<b>Deposit</b>	<b>Balance</b>
23-Nov-05	Royal Bank	DD		\$ 132,000.00	\$ 132,000.00
23-Nov-05	Fred Jones	132	\$ -	\$ 33,100.00	\$ 165,100.00
23-Nov-05	Jack Black Law	019	\$ 163,500.00		\$ 1,600.00
24-Nov-05	IMA Lawyer	020	\$ 690.00		\$ 910.00

<b>Funds Transfer Between Clients</b>				
<b>Date</b>	<b>From Client</b>	<b>To Client</b>	<b>Amount</b>	<b>Explanation</b>
25-Nov-05	Allistair Burke #1002	Herbert MacDonald #1000	\$ 1,900.00	Purchase of China

On December 5 your Bank Statement Arrives:

I.M.A. Lawyer 123 My Street Anytown, Nova Scotia		Bank of Hollis Street		
		Nov 1 2005 to Nov 30 2005		
Date	Transaction Description	Cheques & Debits	Deposits & Credits	Balance
	<b>Balance Forward</b>			\$ -
4-Nov-05	Deposit		\$ 2,500.00	\$ 2,500.00
8-Nov-05	Deposit		\$ 18,500.00	\$ 21,000.00
9-Nov-05	Cheque 001	\$ 7,335.87		\$ 13,664.13
9-Nov-05	Cheque 002	\$ 4,978.56		\$ 8,685.57
8-Nov-05	Cheque 007	\$ 517.50		\$ 8,168.07
10-Nov-05	Cheque 005	\$ 1,300.65		\$ 6,867.42
11-Nov-05	Cheque 006	\$ 256.87		\$ 6,610.55
11-Nov-05	Cheque 004	\$ 1,509.87		\$ 5,100.68
13-Nov-05	Cheque 003	\$ 300.09		\$ 4,800.59
14-Nov-05	Cheque 011	\$ 1,380.00		\$ 3,420.59
14-Nov-05	Cheque 010	\$ 810.00		\$ 2,610.59
15-Nov-05	Deposit		\$ 150,000.00	\$152,610.59
15-Nov-05	Cheque 014	\$ 94,357.50		\$ 58,253.09
16-Nov-05	Cheque 016	\$ 862.50		\$ 57,390.59
17-Nov-05	Cheque 012	\$ 10,350.00		\$ 47,040.59
17-Nov-05	Cheque 015	\$ 86.25		\$ 46,954.34
20-Nov-05	Deposit		\$ 30,000.00	\$ 76,954.34
22-Nov-05	Cheque 018	\$ 6,900.00		\$ 70,054.34
23-Nov-05	Transfer RBC		\$ 132,000.00	\$202,054.34
23-Nov-05	Deposit		\$ 33,100.00	\$235,154.34
24-Nov-05	Cheque 020	\$ 690.00		\$234,464.34
25-Nov-05	Cheque 019	\$ 163,500.00		\$ 70,964.34
<b>Ending Balance</b>				<b>\$ 70,964.34</b>

You begin the reconciliation process by totalling the outstanding client ledger cards.

Outstanding Client Listing For the Month Ending... November		
File	Client	Amount In Trust
1000	Herbert MacDONald	\$ 1,980.00
1002	Allistair Burke	\$ 400.59
1003	Charles Smith	\$ 43,968.75
1004	Fred and Sally Jones	\$ 910.00
<b>Total</b>		<b>\$ 47,259.34</b>

Note that this matches the balance in the Book of Original Entry at the end of November.

You review the bank statement and note that there are no outstanding deposits, but there are some outstanding cheques:

Outstanding Cheque Listing For the Month Ending... November		
Cheque	Payee	Amount
009	Antigue Appraisers	\$ 230.00
013	Petro Can	\$ 375.00
017	Theresa King	\$ 23,100.00
<b>Total Outstanding Cheques</b>		<b>\$ 23,705.00</b>

With this information you are ready to complete the Bank Reconciliation for November.

# MONTHLY TRUST RECONCILIATION

Month November

Balance per Bank Statement	\$	<u>70,964.34</u>	
ADD: Outstanding deposits (per list attached)	\$	<u>-</u>	
Subtotal	\$	<u>70,964.34</u>	
LESS: Outstanding Cheques (per list attached)	\$	<u>23,705.00</u>	
Reconciled Bank Balance	\$	<u>47,259.34</u>	(1)
Balance per Book of Original Entry	\$	<u>47,259.34</u>	(2)
Balance Per Client Listing (per list attached)	\$	<u>47,259.34</u>	(3)

Note: (1), (2), and (3) must be equal

Reviewed by: I.M.A. Lawyer

Date: Early December

