A halftone image of a man in a suit holding a tablet displaying a house listing. The man is looking at the tablet, and the tablet shows a photograph of a house. The background is a solid purple color.

# insight

**real estate agents**

An industry-specific guide  
for your MYOB software

**MYOB**<sup>®</sup>

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# Introduction

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MYOB's range of accounting software provides the perfect tool for managing the finances of your real estate business. Working in partnership with your trust accounting systems, MYOB software is the central engine-room where all the information is pulled together to produce vital Profit & Loss reports, Business Activity Statements and much more.

This guide explores how best to use MYOB software in conjunction with your trust accounting. You'll find out how to produce accurate monthly financial reports, how to analyse the profitability of your property management division as opposed to your property sales division, how to keep control of wages and commission expenses, and much more.

This guide is relevant for all real estate agents, from small independent operators to large franchisees, providing practical advice specifically for your industry. Along the way, you'll come across case studies where you can read about how other agencies work with MYOB software in real-life. Our hope is that by working with this guide, you'll be able to generate all the information you need to run your business successfully.

# Choosing your MYOB software

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For very small agencies, either MYOB BusinessBasics (for Windows) or MYOB FirstEdge (for Macs) provide a perfect starting point. However, if you need advanced financial reports or a system for recording outstanding supplier accounts, then MYOB Accounting is your best bet.

For agencies with three employees or more then MYOB Accounting Plus is perfect, as it comes complete with fully-integrated payroll. For larger agencies where more than one person needs access to your financial information at any one time, MYOB Premier (for Windows) or MYOB AccountEdge (for Macs) provide the most suitable solution as these versions provide multi-user capability.

Whichever product you choose, if you want to upgrade to another product that's 'further up the family tree', you can do so at any time. You don't need to buy the new software from scratch; you simply pay an upgrade price.

For more information about these MYOB products, visit [www.myob.com.au/products/](http://www.myob.com.au/products/).

# Understanding the essentials

The following five steps are a brief guide to getting started, highlighting important information specific to real estate agencies.

## Creating your accounts list

When you create the company file for your business, the New Company File Assistant asks you to Build Your Accounts List, giving you the option of starting with a standard list. Select All as your Industry Classification and then pick Real Estate Agency from the Type of Business list. Any of these templates provide sample lists of accounts and are a good starting point. Don't worry if you can't find an accounts list that is perfect – later on, you can add, change or delete as many accounts as you like.

## Reviewing your accounts list

Before entering your opening balances, you need to customise your accounts list so that it's relevant to you. For real estate agencies, this process is absolutely crucial in order to ensure the relevance of reporting information that you'll generate further down the track. The table below gives some indications about each account category and what it means. However, for more detail on designing your accounts, refer also to [Setting up your accounts list on page 15](#), later in this guide.

Your accounts list is a list of categories to which you allocate all transactions. There are eight major account categories (or, for MYOB BusinessBasics and FirstEdge, there are six categories).

Account Category	What it means
Assets	Things you own, or that people owe you. Includes bank accounts, outstanding fees and new equipment. Asset account numbers start with 1.
Liabilities	What you owe to other people. Includes loans, taxes payable, security deposits held and outstanding supplier accounts. Liability account numbers start with 2.
Equity	This is the profit or loss that your business has made since its inception. Examples of equity accounts include retained profits, partners' drawings, or capital contributions. Equity account numbers start with 3.
Income	Money in! Includes commissions from sales, commissions from rentals and income from valuations. Income account numbers start with 4.
Cost of sales	Cost of sales are any <i>direct</i> costs of running your agency, sometimes also called <i>variable costs</i> . These include advertising, commission, franchise fees and signage. Cost of sales account numbers start with 5.
Expenses	Overheads. The day-to-day running costs of your business. Includes electricity, repairs, telephone, wages on retainer, and so on. Expense account numbers start with 6.
Other Income	Extraordinary income that is not part of normal operations. Could include compensation income, capital gains or interest income. Other Income account numbers start with 8. This account category is not available in MYOB BusinessBasics or MYOB FirstEdge.
Other Expenses	Extraordinary expenses that are not part of normal operations. Could include lawsuit expenses, capital losses, or fire damage costs. Other Expenses account numbers start with 9. This account category is not available in MYOB BusinessBasics or MYOB FirstEdge.

# Understanding the essentials

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## Checking your preferences

You can customise all MYOB software so that it works for your business the way you want it to. You can do everything from changing the appearance of your windows, to automatically requesting a backup prompt each time you quit the program. It all happens via the Preferences window.

To review your preferences, go to the Setup menu, choose Preferences and then explore the System, Windows, Reports & Forms, Banking, Sales, Purchases and Security tabs. Remember—your choice of preferences does not commit you to this for ever and ever, for you can change your preferences at any time.

One preference setting is recommended, especially for new users. Make your company file *changeable*. If you make mistakes, you can correct them, without needing to make complicated reversing journals. To do this, go to the **Security** tab in the **Preferences** window. Clear the **Transactions CAN'T be Changed; They Must be Reversed** checkbox.

## Setting up opening balances

To get up and running, you only need to enter opening balances for a few accounts. Bare essentials will probably include your bank account and any GST or PAYG tax owing. Your opening account figures won't balance, but this out of balance amount simply goes to the Historical Balancing account. You or your accountant can fix this later. To enter opening account balances, go to the Setup menu, choose Balances, then Account Opening Balances.

If you intend to use MYOB software for recording sales (which is unlikely if you're already using trust accounting software), then you need to enter opening balances for outstanding customer accounts. To do this, go to the Setup menu, choose Balances, then Customer Opening Balances.

If you intend to use MYOB software for recording purchases (see [Dealing with expenses on page 11](#) if you're not sure about the reply to this question), then you need to enter opening balances for outstanding supplier accounts. To do this, go to the Setup menu, choose Balances, then Supplier Opening Balances.

## Getting ready to go

Before you start entering transactions, work out how you intend to back up your company file. If your file is going to contain very few transactions, you may be able to fit your backup onto floppy disk. Otherwise, you'll need to have a CD burner or a zip drive.

You might have been lucky so far, but *nobody* can guarantee continued immunity to power surges, theft, fire or hard disk failure. If you don't organise a system now, you'll probably forget about it until it's too late—and then you'll be sorry.

This guide assumes that you are using independent trust accounting software to manage the trust transactions for your agency.

Some smaller agencies often start by asking whether it's possible to use MYOB software for managing their trust accounts. Unfortunately, the requirements for trust accounting vary from state to state across Australia and change on a regular basis. Your best bet is probably to contact the real estate institute in your state to find out what software packages are approved for the purposes of trust accounts.

## Working in conjunction with your trust accounting software

When working in conjunction with trust accounting software, it usually works best to use your MYOB software as a simple 'cashbook'. This means that you record income only when it's banked in the office account, and you don't worry about dissecting this income according to each separate sale or rental property. Instead, you'll categorise income according to whether it was property management income, property sales income, advertising reimbursements, and so on.

Whatever you do, don't waste valuable time typing information once into your MYOB accounting software and once into your trust software. Work out what tasks each software package does and make sure there is minimal duplication.

If you decide to maintain tighter internal controls, you could consider linking your trust accounting software, so that whenever you record an office account transfer, this journal carries through automatically into your MYOB software. Whether this is possible depends on the design of the trust accounting software. If you're interested in exploring this possibility, contact an MYOB Certified Consultant who has experience with MYOB DeveloperPack (you can find a list of consultants at <http://www.myob.com.au/support/ccmembers> and discover more about DeveloperPack at <http://d2d.myob.com.au> .

## Tallying your MYOB software against your trust software

It's a good idea to build in regular safety checks that tally the figures in your MYOB software against the figures in your trust accounting software.

Here are some examples of the kind of checks you might like to run at end of month or end of year:

- Compare total sales commission paid (according to your trust software) against total sales commission received (according to your MYOB Profit & Loss report).
- Compare total property management commissions paid (according to your trust software) against total property commissions received (according to your MYOB Profit & Loss report).
- Compare total monies transferred from trust to office (according to your trust software) against total monies received from trust (according to your MYOB Cash Receipts transaction journal report).

# Recording income

You can record income in two different ways. To record income transferred into your office account, you go to the Receive Money window. To record payments where you've already raised an invoice within your MYOB software, you go to the Receive Payments window.

## Receiving money

To record income transferred from your trust account, or other income such as bank interest, loans or tax refunds, go to **Receive Money** in the **Banking** command centre (or, if you're using MYOB BusinessBasics or FirstEdge, select Receive Money as your transaction type from the Bank Register).

1. **Complete the Date and Payor.** Start by filling the **Date** of the deposit and the **Payor** (the Payor is the name of the person giving you the money). If the deposit is a trust transfer, create a new card called Transfer from Trust and select this card as the payor.
2. **Check the bank account is correct.** In the top left-hand corner you can select which bank account this deposit should go to, or whether you want to group this payment with other undeposited funds.
3. **Enter the Amount and Payment Method.** You can select from a list of different payment methods. If you intend to print your bank deposit slips and you're banking a cheque, you'll have to hit the **Details** button and complete the **BSB** and **Account Name** fields.
4. **Write a Memo.** If you reckon this deposit needs additional notes, write these in the **Memo** field. Otherwise, simply accept the one offered.
5. **Fill in the Allocation Account and tax code, then click Record.**

### Recording money transferred from trust

## Recording sales

Occasionally, you might make a sale that occurs independently of your trust accounting software, such as valuations or on-billing of advertising to another agency. To record this income, and produce a Tax Invoice for your customer, you need to first create a new sale. Here's what to do:

Acct #	Name	Amount	Tax	Interest	Fee
11111	Commission - 2	\$10,000.00			

Total Received: \$10,000.00  
Tax ID: 2010  
Total Payable: \$10,000.00  
Out of Balance: \$0.00

# Recording income

1. Go to **Enter Sales** in the Sales command centre (or, for MYOB BusinessBasics and FirstEdge, click New Sale from the Sales Register).
2. Check that the top left-hand corner says **INVOICE** (as opposed to **QUOTE** or **ORDER**).
3. Click **Layout** to select the most appropriate layout (the **Service** layout usually works best for real estate agencies).
4. Enter the invoice details, including a detailed Description of the service you're providing, the Amount and the Tax code. Tab your way from one field to the next and, when you've finished, click **Record** to complete the sale.

It's easy to create invoices for valuations or other services



## Recording payments against sales

Here's how to record a customer payment received against an outstanding invoice:

1. Click **Receive Payments** in the Sales command centre. Decide whether you want to deposit this payment straight into your bank account, or whether you want to use the **Undeposited Funds** feature.
2. Fill in the **Customer** name and the **Amount Received**.
3. Select the **Payment Method**. If you want to print out bank deposit slips, remember to click the **Details** box when recording cheques, and then enter the account name and number in the space provided. (Alternatively, for repeat customers, set up account details in the **Payment Details** tab of their card.)
4. Tab through the columns to apply the payment against outstanding invoices, starting from the oldest invoice first, and moving toward the most recent. If you want to apply a payment to a different invoice, simply click in the **Amount Applied** column next to the invoice concerned, and type in the payment amount. Click **Record**.

# Case study - Alan O'Brien Real Estate

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**Business Name:** Alan O'Brien Real Estate

**Business Overview:** Alan O'Brien is a small real estate agency with two salespeople and one office secretary/bookkeeper. They use MYOB Accounting.

Alan O'Brien has been running his agency for many years. He does property sales only and has relatively few transactions going through his bank and trust accounts.

Alan has been using MYOB Accounting for several years now. He records the income from property sales only when he receives the commission (either direct or via trust account transfer) and similarly, only records expenses as they are paid. His bookkeeper keeps manual trust account books and every month, Alan ensures that the amount transferred from the trust account (according to the trust books) matches with his records in MYOB.

Alan also works as both a valuer and an auctioneer and does regular valuation work for a local home loan franchise. Alan uses MYOB Accounting to raise invoices for his valuation work and appreciates the way he can see how much he's owed at any time.

# Dealing with expenses

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The simplest way to record expenses, suitable for many smaller agencies, is to go to the Banking command centre and click Spend Money (or, for MYOB BusinessBasics and MYOB FirstEdge, go to your Bank Register and select Spend Money as the transaction type).

An alternative way to record expenses, suitable for larger agencies, is to enter all supplier invoices in the Purchases command centre when you receive them. Later, these invoices are paid using Supplier Payments. (Note that purchases aren't available in MYOB BusinessBasics or FirstEdge.)

This method works well if you have a substantial amount of accounts to be paid each month and you want to keep tabs on how much you owe, but by its very nature is a more complicated way of working.

## Recording expenses

To record an expense, go to **Spend Money** in the **Banking** command centre. (Or, if you're using MYOB BusinessBasics or MYOB FirstEdge, select Spend Money from your Bank Register.)

1. Click the **Pay from Account** button in the top-left and select your bank account, or, if you plan to make this payment online, click **Group with Electronic Payments**.
2. For cheques, enter the cheque number in the **Cheque No.** field. For other transactions, such as credit card debits or electronic payments, simply ignore the **Cheque No.** field.
3. Enter the date and amount, and in the **Card** field, enter the name of the person you are paying. If you've never paid this person before, you'll see a list of cards, asking you to select one of them. Either double-click on a name to select it from the list or click **New** to create a new card.
4. Write a brief description in the **Memo** field, if desired.
5. In the **Acct#** column, specify which account this expense should go to.
6. Check the **Amount** is correct. Usually, this amount includes GST, assuming you've marked the **Tax Inclusive** box on the top-right.
7. Fill in the **Job** column if you want to track expenses by particular projects or cost centres. Otherwise, leave this column blank.
8. If you want to include additional information about this transaction, do so in the additional **Memo** column that appears next to the **Job** column.
9. Fill in your **Tax** code, double-check the tax total (this calculates automatically), then click **Record**.

# Dealing with expenses

It's easy to record expenses



## Recording a supplier invoice

Most real estate agencies tend to use a **Service** layout when recording purchases. Most purchases, such as advertising, electricity or telephone accounts, are likely to be Service purchases.

Here's how to record a purchase:

1. From the **Purchases** command centre, click **Enter Purchases**.
2. Click the **Layout** button and select **Service** as your layout.
3. Fill in the supplier's name and if required, enter the purchase order number.
4. Check the date and enter the supplier's invoice number in the **Supplier Inv#** field.
5. Choose your allocation account in the **Acct#** field. Don't worry about detailed descriptions, as they're usually not necessary. A general description such as 'materials' does just fine.
6. Make sure the GST total matches with your supplier invoice; then click **Record**.

## Paying suppliers electronically

MYOB M-Powered<sup>®</sup> payments enable you to make electronic payments to your suppliers directly from your MYOB software. Once you subscribe to this service, you can use your MYOB software to record payments in your company file and then transmit these payments electronically using a secure link. The M-Powered Services Centre available from any command centre monitors the progress of all payments and, at your request, emails or faxes remittance advices direct to your suppliers.

If you pay more than five suppliers per week, M-Powered payments are well worth the fees. If you were to put a value on your own time (or on your bookkeeper's time) and calculate how long it takes you to pay a supplier (including writing a cheque, printing a remittance advice, writing their address on an envelope, entering the payment into your MYOB company file, and so on) as well as the costs (the envelope, the stamp, the petrol

# Dealing with expenses

to the post office, etc.), then chances are that paying a supplier is much more expensive than you think.

M-Powered payments offer other benefits too, although these are somewhat less tangible. You can schedule payments to be made at future dates, ensuring that suppliers are paid on time, even when you're away from the business. Payments are more secure, as you pay directly from your account into your supplier's account (whereas cheques are more prone to fraud or getting lost in the mail). Finally, an M-Powered Services Centre keeps track of all online payments, including when payments are sent, when they're processed, if they fail due to insufficient funds, and so on.

To subscribe to M-Powered payments, all you have to do is click the **M-Powered Services Centre** icon that appears on the bottom-right of every command centre. (Note that M-Powered services are only available for MYOB Accounting v14 and MYOB Premier v8 or later.)

For more about M-Powered payments, including how to subscribe and current pricing structures, see [www.myob.com.au/mpowered](http://www.myob.com.au/mpowered).

## Organising petty cash (if you have a petty cash tin)

The method described here works best if you have an office with a petty cash tin, and more than one person takes money out of the tin. However, if you don't have a petty cash tin but end up paying lots of little cash expenses directly from your own pocket, see the method listed in [Organising petty cash \(if you have a wallet full of receipts\) on page 14](#).

1. Start off with a float, say \$200. Write a cash cheque for this float, and allocate this cheque to an asset account called 'Petty Cash'. If you don't have an account by this name already, create one now, remembering to select **Bank** as the **Account Type**.
2. Whenever staff take money out of the tin, get them to give you a receipt in exchange. Store these receipts in the tin.
3. Add up the receipts and work out which expense categories they belong to. Then go to the Spend Money window but this time *change the bank account* at the top to read Petty Cash.
4. Complete the payment, allocating it across several Allocation Accounts and several Amounts. Click **Record** when you're done.

### Recording petty cash receipts

5. When funds in the tin get low, write out a cash cheque to top the tin back up to its original float value. For example, if you have a \$200 float but there's only \$4.50 left in the tin, write



# Dealing with expenses

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out a cash cheque for \$195.50. Allocate this cheque to Petty Cash.

## Organising petty cash (if you have a wallet full of receipts)

If you don't have a petty cash tin, but end up paying lots of cash expenses directly from your own pocket, you'll find the following method works best.

1. Pile these receipts into their various categories and then, with a calculator, add up the value of each pile of receipts. You might end up with \$40 worth of receipts for stationery, \$50 for postage, \$15 for travel and so on.
2. Next, go to **Spend Money** and as your bank account, select Petty Cash in the top left corner.
3. As the **Amount**, enter the total value of all these receipts added together.
4. Split the transaction across the appropriate expense accounts, writing individual memos on each line, if desired.

# Analysing financials in more detail

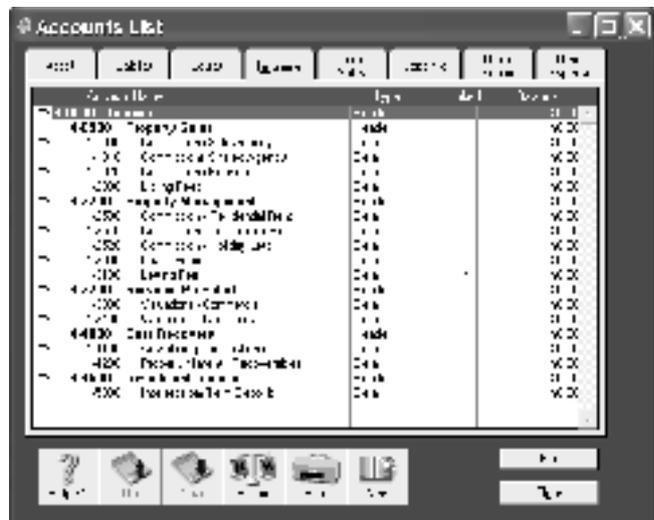
As soon as you start recording transactions in your MYOB software, you'll be able to see how much money has come through the door, what your total expenses have been and how much profit you have at the end of the day. Useful as this information may be, chances are that if you're looking to grow your agency and become more profitable, you'll need to analyse your financials in more detail than this. The next few sections explain how.

## Setting up your accounts list

One of the simplest ways you can start to analyse your financial reports is to incorporate sufficient detail in your accounts list, categorising income and expenses properly and grouping categories properly using **Header** and **Detail Accounts**.

Go to your **Accounts List**, click the **Income** tab, and read what's there. Most real estate agents divide their income into property sales, property management, advertising contributions from clients and investment income. Look in the screenshot below, and you can see how your income accounts might appear.

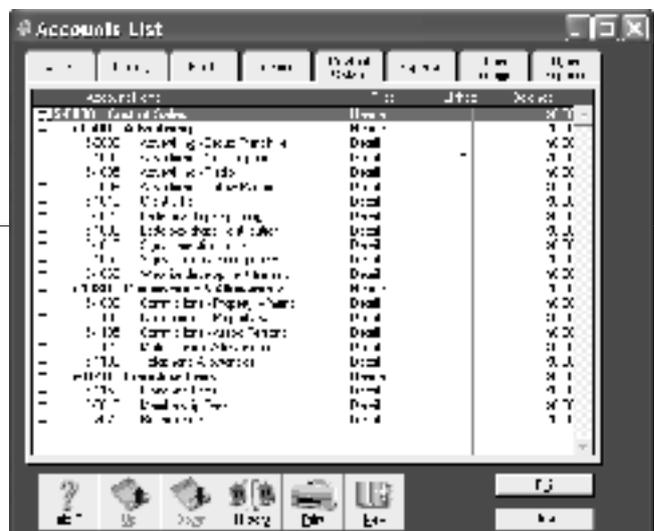
Design your accounts list carefully and the result will be highly information financial reports



Account	Label	Group	Type	Balance
44300	Property Sales		Income	0.00
44301	Property Management		Income	0.00
44302	Investment Income		Income	0.00
44303	Advertising Contributions		Income	0.00
44304	Client Contributions		Income	0.00
44305	Other Income		Income	0.00
44306	Interest Income		Income	0.00
44307	Dividend Income		Income	0.00
44308	Rental Income		Income	0.00
44309	License Fees		Income	0.00
44310	Franchise Fees		Income	0.00
44311	Commission - Property		Income	0.00
44312	Commission - Management		Income	0.00
44313	Commission - Other		Income	0.00
44314	Commission - Sales		Income	0.00
44315	Commission - Other		Income	0.00
44316	Commission - Other		Income	0.00
44317	Commission - Other		Income	0.00
44318	Commission - Other		Income	0.00
44319	Commission - Other		Income	0.00
44320	Commission - Other		Income	0.00

Next, click the **Cost of Sales** tab and customise your accounts in a similar way. You want to include all variable costs in this section, including advertising expenses, auction expenses, mail-outs, commissions, allowances, franchise fees and so on. Look in the screenshot below, and you can see how your cost of sales accounts might appear.

Your cost of sales accounts should include all variable expenses



Account	Label	Group	Type	Balance
44400	Advertising		Expense	0.00
44401	Auction Expenses		Expense	0.00
44402	Mail-outs		Expense	0.00
44403	Commissions		Expense	0.00
44404	Allowances		Expense	0.00
44405	Franchise Fees		Expense	0.00
44406	Other Expenses		Expense	0.00
44407	Travel Expenses		Expense	0.00
44408	Telephone Expenses		Expense	0.00
44409	Printing Expenses		Expense	0.00
44410	Postage Expenses		Expense	0.00
44411	Repairs & Maintenance		Expense	0.00
44412	Utilities		Expense	0.00
44413	Insurance		Expense	0.00
44414	Depreciation		Expense	0.00
44415	Interest		Expense	0.00
44416	Other		Expense	0.00
44417	Other		Expense	0.00
44418	Other		Expense	0.00
44419	Other		Expense	0.00
44420	Other		Expense	0.00

# Analysing financials in more detail

Last, click the **Expenses** tab in your accounts list and customise your expenses. In this section, list all overheads and administration expenses, including bank fees, insurance, leases, salaries, stationery and so on.

## Analysing profitability of property management versus sales

In your MYOB software, you'll find that every transaction can be coded in several different ways. For example, in the Spend Money transaction below, the Card shows the name of the supplier; the Allocation Account shows the type of expense and the Job column shows the cost centre. For real estate agents, the most common cost centres are property management and sales.

Coding transactions by job is entirely optional, but once complete, offers the ability to print a whole range of job reports, including Profit & Loss statements and detailed transaction listings. The idea is that you can get separate reports for each cost centre (for example, you could get a Profit & Loss for the property management section and a Profit & Loss for the sales section), and *still* get a report for the agency as a whole.

In the screenshot below, the real estate agency are paying their monthly advertising expense, all of which relates to their property sales department. Notice how the job column reads 'SALES'.

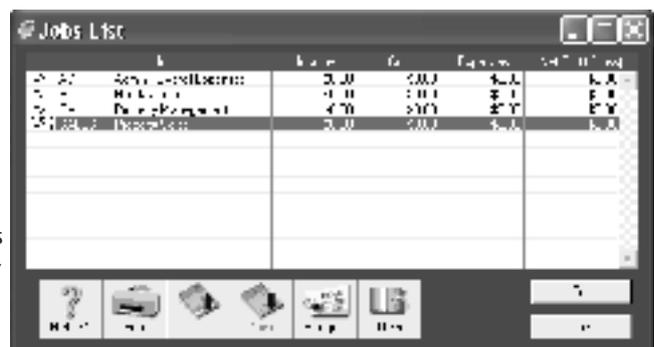


### Job codes let you analyse the profitability of different cost centres within your agency

To create a new job for each cost centre within your agency, go to your Lists menu, click Jobs and then click New. Enter a Job Name, Job Number and a short description, if required. This is usually enough information to get started with (ignore additional fields such as Start Date, Finish Date and Manager). Click OK to return to your Jobs List.

## Analysing the profitability of any cost centre within your business

Although property management versus sales is the most common way that real estate agencies use the Jobs feature, here





# Analysing financials in more detail

## Analysing advertising expenses for each client

Some real estate agents incur substantial advertising expenses that they then on-bill to their clients. Sometimes, these advertising expenses are paid directly out of clients' trust accounts, but other times, it's not appropriate to send a newspaper thirty individual trust account cheques to pay the monthly statement. Instead, agencies pay the advertising expense directly out of their office account, later transferring money from trust as a reimbursement.

If you like, you can keep track of how much each client should pay by creating a job number for each client and then allocating the advertising accounts across multiple job numbers. In the screenshot below, you can see how the monthly advertising bill is split across five different clients, each one with their own job number. This agency then prints a Job Activity Detail at the end of each month to provide the trust account bookkeeper with the information she needs in order to make a trust transfer.

**You can track advertising expenses to individual clients using job numbers**



## Riding booms and busts with budgets and cashflows

Real estate agents often find themselves subject to the whims of the marketplace, with something as common as a change in interest rates or a change in government engendering a boom or a bust almost overnight.

This precarious existence is worsened by the fact that a real estate agent's cash position often varies greatly from their profit position. Monies might be withheld pending a protracted property settlement or large advertising expenditures might only be payable over several months in instalments. For these reasons, budgets and cashflow reporting are particularly important.

A cashflow makes a projection of your future *cash* coming in (not income) and your *cash* going out over a certain period, and produces a projection of your future cash at bank balance. This is different to a budget, which makes a projection of your future income and expenses over a certain period, and produces a profit (or loss) figure. You can use MYOB software to produce both budgets and cashflows.

# Analysing financials in more detail

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To create a monthly budget for your agency, you first need to set up budgets for all your income and expense accounts. To do this, go to your **Accounts List** and double-click every account for which you wish to create a budget, one by one. Once in the **Edit Accounts** window, click **Budget** to enter monthly budgets and view recent account history.

To create a cashflow report based on these budgets, the best approach is to send your budget report to Excel. Here's what to do:

1. Once your budgets are complete, go to your reports menu and highlight your **Profit & Loss [Budget Spreadsheet]** report.
2. Click **Customise** and highlight all months up to the end of the year.
3. Click **Send To** and then **Excel** to view this report in spreadsheet format.

To adapt this budget to become a cashflow, you'll need to add extra lines at the bottom to forecast how much money you'll have left in your bank account at the end of each month, as well as inserting rows for any loans, purchases of new equipment or personal drawings.

# Controlling your payroll costs

The largest expense for most real estate agencies is wages and commissions. This being the case, it makes sense if you cannot only make your payroll process as efficient as possible, but, from a management perspective, generate payroll management reports summarising total spending for each employee and pay category.

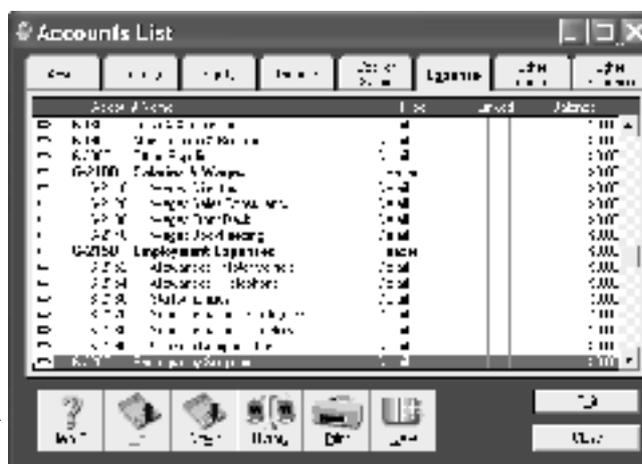
You'll find payroll features in MYOB Accounting Plus, MYOB Premier and MYOB AccountEdge, but not in MYOB BusinessBasics, MYOB FirstEdge or MYOB Accounting. Payroll features are real time-savers for any real estate agency with three or more employees, helping you to calculate pays, PAYG tax, superannuation and deductions, not to mention printing weekly payment slips and annual payment summaries.

## Reporting on payroll expenses

One of the first ways to analyse payroll totals is to separate wages and superannuation into several categories, rather than reporting them as two lump sums.

1. Start off in your **Accounts List** and click the Cost of Sales tab.
2. Create new cost of sales accounts for salesperson commissions, creating separate accounts for owner's commissions and employee's commissions if necessary.
3. Now click the Expenses tab in your Accounts List and click New to create a new Header Account called Salaries & Wages.
4. Click New to create new Detail Accounts for each major wages category in your agency. For example, you might have four accounts: Wages Directors, Wages Sales Consultants, Wages Front Desk and Wages Bookkeeping. Number these new accounts so that they appear under your Salaries & Wages header account.
5. Next, click New to create a new Header Account called Employment Expenses.
6. Click New to create new Detail Accounts for all employment expenses. Create at least two expense account for tracking superannuation, separating the owner's superannuation (which often includes large one-off lump sums), from the regular 9% superannuation paid to regular employees. Create separate accounts for motor vehicle or telephone allowances and number all these accounts so that they appear under your Employment Expenses header account.
7. Re-number your staff amenities, staff training and workers compensation accounts so that these accounts sit under your Employment Expenses header account also.

Setting up wages and salary accounts



# Controlling your payroll costs

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## Linking each employee to the correct payroll expense accounts

In order to view certain payroll categories separately on your Profit & Loss report, you next need to link each employee to the correct payroll expense accounts. Here's what to do:

1. Go to each employee's card and review the **Wages Expense Account** in their payroll information. If necessary, change this expense account so that it reflects the detailed categories you just created in the Accounts List. For example, you might change the **Wages Expense Account** for your receptionist from Wages General to Wages Front Desk.
2. Next, look at any payroll categories for this employee that you want to show separately from their general wages. For example, if you pay your receptionist a motor vehicle allowance, it's best if this allowance is allocated to an expense called Motor Vehicle Allowances, rather than to general wages.
3. For each of these categories, double-click on them and you'll notice a box called **Optional Account**. If you click here, you can enter an account that overrides the **Wages Expense Account** for that employee, for that category only.

## Calculating the commission component in holiday pay

The real estate agency award is a little quirky when it comes to holiday pay. In most agencies, the correct method is to calculate the average weekly or monthly commission and include this as part of the agent's holiday pay. The average is based on total commission paid to the agent in the preceding twelve months.

The tricky part about doing this calculation is that part of the preceding twelve months will always fall in a prior payroll year. For example, if you're doing a holiday pay in April 2005, you'll need to look at commission totals for July 2004 to March 2005, as well as commission totals for April 2004 to June 2004. If you've already closed off both your payroll and financial years (and chances are that you have) the prior year's information won't be available in your current file.

The solution is easy. Before you start a new payroll year, always create a copy (not a backup) of your company file. Rename this copy something like 'Payroll 04 to 05' and store this file in your MYOB folder. This way, whenever you want to look up figures belonging to a prior year, all you have to do is open up the file in the same way as you normally open up your regular company file.

The best report for summarising commission is the Payroll Activity [Detail] report.

## Analysing payroll percentages

One big advantage of setting up wages accounts in detail (see [Reporting on payroll expenses on page 20](#)) is that you can analyse each type of wage expense as a *percentage* of income. Percentages can be more meaningful than dollar figures, for it is easy to know in your head that your income rose last year and so did your wages bill, but it is not so easy to know in your head whether the wages rose in proportion to your income!

# Controlling your payroll costs

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The most useful analysis reports are the Profit & Loss [% Sales Analysis] report and the Profit & Loss [with Year to Date] report. As well as this, you can use the Profit & Loss [with Last Year] to see the *dollar* differences between this year and last year, or you can use the Profit & Loss [Budget Analysis] report to monitor whether your total wages costs are falling within budgets each month.

Compare these percentages with other real estate agencies, either through your franchisor, the real estate institute in your state or through independent industry benchmarks (see [www.cch.com.au](http://www.cch.com.au) for more about benchmarks). This comparison will demonstrate how your agency performs when compared to others, and you can monitor this percentage on a monthly and yearly basis. If wages are taking an ever increasing percentage of your income, or if wages costs are much higher than they ought to be, use this information to evaluate where inefficiencies might be occurring.

# Case study - Marion Todd Real

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**Business Name:** Marion Todd Real Estate

**Business profile:** Marion Todd Real Estate is a busy real estate office doing property sales, property management, holiday lets and valuations. They have eight full-time salespeople, two directors and three clerical staff. They use MYOB Premier.

Marion and her husband started in real estate over ten years ago, and since this time, their business has grown steadily, year after year. They've experienced a few difficulties with cashflow during this time, but one of the worst periods occurred three years ago when their bookkeeper suddenly resigned. Forced to try and understand their finances for the first time in years, they discovered to their horror that the bookkeeper had been filtering cash steadily into her own account. PAYG tax, superannuation and one of their largest creditors had not been paid in almost a year.

Since then, Marion has taken a much more hands-on approach to the finances of her agency. Working with a new bookkeeper and her accountant, they installed MYOB Premier, meaning that Marion can log into her accounts and print reports at any time, even if the bookkeeper is currently working on the company file.

The first thing their accountant did was to use the jobs feature in MYOB Premier to divide the business into three cost centres (property sales, property management and holiday lets). For the first time, Marion could print monthly Profit & Loss reports showing how each cost centre was performing. She discovered that holiday lets were quite unprofitable and with her accountant's help, overhauled the pricing structure and booking procedures. She also discovered that her salesperson wages were well above the average benchmark percentage one would expect from an agency of her size. After working with an independent consultant, she retained the existing wages structure but invested more in training her consultants to increase sales.

# Managing GST and taxation

MYOB software makes accounting for GST about as easy as something so complex could be. So long as you record all your transactions and allocate the right tax code to each one, there's not a great deal that can go wrong. The main thing to remember is to allocate the right tax code when recording transactions. This done, everything else should fall into place.

## Recording GST on income and expenses

Whenever you record a transaction, you can choose whether to enter the amount as tax-inclusive or tax-exclusive by toggling the Tax Inclusive box in the top right of every window. (When recording payments or receipts in MYOB BusinessBasics and FirstEdge, you may have to click the Split button in order to view this option.)

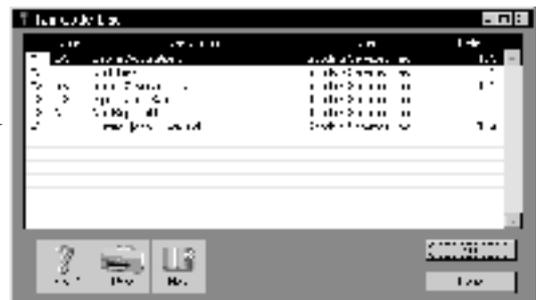
Usually, you'll find it easiest to mark the Tax Inclusive checkbox and enter all amounts including tax. You'll find that the GST calculates automatically and you don't have to go looking up every receipt to double-check the tax total.

You can make life easy for yourself by going to your Accounts List and, one by one, double-clicking each account and checking the linked Tax Code found under the Details tab for each account. By linking all income and expense accounts to the most appropriate tax code, MYOB will always pop up with these codes when you record sales, purchases or spend money transactions.

Most real estate agencies find that they only need six tax codes: CAP; FRE; GST; ITS; N-T and QUE.

To review your codes, go to the Lists menu and choose Tax Codes. Comparing your list with the list shown below, delete any codes you don't need (they'll only serve to cause confusion) and add any codes that are missing. For all tax codes, the Linked Account for Tax Collected should be GST Collected from Sales and the Linked Account for Tax Paid should be GST Paid on Purchases. Once you're finished, your tax code list should look similar to the one below:

**Your Tax Code List should look similar to this one**



What do the different codes mean?  
Here's an explanation:

### **CAP (GST on capital acquisitions)**

If you're part of the Simplified Tax System (which is the case for most real estate agencies), then you need to report all capital acquisitions (new equipment, furnishings or vehicles) that cost more than \$1,000 separately on your Business Activity Statement. To do this, you need a separate tax code called CAP.

If you're not part of the Simplified Tax System, then you need to report *all* capital acquisitions (new equipment, furnishings or vehicles) separately on your Business Activity Statement, regardless of the cost. To do this, you need a separate tax code called CAP.

If you're not whether or not you're part of the Simplified Tax System, ask your accountant.

# Managing GST and taxation

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## **FRE (GST-free goods and services)**

Even if you don't sell any GST-free goods or services, you're bound to end up purchasing GST-free supplies such as bank charges, donations or government charges. Coffee, tea, fresh food and meat are also GST-free.

## **GST (Goods and Services Tax)**

GST is the tax code that you'll use for most sales and purchases.

## **ITS (input taxed sale)**

Use this code for interest and dividend income and rental income from residential property investments.

## **N-T (not reportable)**

N-T stands for not reportable and is the code you use for everything that falls outside the GST net, such as wages; superannuation; loan repayments; bank transfers and personal spending.

## **QUE (query)**

Use the query code whenever you're not sure what code to use. That way, when you get to the end of the quarter, you can print a report for all transactions coded QUE and ask your accountant or MYOB Certified Consultant to give you a hand choosing the correct codings.

## Deciding what codes to use when

One of the tricky things when first recording income and expenses is to figure about what tax code to use when. Here are tips to help you out, written especially with real estate agencies in mind:

### **Income**

- Select GST as the tax code for all your regular income, including commissions, letting fees and valuation fees.
- Interest income should have ITS as the tax code, as should any income from residential real estate investments.
- Personal income which isn't really income (for example, a family loan, a gift or a tax refund) should have N-T as the tax code.

### **Expenses**

#### **Items with GST as the tax code**

- Most expenses, including things such as advertising, electricity, postage and telephone.
- Merchant fees on credit cards.
- Commercial rental expense.
- Travel within Australia.

# Managing GST and taxation

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## Items with FRE as the tax code

- Donations, most bank charges and interest expense. (However, watch out, as merchant fees should have GST as the tax code.)
- Government charges, including licence renewals, motor vehicle registration, council rates, water rates, land tax and stamp duty.
- Milk, tea, coffee and some first aid supplies.
- Residential rent expense.
- Overseas travel.
- Subcontractors who have an ABN but aren't registered for GST.

## Items with CAP as the tax code (CAP stands for 'GST on capital acquisitions')

- Assuming you're registered for the Simplified Tax System (ask your accountant if you're not sure), select CAP as the tax code for all purchases of new furnishings, equipment or motor vehicles over \$1,000. If you're not registered for the Simplified Tax System, *all* capital acquisitions should have CAP as the tax code.

## Items you should check with your accountant or supplier

- The tax code for hire purchase and lease payments depends on what you're paying off, when you bought it and how your accountant intends to treat it. Ask your accountant.
- Insurance is tricky, because almost every insurance policy is a mixture of taxable and tax-free (stamp duty doesn't have GST on it). Double-check the exact amount of GST on every insurance payment.

## Items with N-T as the tax code

- Commissions.
- Private expenses.
- Superannuation expense.
- Wages.