

How to account for a property management company

Property management companies let properties they do not own and are responsible for their day-to-day operations and repairs. It is an industry that has grown exponentially in the past decade due to low startup costs, huge housing demand and the potential for large profits.

All property management services are VATable if the company reaches the VAT threshold or voluntarily registers.

Property management companies receive the majority of their income from the fees they charge to the property owners. They can then offset their business expenses from their income, for instance, office costs and insurance.

Control accounts

Since property management companies do not own the properties they manage, they will need to keep their client accounts in separate 'control accounts' on the balance sheet.

A control account is a summary account that shows the overall balance of a specific category. For property management companies, this may include:

- Rent from tenants
- Maintenance Costs
- Management Fees

Once the fees and management costs have been deducted from the rent

received, the net amount is then passed along to the property owner.

It is essential to maintain your control accounts and to reconcile them on a monthly basis (if applicable). This will help to ensure that the company's financial position is accurate and up to date.

In addition, the control account can be used to track the performance of the company's properties. For example, if a property is not generating enough income to cover its expenses, this will be reflected in the control account. As a result, control accounts are essential tools in this type of business.

Separating accounts

Property management companies should also consider separating their own bank accounts and ledgers from their client accounts.

This way, you'll keep your business administration costs separate from the income and expenses relating to your managed properties.

Keeping these accounts separate will give a clear picture of where the company's money is coming from and going to. It will also make it easier to track expenses and budget for future needs. Therefore, it is advantageous to have separate accounts for service and administrative operations.

There is different software available that can help property management companies manage their business and accounting. Feel free to reach out to us for recommendations.