

FUNNY FINANCES

How is it that we are not balancing our budgets?

There is a little known quirk in many of the accounting packages managers use that even some of those managers are not aware of.

Some of those accounting packages (like Rockend) record OC income before it is received but only record outgoings as the cheque is drawn. So at the end of the year accounts may anticipate income as if it had already been received and indicate the OC has more reserves than it does, particularly if invoices for levies go out near the end of the financial year. So the end of year accounts may record 5 quarters of income but only 4 quarters of expenditure, and show a substantial surplus, when there may not be a surplus at all.

Members of owners corporations whose manager uses Rockend or similar accounting packages need to look under Cash Management under Levies Due. Is the amount shown there all actually due in the current financial year? Look at the Aged Arrears, because that shows the levies that were actually due 30, 60 and 90 days ago. If, close to the end of the financial year, you deduct the Aged Arrears amount from the Levies Due and have a substantial remainder, ask questions.

If there are large Receivables (ie money not yet received) under Total Assets in Balance Sheets prepared for the AGM, take note. If this amount is more than a quarter's levies, ask what it is made up of. Either, action is not being taken to get overdue levies paid and some members of the OC are welching on debts; or you have levies not yet due in the Receivables figure.

Executive committees are responsible for the preparation and submission of financial reports to the AGM, and ECs need to know what is included in the Receivables and take that into account in framing the budget. If this is not done, apart from the failure to do their job properly, the OC may not have the cash to pay bills as they fall due in the new financial year.