

7 Tips On Real Estate Accounting

When you are [starting a business in real estate](#) it is important to be knowledgeable in all aspects, and that includes accounting. Knowing its rules allows you to understand how most of the deals in real estate work since a lot of money goes in and out of this industry during transactions. To have a solid [business plan](#) for your company it is a good idea to educate yourself on real estate accounting.

Who Does Real Estate Accounting?

In a checklist of real estate occupations, almost all of them tick the box in being involved in real estate accounting. People who [manage property](#) utilize real estate accounting. Since a lot of money flows in and out of this industry it is vital to understand the transactions and what they entail. People who create [proposals](#), do marketing, and analysis usually are knowledgeable in this field mainly due to the fact that they have to know how much money is involved to [generate leads](#) and attract opportunities.

Principles of Real Estate Accounting

As mentioned earlier, learning about the accounting aspect of this industry can help you in [growing your real estate business](#) with the insight you obtain. There are three principles to understand before you get into this. The goal of these principles is to ensure that the clients are well informed before making a decision throughout the whole transaction process.

Useful Accounting Information

When you are doing a particular transaction, always bring up the relevant topics and only that. There's no need to mention any other information as it will only overwhelm the other people involved. Some examples of useful information include the value of the property, the schedule of people involved, and legal documents required. Sometimes sharing information that is not useful to the situation could result in the deal going wrong, which is why it is best to follow this principle strictly.

Communicating through Financial Statements

A [financial statement](#) is the record of a person, company, or entity. In the case of real estate transactions, it is the financial statement of a property or a company that is used as a primary way of communicating costs. These include balance sheets, cash flow statements, [income statements](#), and a statement of equity.

Accounting Information Must be Comprehensive

Here's the thing, not everyone who is involved in a transaction would be able to understand all of the words being used. Most clients will have a challenge in understanding a real estate accounting document. Which is why it is one of the principles to make sure that any information being presented is written in simple and understandable words. This is in order to make sure the transactions are done with the client fully understanding all the terms.

Real estate accounting is a serious aspect of this business since you are handling both money and confidential information. Here are seven tips to remember when you do this.

Go Digital

To keep information secure, you can keep a digital record of your real estate transactions somewhere safe. That way, the confidential details won't be easily accessed and vulnerable to fraud or any other security problems. Going digital allows you to save space, storing it all digitally rather than carrying document papers around. Another benefit of going digital is that it lets you easily record other things in the transaction, like [meeting minutes](#) or important emails.

Open a Bank Account

When you are doing a real estate transaction it is advisable to open a separate bank account entirely focused for these situations. The reason behind this is that there are often a lot of things that need keeping track in real estate accounting. Having one bank account for everything will make tracking of income and expenses extremely difficult.

Review Your Financial Picture

Understanding your financial picture allows you to make decisions and plans regarding the transactions you do in real estate. Review first your personal accounts and see whether it is financially safe for you to get into whatever business you wish to do with other people and companies. Make an estimate and see whether the cost is greater than the profit.

Consider Outsourcing

Handling real estate accounting is a lot of work. And there are cases when there are not enough employees who can handle the workload for it. If this is the case, then you can consider outsourcing the tasks rather than hiring more people to do the work. Outsourcing allows you to cut costs and keep your company [budget](#) intact.

Organize Business Records and Documents

Make sure all the documents regarding your financial and other business records are all organized well. For example, keep your bank statements and receipts separately, and if you tend to use several banks then organize by their branch. Keeping them organized allows you to easily trace anything back in case you need to check past transactions. Keep your books up to date as well, always include the date, time, and locations as well to keep it detailed.

Separate Personal and Business Expenses

Do not mix your personal financial records and your business transaction records together. This can make it difficult for you to trace back and check any past records if the situation calls for it. Mixing them together can also result in you sharing the wrong information which is a big no-no in real estate accounting. This is why it is vital that you keep the two separate.

Choose An Accounting Method

To complete your books in real estate accounting, there are two kinds of accounting methods you can use; basis and accrual. Basis accounting is a simple method for tracking the transactions, all you need to do is record whenever you receive money and spend it. Accrual on the other hand involves you recording two transactions that are both of equal value but opposite in effect. Using either of these will allow you to maintain an accurate account of your transactions in real estate.

Understanding real estate accounting and all its rules is vital to keeping your company up and running. Not only because it will help you be at the top of your game, but also to help educate your clients and associates about it. This will also prevent you from giving the wrong information and jeopardizing a transaction. Being able to share useful information with them makes you credible and more trustworthy, which will benefit your company's reputation in the long run.