HOW TO SET UP YOUR TRUST ACCOUNT IN QUICKBOOKS DESKTOP PRO 2018

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HOW TO SET UP YOUR TRUST ACCOUNT IN QUICKBOOKS DESKTOP PRO 2018

Setting Up Your Trust Account

1. Launch your QuickBooks program. Create a new company for your law office. On the No Company Open screen, click Create a new company, or go to the toolbar, click File, and select New Company [Figure 1].

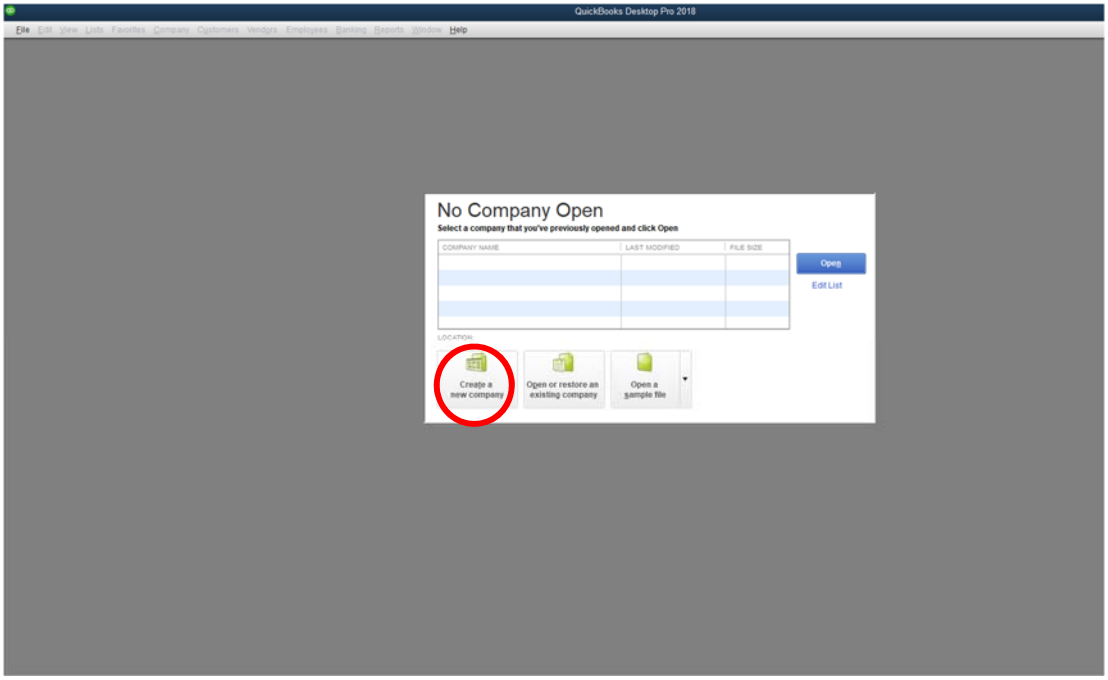


Figure 1

2. This will take you to a screen asking you to set up your business. Click the blue Start Setup button [Figure 2].

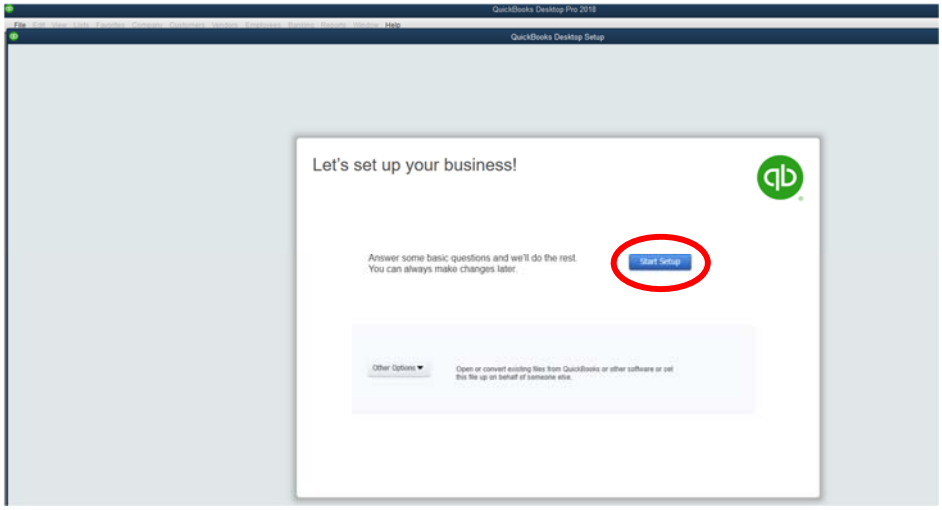


Figure 2

3. You will then be given the option to either activate the program using an existing Intuit Account, create a new account, or skip the process. The Intuit Account is used to purchase, view, and link your account to various products and services. If you skip the process, you may continue to see the message when opening QuickBooks [Figure 3].

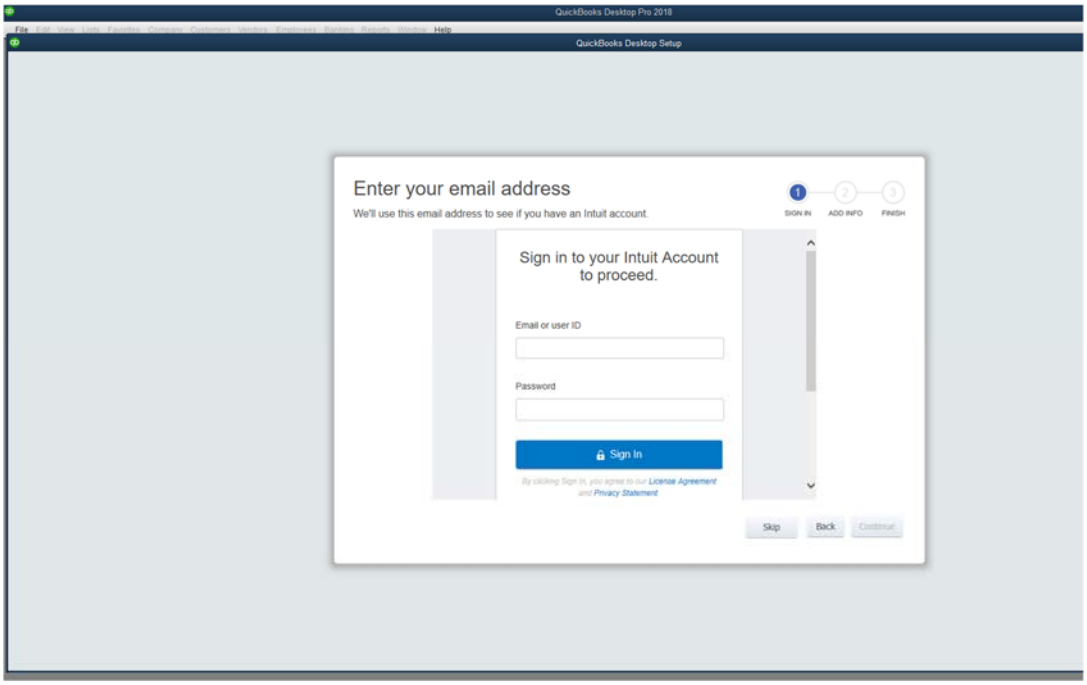


Figure 3

4. On the next screen, enter the requested information about your business. After entering your company name, you will be asked to select your industry. Type in Legal Services (this will prompt QuickBooks to generate certain accounts for your law office). Complete the form by entering your business type and information. Click Create Company [Figure 4].

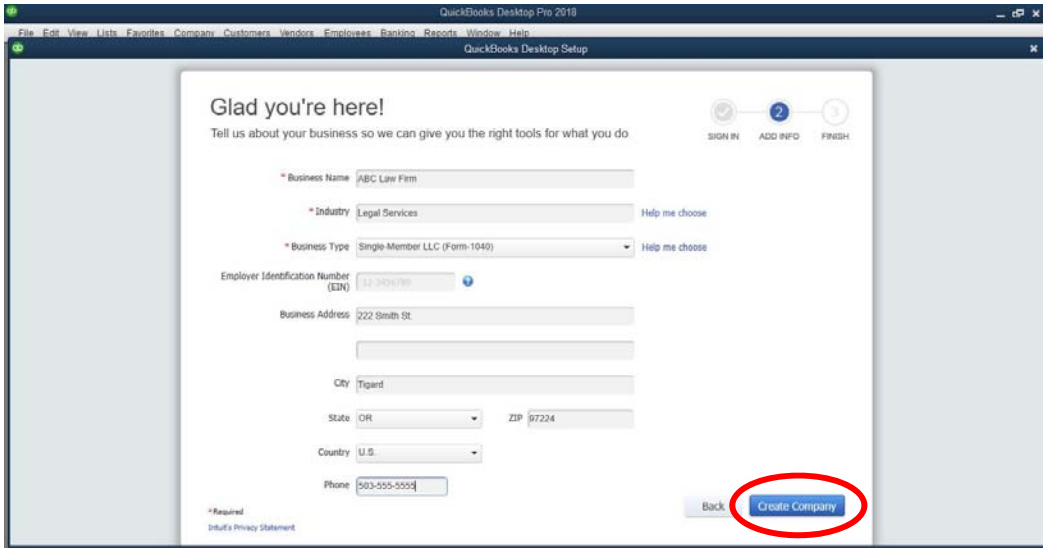


Figure 4

5. On the next screen, click Start Working [Figure 5].

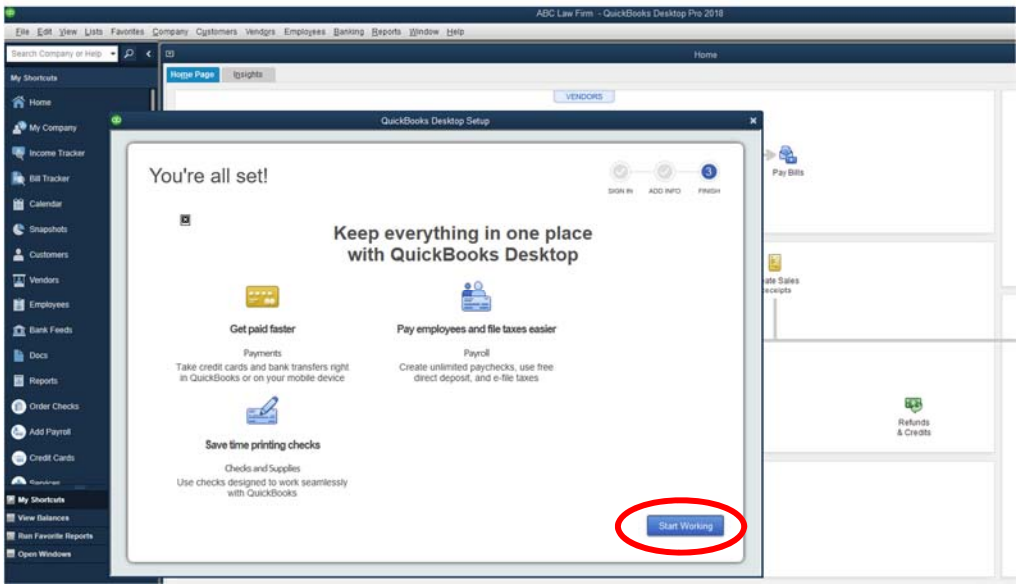


Figure 5

6. On the Home Page in the Company section, click on Chart of Accounts [Figure 6].

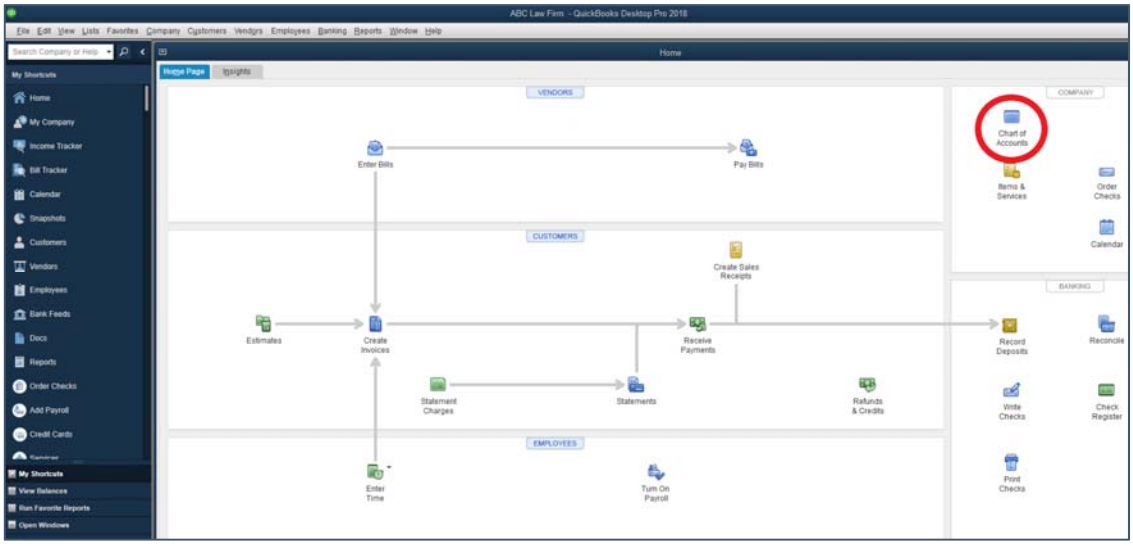


Figure 6

7. You should see that the Client Trust Account as a type of bank account is already set up [Figure 7].

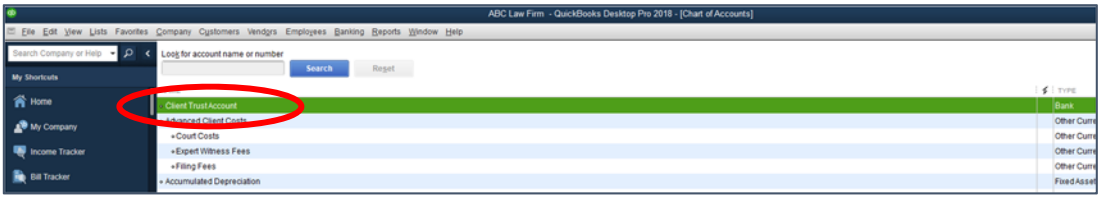


Figure 7

8. Funds held in a Client Trust Account must be kept separate from the lawyer's general account. And because funds held in trust are not firm property, you need to set up a liability account to offset the Client Trust Account in order to show that the funds in the trust account do not belong to the firm.

    a. To set up your liability account, (1) click on the down arrow next to Account at the left bottom of the screen and (2) choose New [Figure 8].

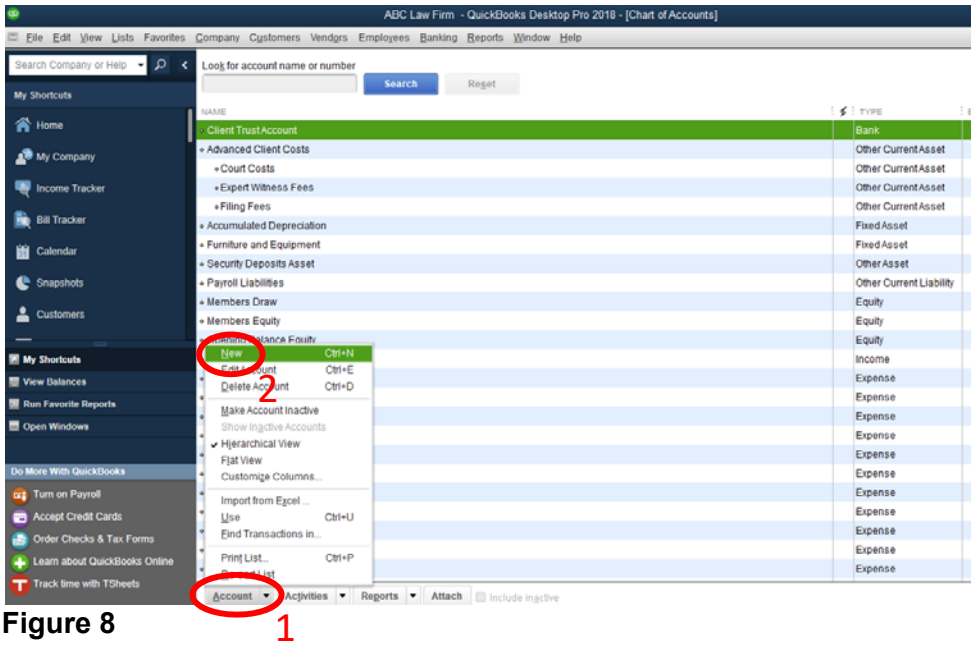


Figure 8

9. On the next screen, (1) check Other Account Types, (2) choose Other Current Liability, and (3) click Continue [Figure 9].

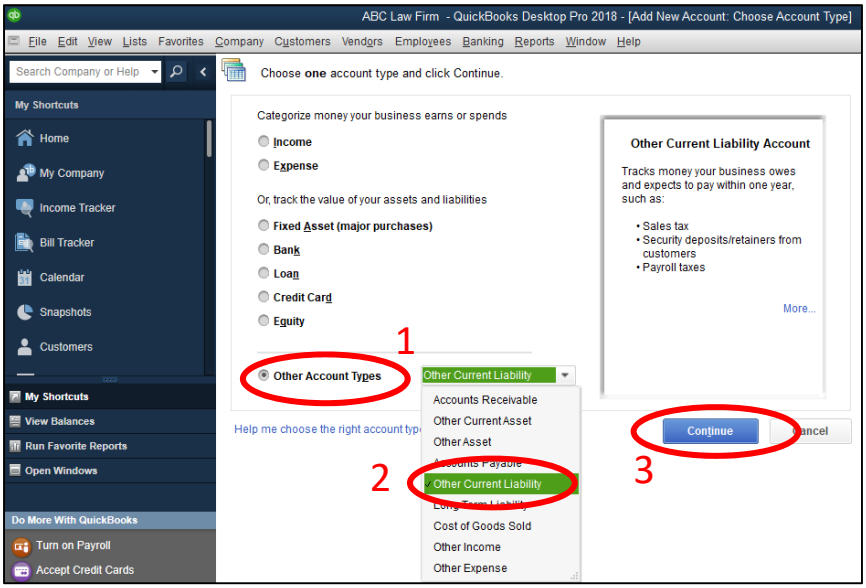


Figure 9

10. The Trust Liability account will act as a credit to offset the debit of the Client Trust Account. When you look at the Chart of Accounts, the balance in the Client Trust Account **must always** match the balance in the Trust Liability account because these accounts are tracking the same money, yet one is set up as a debit (Client Trust Account) and the other is set up as a credit (Trust Liability). The Trust Liability account also tracks each client's funds by using subaccounts so you can know their individual balances at any given time.

    a. On the next screen, (1) name the account Trust Liability, and (2) click on Save & Close [Figure 10].

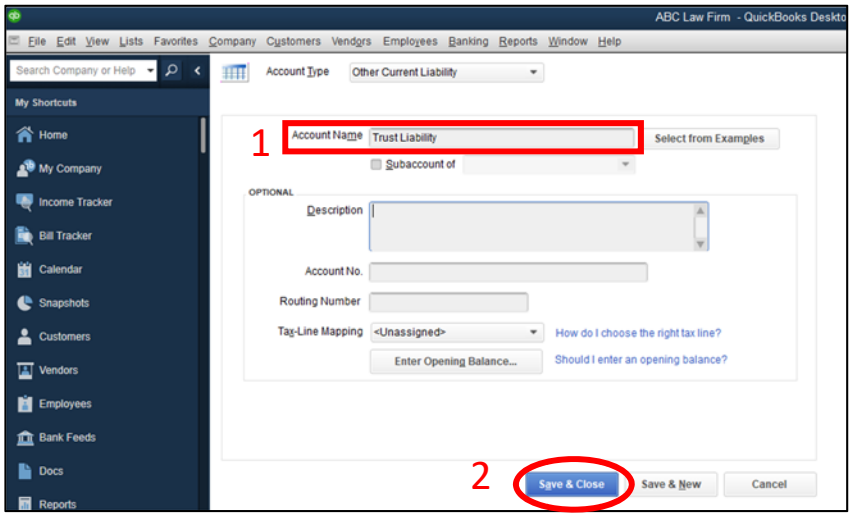


Figure 10

Your setup is now complete. The following pages contain instructions on how to record deposits into and withdrawals from the Client Trust Account.

How to Record Deposits into the Client Trust Account

11. When you wish to record a deposit into the Client Trust Account for a client, you must first create a subaccount for that client under the Trust Liability account.

    a. To create a subaccount for a client, (1) go to the My Shortcuts sidebar on the left side of the screen, click on Home, (2) then click on Chart of Accounts [Figure 11a].

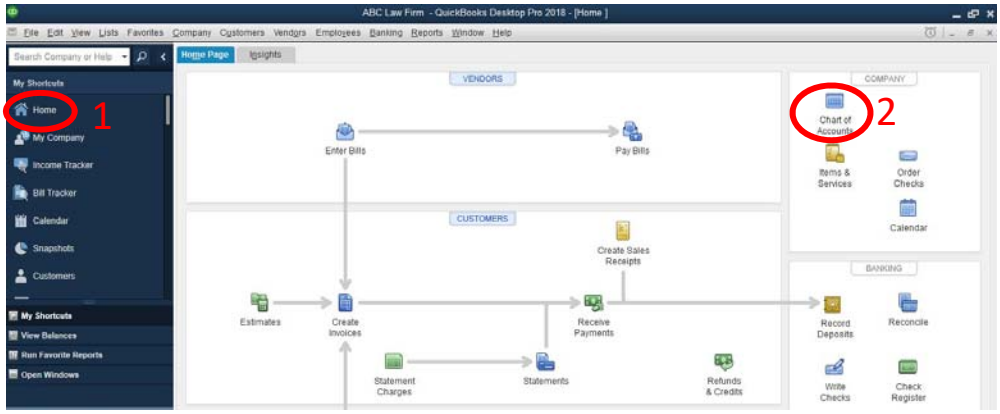


Figure 11a

    b. Find and (1) click on the Trust Liability account, then right click, and (2) choose New [Figure 11b].

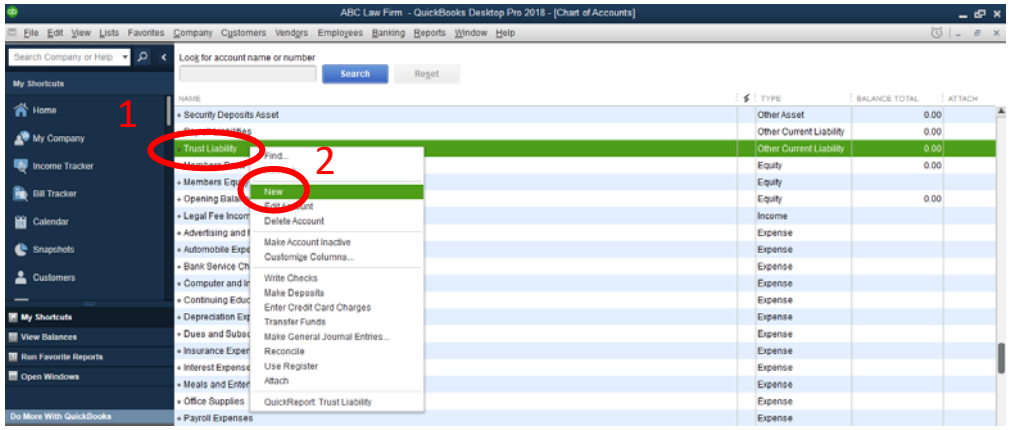


Figure 11b

c. (1) Check Other Account Types, (2) choose Other Current Liability, and (3) click Continue [Figure 11c].

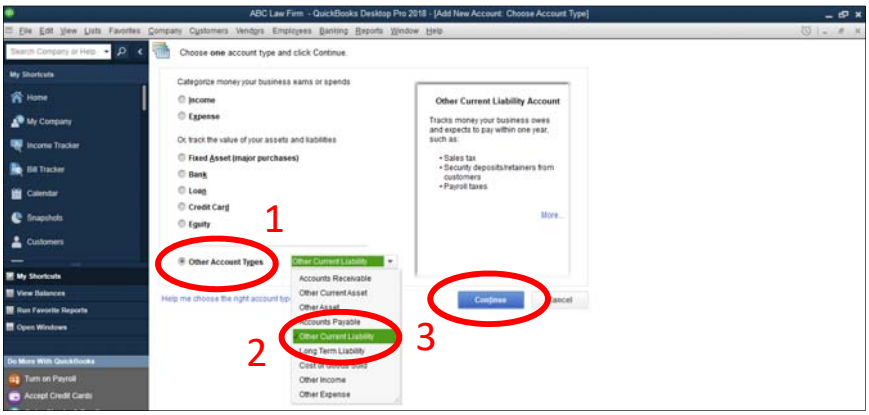


Figure 11c

d. On the next screen, (1) name the account using the client's name and check the box for Subaccount and link it to the Trust Liability account, and (2) click on Save & Close [Figure 11d]. Repeat steps #10c and #10d for every client with funds in the trust account.

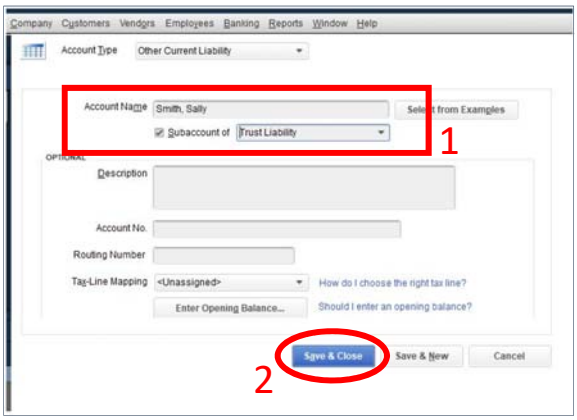


Figure 11d

12. To record a deposit, go to the Home Page, click on Chart of Accounts, and then double-click on Client Trust Account to open the account register.

a. In the account register, (1) input the date of the deposit (it will default to today's date), and (2) enter the check number if the deposit is by check (otherwise leave the number field blank), and then (3) type "Deposit" in the Payee field. [Figure 12a].

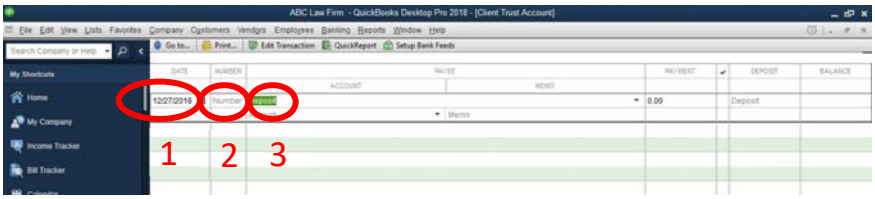


Figure 12a

b. The first time you type in “Deposit,” a pop-up window will appear stating that the name is not found and ask you to add it. Click on Quick Add [Figure 12b].

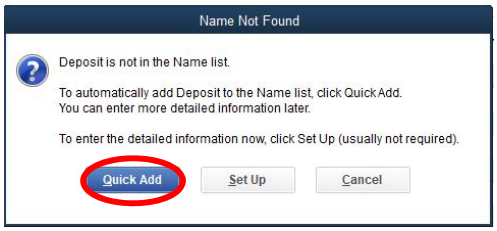


Figure 12b

c. Another window will appear asking you to select the name type. (1) Check Other and (2) click OK [Figure 12c].

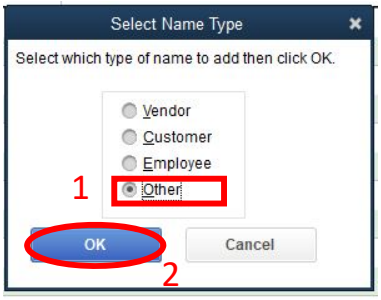


Figure 12c

d. Then (1) in the Deposit field, (2) enter the amount of the deposit [Figure 12d].

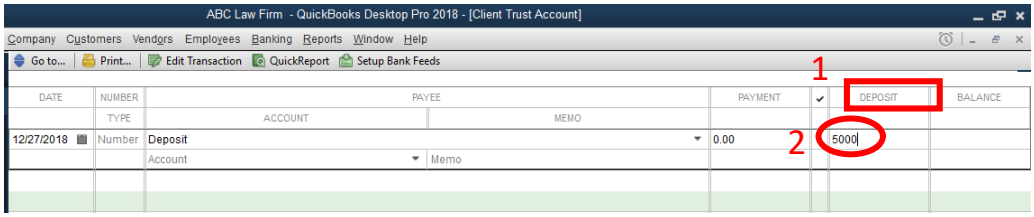


Figure 12d

e. Below the Payee field where you have already typed “Deposit,” (1) click on Account and (2) choose the client subaccount from the Trust Liability account in the accounts list (you can either search for the client’s name, or use the arrow on the right to find the client’s Trust Liability subaccount) [Figure 12e].

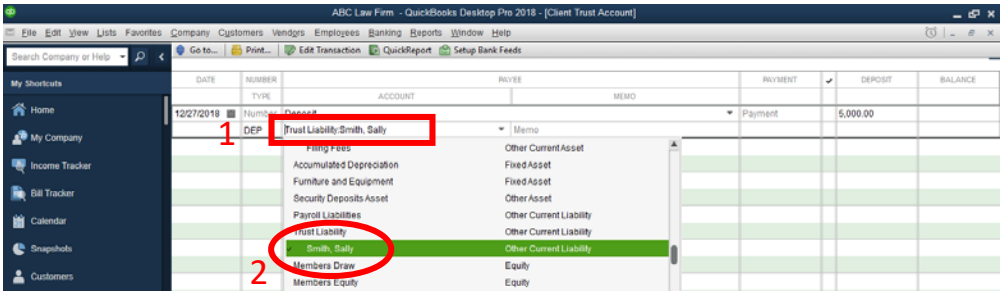


Figure 12e

f. (1) Type a description of the deposit in the Memo field (e.g., retainer (check/card/cash), filing fee). Then (2) enter the amount of the deposit in the deposit field. When all deposits are complete, (3) click on Record at the bottom right, and the transaction(s) will be recorded [Figure 12f].

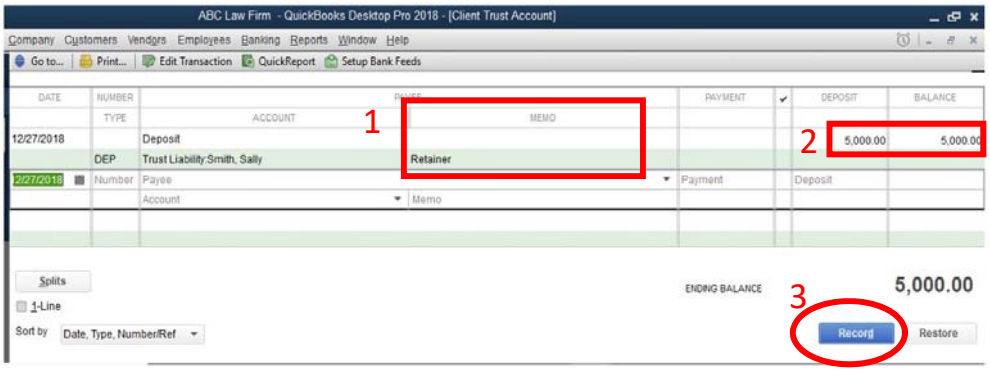


Figure 12f

13. Another way to record a deposit is to go to the Home page and click on Record Deposits [Figure 13].

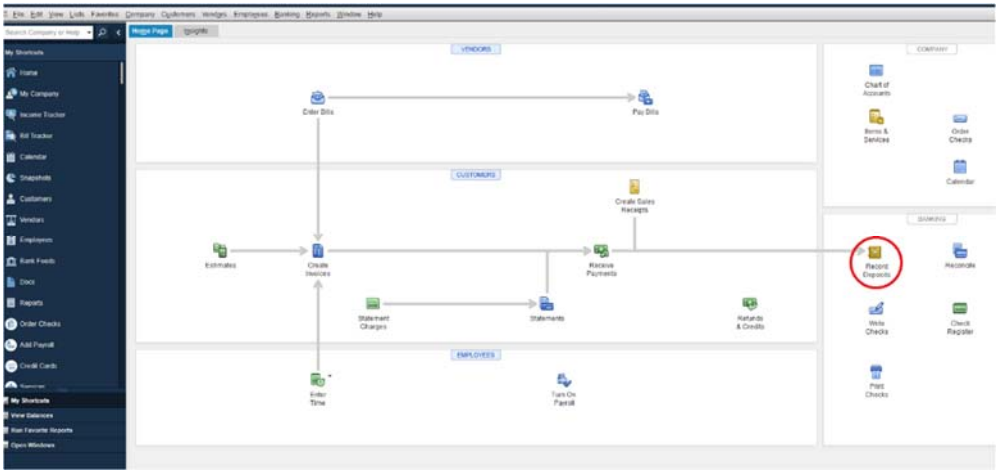


Figure 13

14. Before recording a deposit, be sure you've already created a subaccount for the client under the Trust Liability account using the instructions from step #11.

a. At the Make Deposits screen, (1) choose Client Trust Account for the Deposit To field and put in the date of the deposit (it will default to today's date). Then (2) type in the name of the client under the Received From field and hit Tab. If this is the first transaction for this client, a pop-up window will appear stating that the name is not found and ask you to add it. (3) Click on Quick Add [Figure 14a].

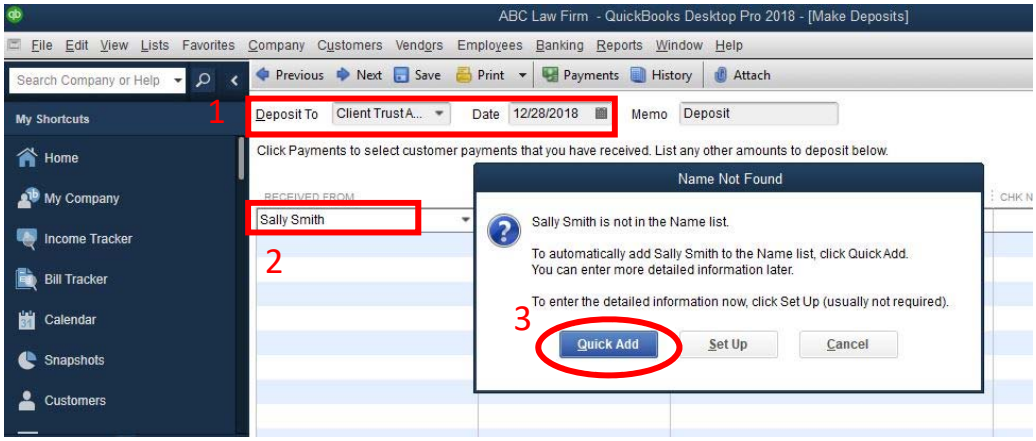


Figure 14a

b. Another window will appear asking you to select the name type. (1) Check Customer and (2) click Ok [Figure 14b].

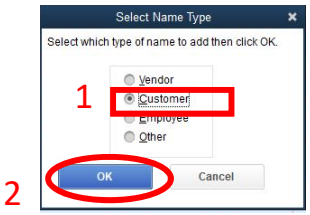


Figure 14b

c. On the next screen, type the client's name in the From Account field (the client should already be listed as a subaccount under Trust Liability) or click on the down button and select the client [Figure 14c].

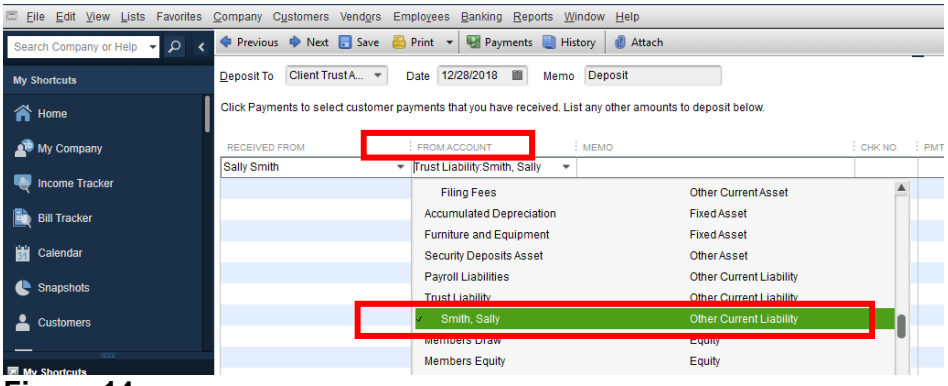


Figure 14c

d. Then (1) type a brief description of the deposit (e.g., retainer) in the Memo field, (2) enter the check number if the deposit is by check, (3) choose the method of payment (e.g., cash, check, card), and (4) type in the amount [Figure 14d].

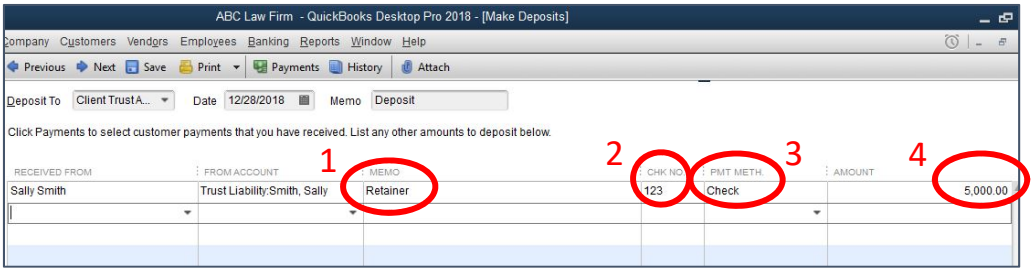


Figure 14d

15. If you are recording multiple deposits for different clients, be sure you've already created a subaccount for each client under the Trust Liability account using the instructions in step #11.

a. (1) Add the information for each deposit on the next lines. You will note that as you add more deposits, the (2) deposit total at the bottom right will change to reflect the addition of each deposit. When all deposits have been entered, (3) click on Save & Close [Figure 15a].

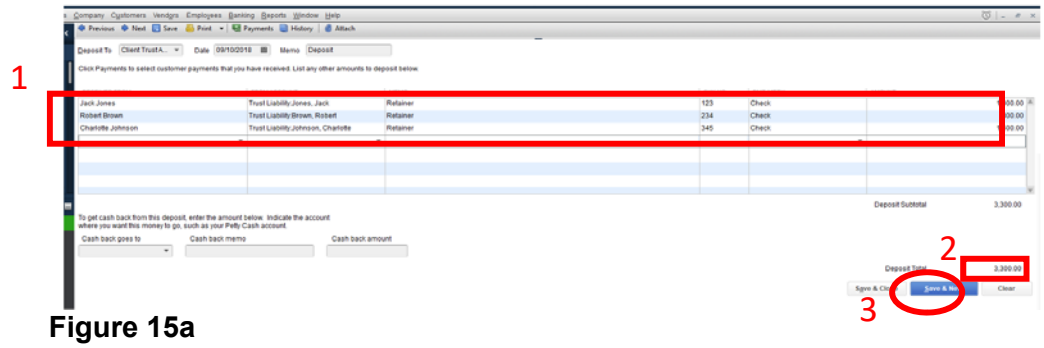


Figure 15a

16. After recording the deposits, go back to the Home page and click on Check Register [Figure 16].

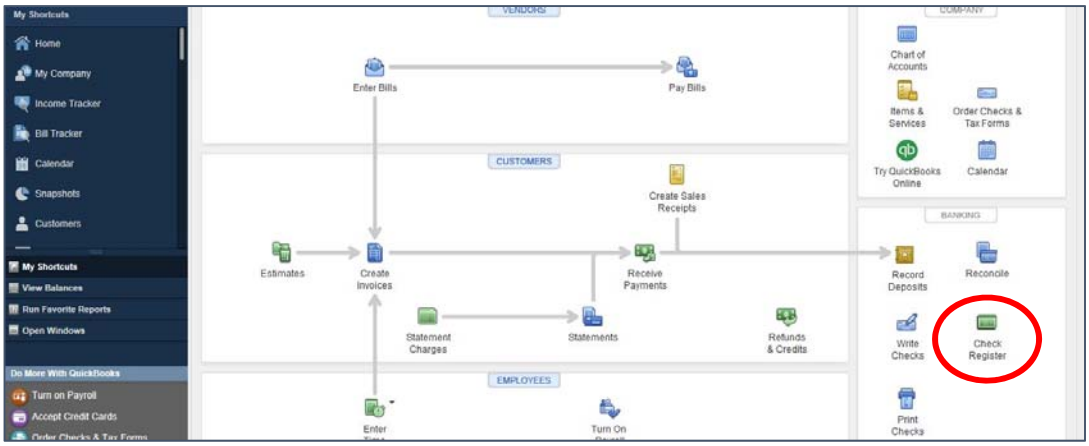


Figure 16

a. You will see that if you recorded multiple deposits in one entry, the (1) Account field for those entries will contain the word “-split-“. Type (2) “Deposit” in the Memo field. If you want to view the multiple deposits, double click on -split-.

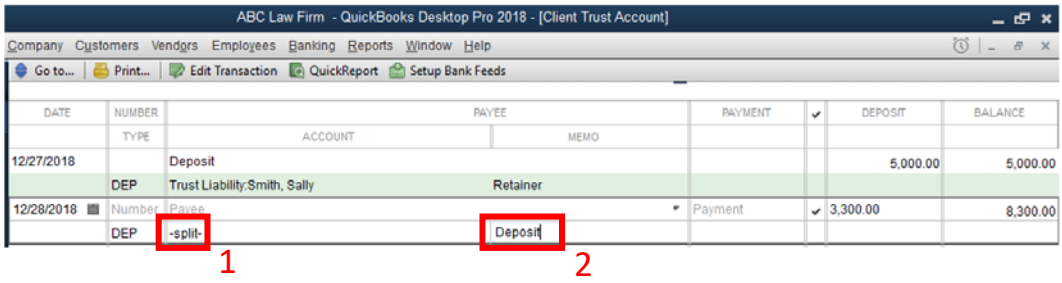


Figure 16a

17. To see the recorded deposits, go back to the Home page and click on Chart of Accounts. You will see that the multiple deposits have been recorded and now reflect the new balance for the Client Trust Account and the Trust Liability account (which should always match), as well as the new balance of each client subaccount in the Trust Liability account [Figure 17].

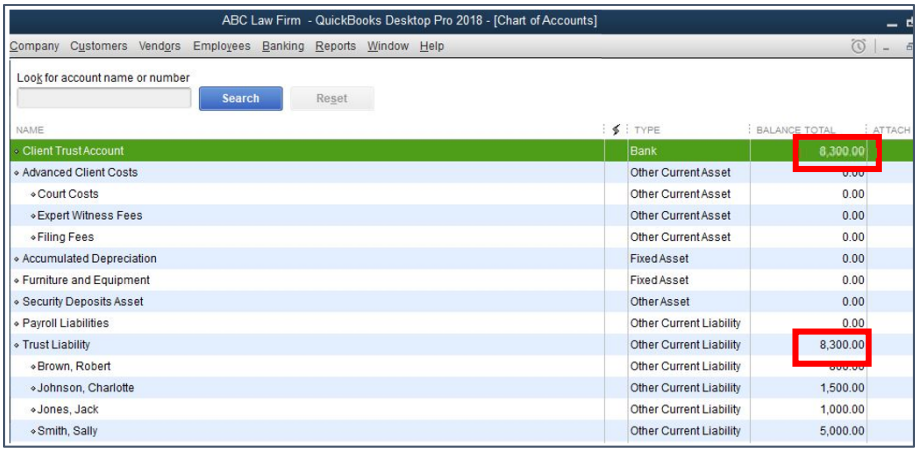


Figure 17

How to Record Withdrawals from the Client Trust Account

18. Recording withdrawals from the Client Trust Account is done in the same manner as recording deposits. Go to the Home Page and click on Check Register.

    a. The Client Trust Account register will appear.

        (1) Input the date of the withdrawal (it will default to today's date).
        (2) If the withdrawal is by check, enter the check number in the Number field (otherwise leave the number field blank).
        (3) Then tab to the Payee field and type in the name of the payee. If you haven't already entered the name of a particular payee, the first time you type it in, a pop-up window will appear stating that the name is not found and ask you to add it. Click on Quick Add. Another window will appear asking you to select the name type. Check Other and click Ok.
        (4) Then click on the Payment field and enter the amount of the withdrawal [Figure 18a].

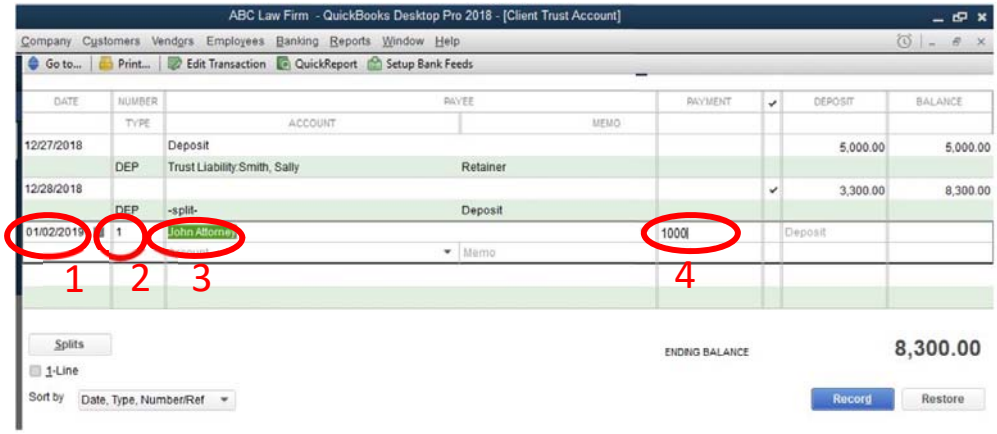


Figure 18a

    b. Below the Payee field where you have already entered the name of the Payee, (1) click on Account and (2) choose the client subaccount from the Trust Liability account in the accounts list (you can either search for the client's name or use the arrow on the right to find the client's Trust Liability subaccount) [Figure 18b].

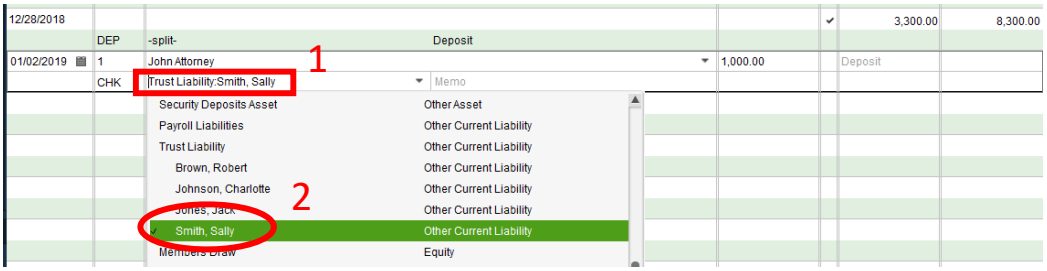


Figure 18b

c. Then (1) type a description of the withdrawal in the Memo field (e.g., attorney fees). When you tab to the next line, (2) the withdrawal will be subtracted from the current trust account balance and allow for additional withdrawals. When all withdrawals are complete, (3) click on Record at the bottom right [Figure 18c].

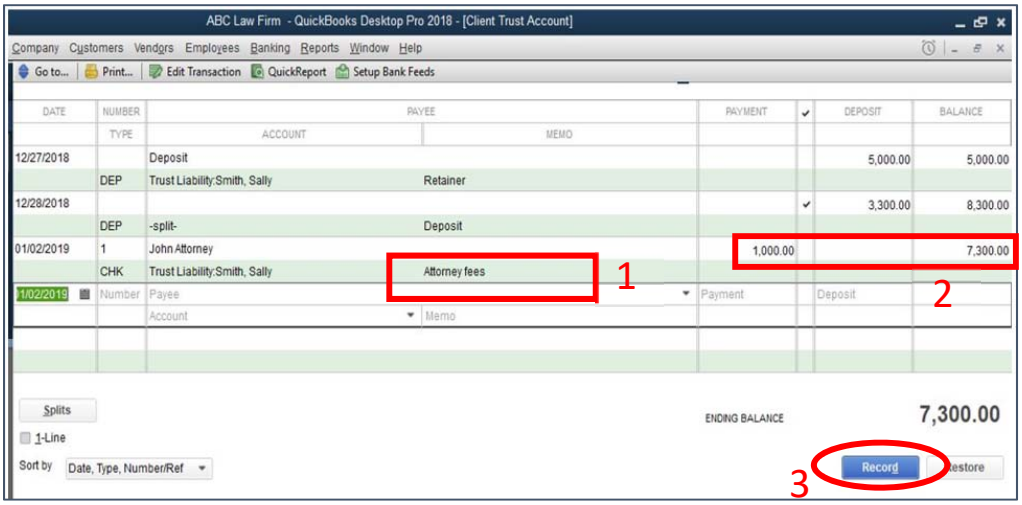


Figure 18c

How to Write and Print Checks

19. QuickBooks allows you to write and print checks directly from QuickBooks and simultaneously record that transaction in the Client Trust Account. To use the check-printing function, you must first order preprinted checks that contain account numbers and check numbers. QuickBooks can only print the payment information. You can purchase preprinted checks compatible with QuickBooks from various vendors, including Intuit, the company that owns QuickBooks.

    a. **Ordering Checks.** To order checks from Intuit, on the Home page in the Company section, (1) click on Order Checks & Tax Forms. To write checks, (2) click on Write Checks [Figure 19a].

Figure 19a

b. **Writing Checks**. To write a check from your Client Trust Account, follow the steps below:

(1) Choose Client Trust Account for the bank account you will be withdrawing from.
(2) If you want to print the check as soon as you write it, then uncheck the Print Later box. If you want to print the check later, then check the Print Later option.
(3) Enter the check number into the No. field, which must correspond to the check number on your preprinted checks.
(4) Input the date of the check (it will default to today's date).
(5) Type in the name of the payee in the Pay to the Order Of field. Remember that if you haven't already entered the name of a particular payee, the first time you type it in, a window will appear stating that the name is not found and ask you to add it. Click on Quick Add. Another window will appear asking you to select the name type. Check Other and click Ok.
(6) Enter the amount of the withdrawal.
(7) Click on the Address field and enter the address of the payee.
(8) Click on the Memo field and type a description of the withdrawal [Figure 19(b)(1-8)].

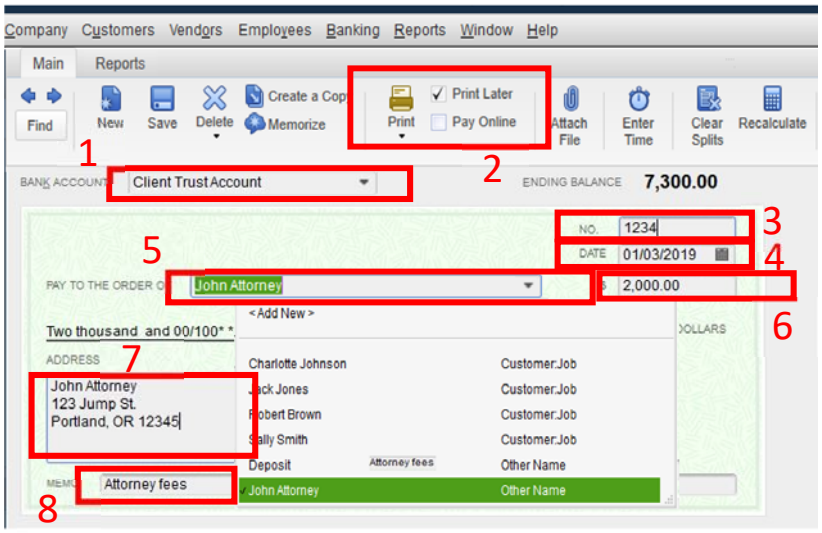


Figure 19(b)(1-8)

(9) Click on the Expenses tab below the check. In the Account field, (1) type in the name of the client from whom you are withdrawing money. (2) The entire check amount will be attributed to that client as shown in the Amount column. Then (3) type a description of the withdrawal in the Memo field [Figure 19(b)(9).

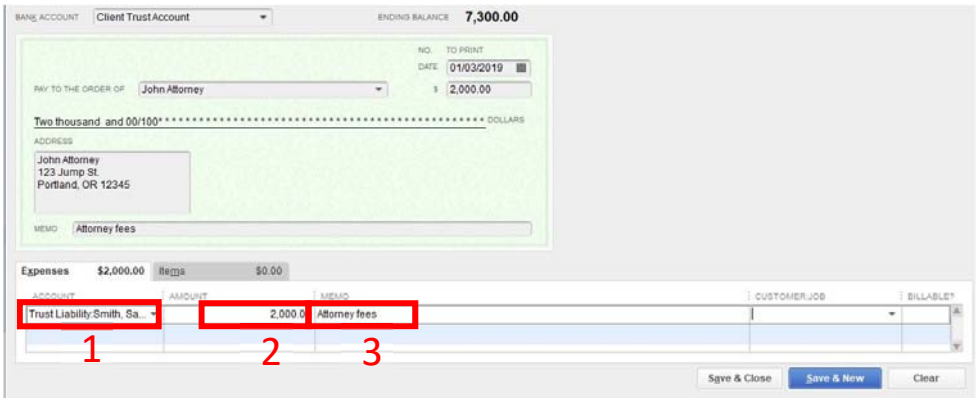


Figure 19(b)(9)

c. **Writing One Check for Multiple Clients.** The Write Checks function allows you to write one check for multiple clients (e.g., paying yourself attorney fees on multiple client matters). If you use this function, you need to split the check to multiple subaccounts for each client. This means (1) changing the amount in the Expenses tab to reflect specific amounts attributed to particular clients. Repeat the process in the next rows until you've distributed the total check amount to the correct client subaccounts. Then (2) click on Save & Close when you're done [Figure 19c].

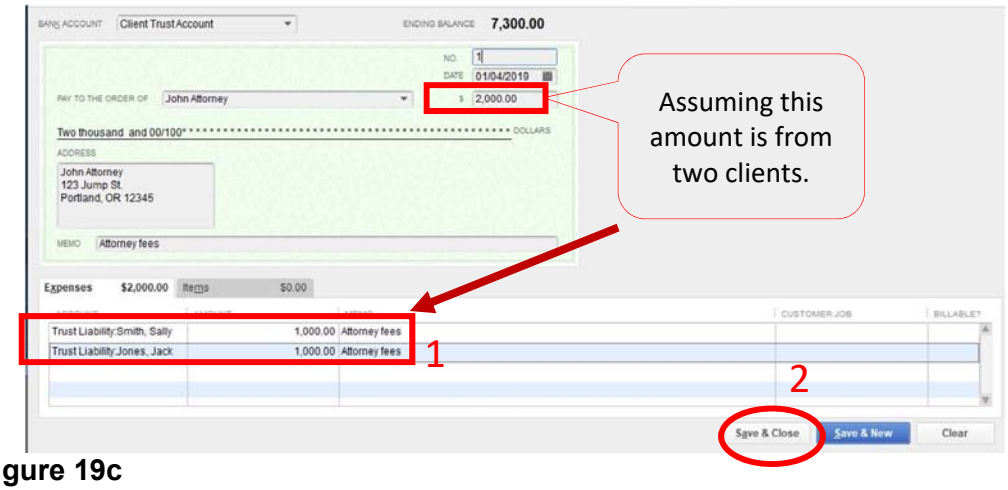


Figure 19c

d. **Printing Checks.** Please make sure you have preprinted checks that are compatible with QuickBooks if you want to use this function.

(1) If you checked the Print Later box when you wrote a check in step #19(b) and clicked Save & Close after completing the check, you will be taken back to the home page. On the Home Page in the Banking section, click on Print Checks [Figure 19(d)(1)].

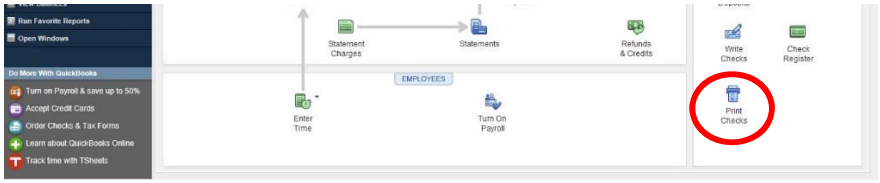


Figure 19(d)(1)

(2) A window will appear asking you to select the check you want to print. The check you already wrote should be listed with a checkmark next to it, verifying this is the check you want to print. In the section titled First Check Number, (1) type in the check number of your preprinted check. Then (2) click OK [Figure 19(d)(2)].

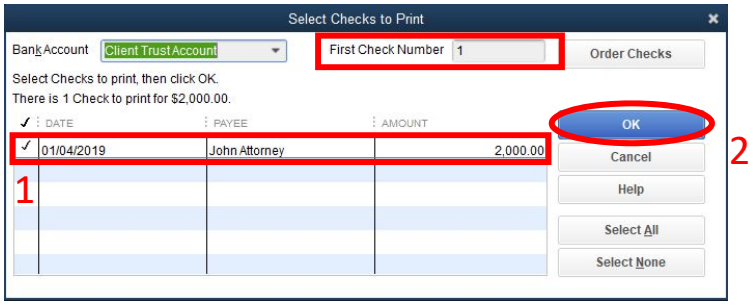


Figure 19(d)(2)

(3) Another window will appear asking you to specify the print settings. Be sure you have already placed the preprinted checks into your printer.

i. Select the proper printer name and type.
ii. In the Check Style section, choose the type of preprinted checks from the options listed.
iii. Then choose the number of copies and check any other applicable options depending on what your preprinted checks already contain.
iv. Then click Print [Figure 19(d)(3)].

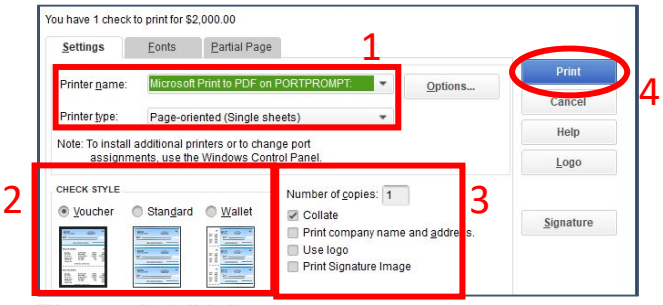


Figure 19(d)(3)

(4) If you unchecked the Print Later box and are now ready to print after you've completed writing the check, click on the drop-down arrow on the print button in the Main tab of the ribbon at the top of the Write Checks window. Choose the print check option [Figure 19(d)(4)].

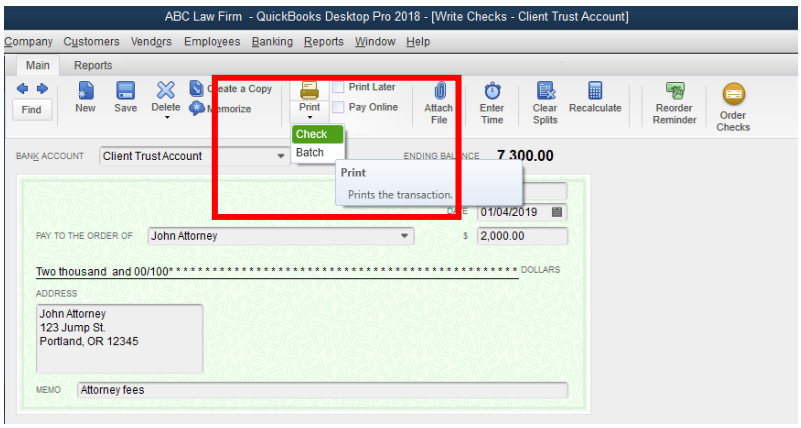


Figure 19(d)(4)

i. A small window will appear asking you to enter the check number. (1) Enter the number of the check you will be printing and (2) click OK. Another window will appear asking you to specify the print settings. Follow the instructions as specified above in step #19(d)(3).

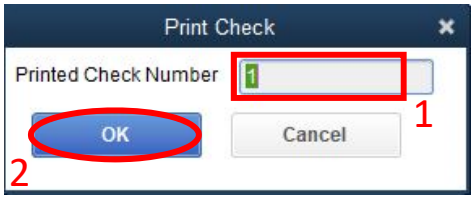


Figure 19(d)(4)(i)

ii. When you then return to your Chart of Accounts, the total amount in the Client Trust Account **must always** match the total amount in the Trust Liability account [Figure 19(d)(4)(ii)].

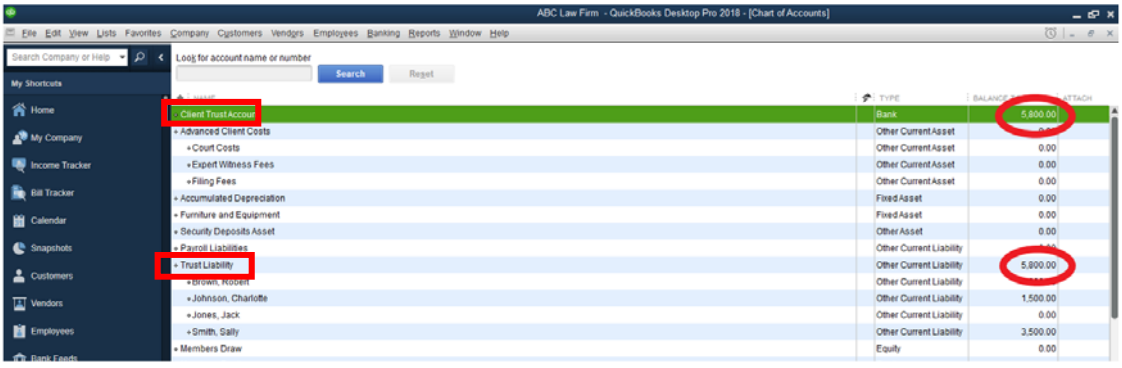


Figure 19(d)(4)(ii)

Creating Reports

The following instructions contain steps to create reconciliation reports, trust account ledger reports, and individual client ledger reports.

Reconciliation Report

20. When you receive your monthly trust account bank statement, you should immediately reconcile the account and run a reconciliation report. Reconciliation is the process of matching transactions you entered in QuickBooks with your bank statement. This helps ensure that all of your transactions are accounted for in QuickBooks and that they match what you have in your actual trust account. To begin the reconciliation process, go to the Home page and in the Banking section, click on Reconcile [Figure 20].

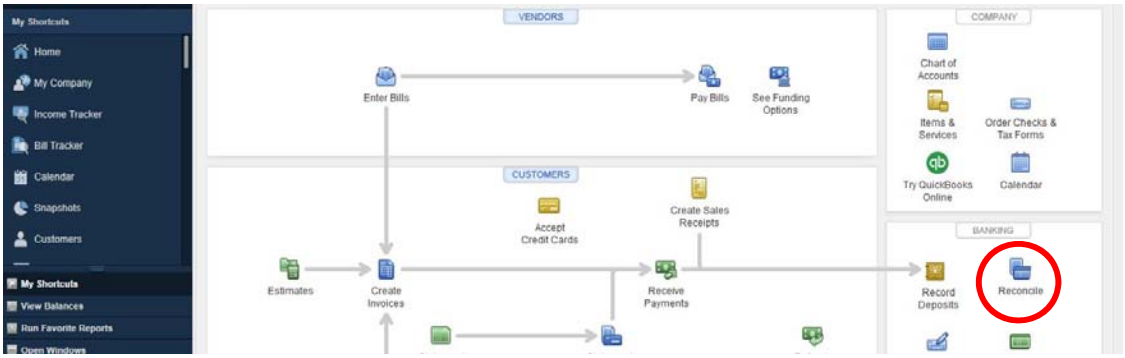


Figure 20

a. A window will appear asking you to Begin Reconciliation. In the Account section, (1) select the Client Trust Account as the account to be reconciled. Then in the Statement Date section, (2) enter the ending date of the bank statement. Then in the Ending Balance section, (3) enter the ending balance on the bank statement. (4) Click Continue [Figure 20a].

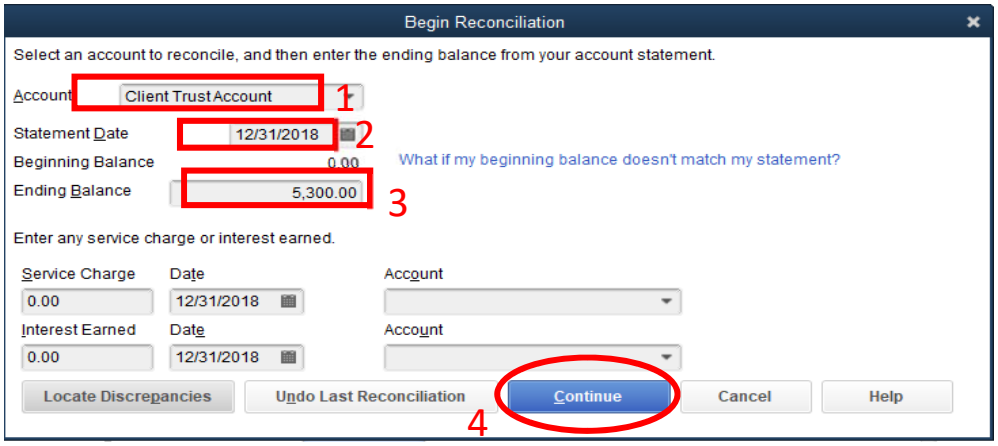


Figure 20a

21. On the next screen, you will see two sections showing all transactions for the selected period of time. The left section shows all Checks and Payments and the right section shows all Deposits and Other Credits. In both sections, (1-2) place a check next to the items that have cleared the bank as shown on the bank statement. When finished, the difference shown in the lower right corner should be zero (3). This means that all transactions involving your trust account are accounted for in QuickBooks and match what you have in your actual trust account. (4) Click on Reconcile Now [Figure 21].

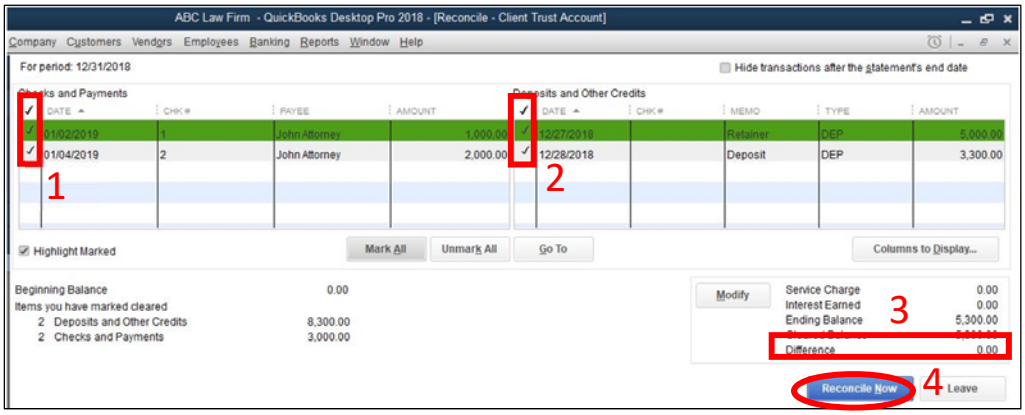


Figure 21

a. If you click the Reconcile Now button when the difference is not zero, a window will appear with options for handling the discrepancy. To correct the discrepancy, click Return to Reconcile. If the discrepancy results from a transaction in QuickBooks that is not listed on your bank statement because the transaction hasn't cleared the bank (e.g., outstanding check), leave the check box blank for that transaction. Then click Enter Adjustment. This will force QuickBooks to match your bank statement. But keep a record of the uncleared transaction so that you can verify it has cleared when you reconcile the next month [Figure 21a].

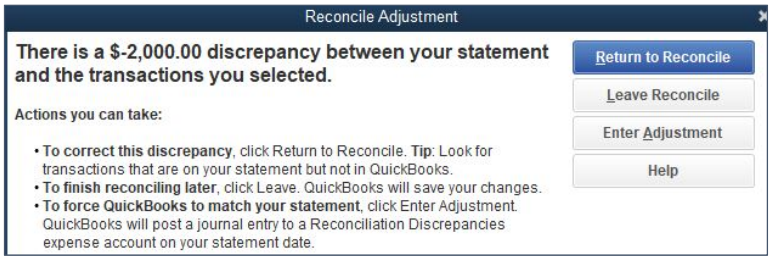


Figure 21a

22. When the reconciliation is successful, a window will appear asking you to select a type of reconciliation report. (1) Choose Detail and then (2) click on Print. You will be asked to select a printer to send your report to or print to PDF. Make your selection [Figure 22].

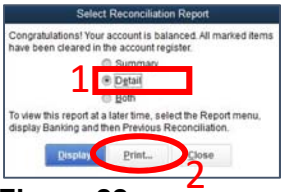
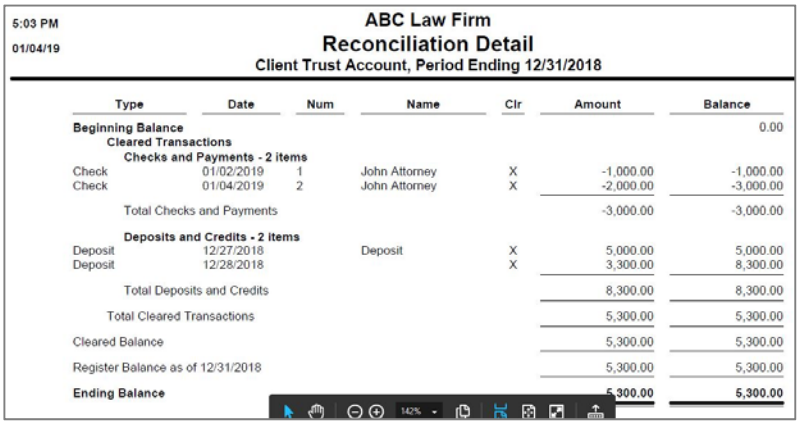


Figure 22

a. The printed reconciliation report will look like Figure 22a.



5:03 PM
01/04/19

ABC Law Firm
Reconciliation Detail
Client Trust Account, Period Ending 12/31/2018

Type	Date	Num	Name	Clr	Amount	Balance
Beginning Balance						0.00
Cleared Transactions						
Checks and Payments - 2 items						
Check	01/02/2019	1	John Attorney	X	-1,000.00	-1,000.00
Check	01/04/2019	2	John Attorney	X	-2,000.00	-3,000.00
Total Checks and Payments					-3,000.00	-3,000.00
Deposits and Credits - 2 items						
Deposit	12/27/2018		Deposit	X	5,000.00	5,000.00
Deposit	12/28/2018			X	3,300.00	8,300.00
Total Deposits and Credits					8,300.00	8,300.00
Total Cleared Transactions					5,300.00	5,300.00
Cleared Balance					5,300.00	5,300.00
Register Balance as of 12/31/2018					5,300.00	5,300.00
Ending Balance					5,300.00	5,300.00

Figure 22a

Trust Account Ledger (All Transactions) Report

23. You will also want to print a report that shows a breakdown of who has money in trust and the balance for each client. Go back to the Home page. (1) Click on the Reports from the menu options, (2) scroll down to Accountant & Taxes, and (3) click on Transaction Detail by Account [Figure 23].

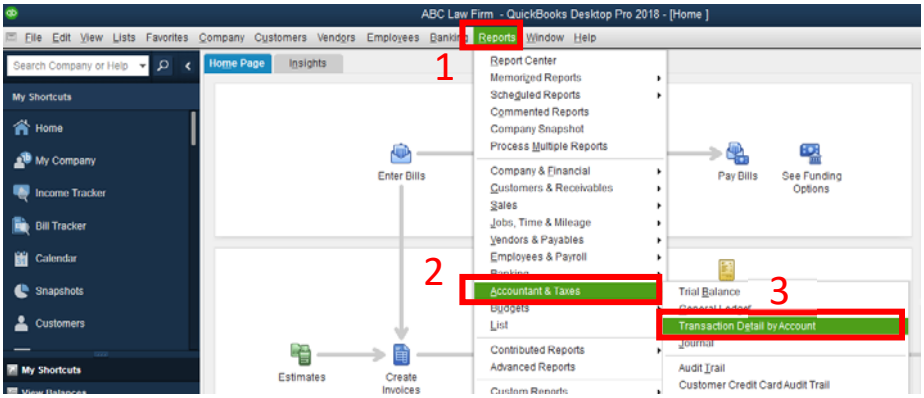


Figure 23

a. A window will appear regarding collapsing and expanding transactions. Not all reports allow for collapsing and expanding transactions (e.g., transactions that are listed in rows). If you don't see the Expand button on the report toolbar, that means it is not available for that report. If you don't want the message to display again, (1) click the box and then (2) click OK [Figure 23a].

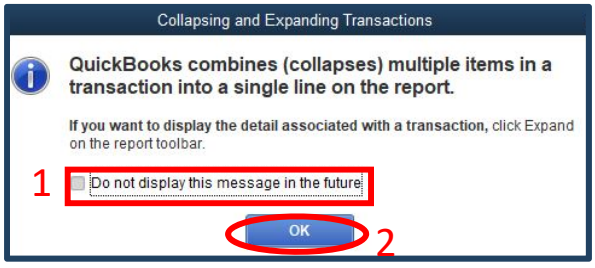


Figure 23a

b. The detailed report will appear on the next screen. In the Dates field, (1) choose ALL from the drop-down menu, then (2) click on Customize Report located in the Report toolbar [Figure 23b].

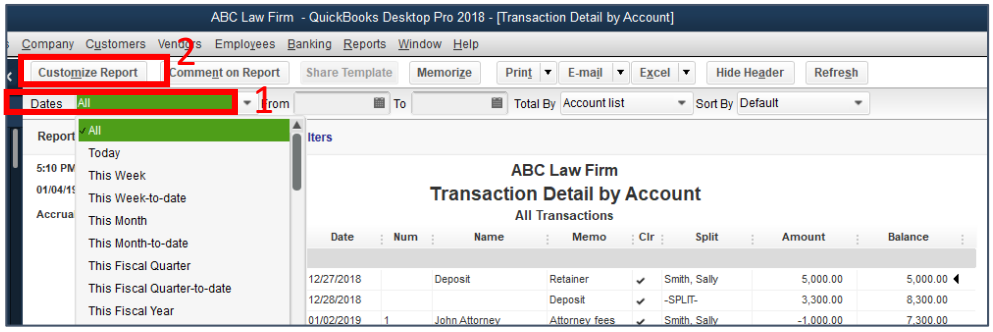


Figure 23b

c. A window will appear asking you to modify the report. (1) Click on the Filters tab and (2) under Account, (3) choose Multiple Accounts from the drop-down menu [Figure 23c].

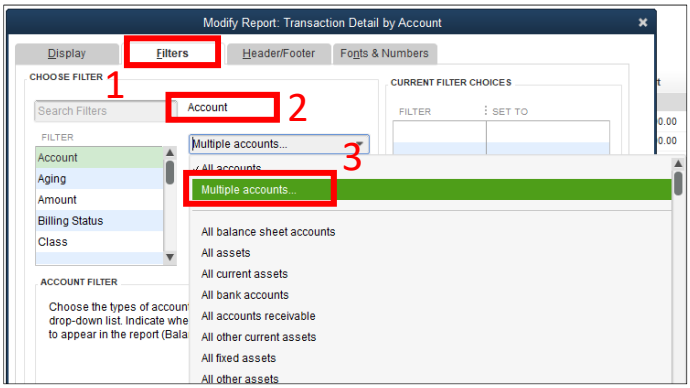


Figure 23c

d. Another window will appear asking you to select the accounts you want a report for. (1) Select Client Trust Account [Figure 23(d)(1)] and (2) scroll down to select Trust Liability [Figure 23(d)(2)]. Then click Ok.

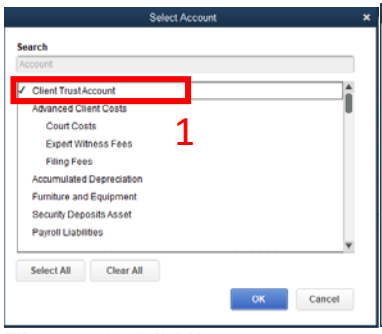


Figure 23(d)(1)

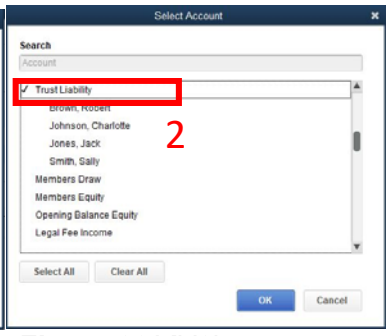


Figure 23(d)(2)

e. Once you have selected the accounts, you will be taken back to the Modify Report screen. Check Yes to include split detail [Figure 23e].

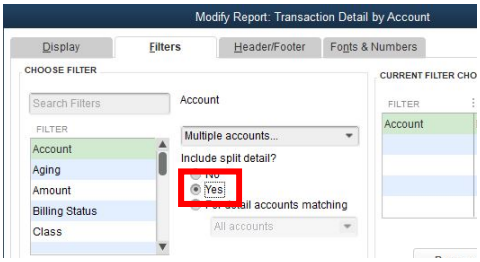


Figure 23e

f. Then (1) click on the Header/Footer tab, and (2) give the report a title (e.g., Trust Account Funds by Client). Then (3) click OK [Figure 23f].

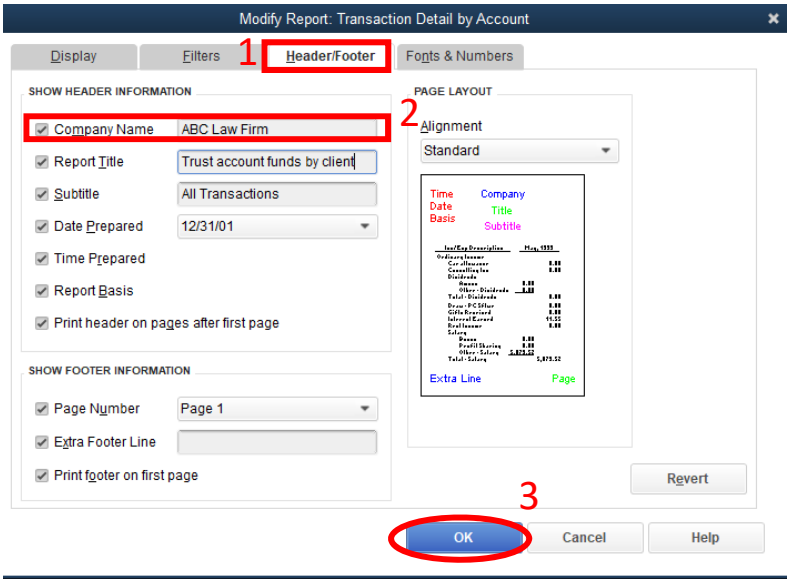


Figure 23f

g. Your report is now ready. Print the report or save it as a PDF. Keep it with your bank statement and reconciliation report as part of your recordkeeping obligations [Figure 23g].

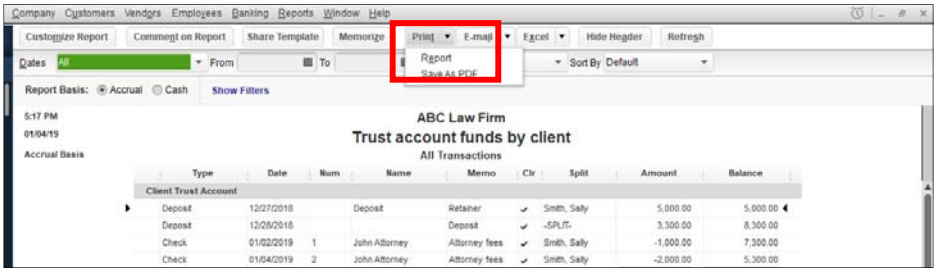


Figure 23g

h. When you exit the report, you will be asked if you want to memorize it. Click Yes [Figure 23h].

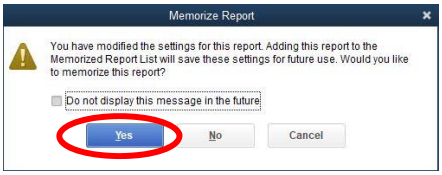


Figure 23h

i. Another window will appear. (1) Specify the name of the report, (2) where you want to save it, and (3) whether you want to share it with others. Then (4) click OK [Figure 23i].

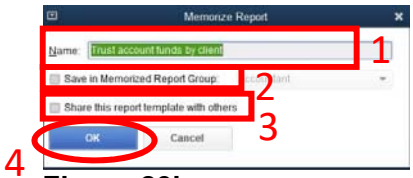


Figure 23i

j. If you need to access or print the report at a later time, go to the Home page and click on (1) Reports from the menu, (2) then scroll to Memorized Reports and select the location where you saved the report [Figure 23j].

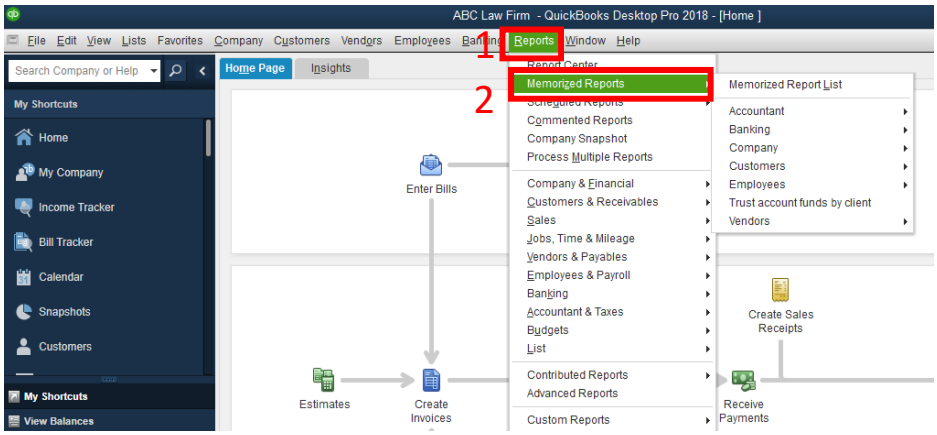


Figure 23j

Individual Client Ledger Report

24. If you wish to print a client ledger report for an individual client, go to the Home Page and click on Chart of Accounts. Under the Trust Liability account, find the client's name and double click on it [Figure 24].

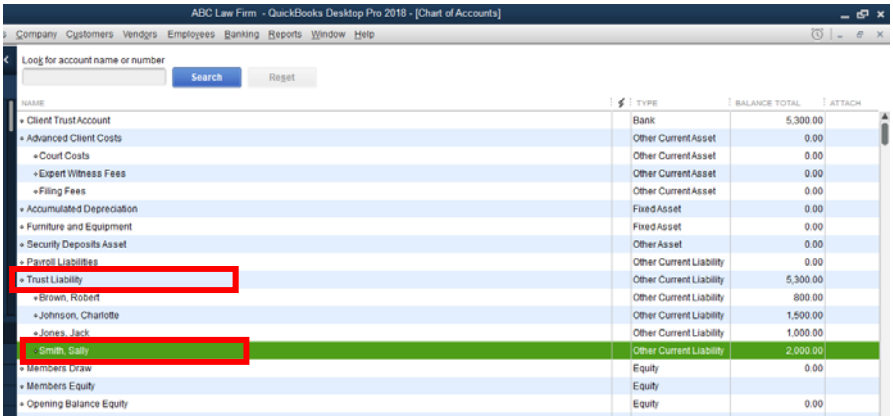


Figure 24

a. Once you have pulled up that client's account register, (1) click on Print. A window will appear asking you to specify the date range. (2) Enter the date range and (3) click OK [Figure 24a].

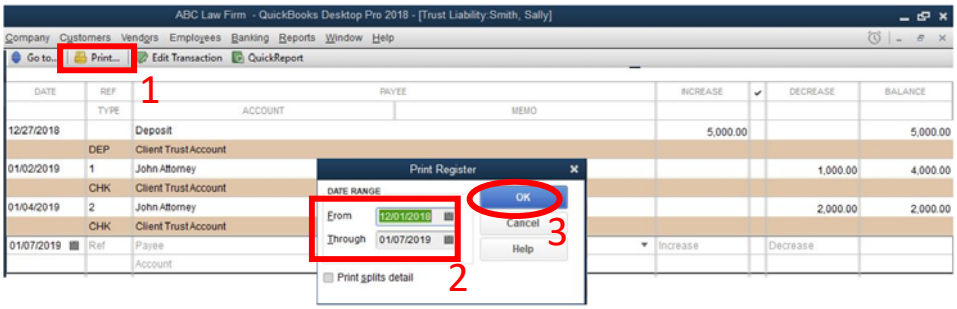
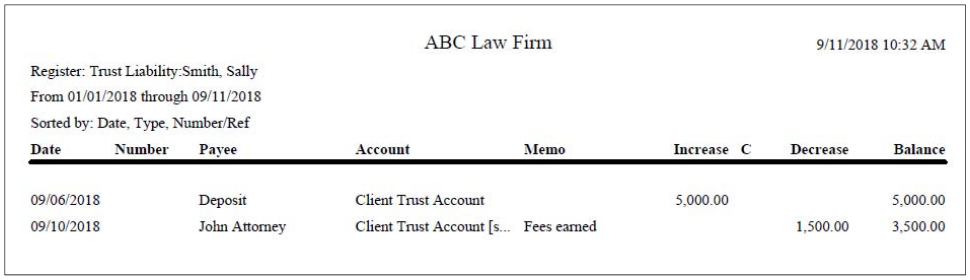


Figure 24a

b. A window will appear asking you to specify the print settings. Make your selection. Then click Print. The client ledger report will appear only showing that particular client's transactions [Figure 24b].



ABC Law Firm

9/11/2018 10:32 AM

Register: Trust Liability:Smith, Sally
From 01/01/2018 through 09/11/2018
Sorted by: Date, Type, Number/Ref

Date	Number	Payee	Account	Memo	Increase	C	Decrease	Balance
09/06/2018		Deposit	Client Trust Account		5,000.00			5,000.00
09/10/2018		John Attorney	Client Trust Account [s...	Fees earned			1,500.00	3,500.00

Figure 24b

IMPORTANT NOTICES

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