Newsletter December 2015

TRUST ACCOUNTING

On 30 March 2015 the BVI Trustee (Amendment) Act. No. 4 made it mandatory for trustees to establish a system of record keeping. Irrespective of the location of the trustee a detailed system of record keeping is also made imperative on the basis of FATCA and OECD CRS (Automatic Exchange of Information). In other words, there must be an assurance that all transactions are documented and that the trust's financial position is correctly represented. This also includes the archiving of all documents for at least 5 years. Read this article to see what a system of record keeping for trusts might look like.

Up to now trusts have not been subject to any mandatory financial reporting. So it is also difficult to find literature on preparing a set of annual financial statements. Every system of record keeping can be structured on an individual basis. There are however "STEP Accounting Guidelines: Guidelines for Preparation of Trust & Estate Accounts in England & Wales". These guidelines recommend that the financial statements should comprise balance sheet, capital account, income statement and notes to the accounts. However, a system of double-entry bookkeeping should also be operated for the trust accounting. This will ensure that every transaction is transparent. The system of record keeping that we use can be utilised for this purpose.

As mentioned above, a trust's annual financial statements are made up of the following elements:

- Balance sheet:
  The balance sheet should portray the trust's financial position. It is less detailed than the balance sheet of a standard Swiss company. Typically, it shows the bank accounts, securities, the assets (loans to beneficiaries, tangible assets), the liabilities (accounts payable, liabilities to banks, loans) and the trust capital. Valuations are carried out at procurement costs. The market values must also be disclosed in the notes to the accounts.

- Capital account:
  The capital account shows the trust capital in detail. It can be compared with the shareholders' equity of a public limited company. In this context the "initial" trust capital, the additional capital, the distributions, deposits and the changes to assets must be shown in detail.

- Income statement:
  The income statement must show a trust's income and expenditure. This normally includes the dividend income, financial income etc. and on the costs side the accounting costs, legal costs and financial expenses.

- Notes:
  The notes are intended to help explain the annual financial statements. Giving details on the valuations of the key items and disclosing the market values of the main accounts. It is recommended e.g. that the securities be kept in a securities

accounting system so that all the key information for the notes can be obtained at the press of a button.

Working together with our trust team we have developed a plan of accounts and the associated annual financial statements which contain all the main elements. This enables us to ensure that all the trust accounting that we manage meets the statutory or best practice requirements. We also have a securities accounting system that contains all the key information for the notes.

Please do not hesitate to contact the author if you have any questions or queries.

Our office locations

Mandaris Ltd.
St. Alban-Anlage 46
CH-4002 Basel
Tel. +41 (0)61 285 17 17
Fax +41 (0)61 285 17 77

Mandaris Ltd.
Beethovenstrasse 49
CH-8022 Zurich
Tel. +41 (0)43 344 33 55
Fax +41 (0)43 344 33 66

Mandaris Ltd.
Bahnhofstrasse 23
CH-6301 Zug
Tel. +41 (0)41 500 01 15
Fax +41 (0)41 500 01 16

MAG Fund Solutions
RICC Ltd.
Level 2, Territorials Street
Mriehel BKR 3000
Malta
Tel. +356 2704 1195
Fax +356 2704 1196

The Author:

Susann Schaffter
Bachelor of Business Administration, Swiss Certified Auditor
Quality Control Accountancy
susann.schaffter@mandaris.com
Tel. +41 (0)61 285 17 47