Security Deposits in Real Estate

By Richard L Berry, B.A., A.C.A., Klee Associates, Inc.

Editor's note: Richard presents a great overview of this topic, with advanced tips along the way. Differences between World and OneWorld® are pointed out as well. Richard is the Klee Associates, Inc. Director of Consulting for Asia/Pacific.

Tenants are required to pay Deposits to their landlords for many reasons. There are therefore a variety of deposit types. JDE's Property module allows users to define their own types of deposit:

- *Key deposit. This is often calculated as an amount equivalent to several months' rent. It is normally refundable when the tenant moves out unless there is outstanding rent, in which case only the net amount may be refunded. In some places, interest can be paid on key deposits.*

- *Security deposit.*

- *Utility deposit. Where the landlord provides electricity or metered water.*

- *Fitting out deposit. When a tenant under takes refurbishment or fitting out works, he is required to pay a deposit. Once the works are complete, and the landlord is satisfied no damage has been done, the deposit is refunded.*

- *Banner deposit. These are paid when advertising banners are put up, and refunded at the end of the campaign, after any damage has been made good.*

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Asia, where I live, it is common to require key deposits amounting to the equivalent of 3 months rent payable 50% by cash and 50% by BG. (A BG is where the tenant puts money aside into an account which still belongs to him but the money cannot be released unless demanded by the landlord or when the BG is cancelled. It avoids money being actually paid to the landlord.)

JDE's Property module allows you to:

- *Define Deposits*
- *Demand Payment*
- *Receive Cash*
- *Monitor Outstanding Deposits*
- *Account for Deposits*
- *Pay interest*
- *Refund*

We will not be able to cover all these topics in this article, so we will concentrate on the first part. Interest Payments and Refunds will be covered separately in later articles.

The differences between WorldSoftware™ and OneWorld are as follows:

- *In World required deposits are set up as log lines. The Amenity ID must be identical to the deposit Bill Code for the system to be able to match deposits required with deposits received. In OneWorld, they are set up in a separate table (F1565 - Security Deposit Master).*

- *In World you are able to set standard required deposits by setting up standard lease log lines that are automatically copied into new leases as they are created. This bit of functionality has not been brought over to OneWorld and you cannot now set up standard deposits.*

- *In OneWorld, you are able to generate deposit demands.*

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• *In World, the Property interest module was quite functionally rich and allowed you to generate credit interest (or "Fees") on deposits. The A/R interest module, in contrast, was quite primitive. In OneWorld, however, A/R has leapfrogged Property and now contains a very good interest module, better, in fact, than that in Property, which has* remained unchanged. *Users now may have a choice between using either the interest module in Property, and the new one found in A/R. I have not, however, tried to see if the A/R interest module will generate credit interest for security deposits.*

Let's get down to details…

Menu

The Security Deposit menu is G1515, see below.

Define Deposits

You can reach the deposit maintenance screen by taking option 1 "Security Deposit Maintenance" (in WorldSoftware) or by pressing the Security Deposit button on the Form Exit bar from the Lease Master (in OneWorld).

In the example on the bottom left, there are two deposits required: a security deposit and a fitting out deposit:

• *Separate deposits are required for each unit rented.*

• *The Bill Code corresponds to the Bill Code that will be assigned to the Cash when it is received. The Bill Code enables proper comparison between deposits required and deposits received.*

• *The Critical Date indicates the date that the deposit is due.*

• *The field marked "DS" can contain "B" to indicate that the deposit has been billed, or "R" to indicate that it has been refunded.*

• *You may enter "I" (Inactive) or "S" (Suspended) in the field marked "SC". You may optionally enter a date in the Suspend Date field.*
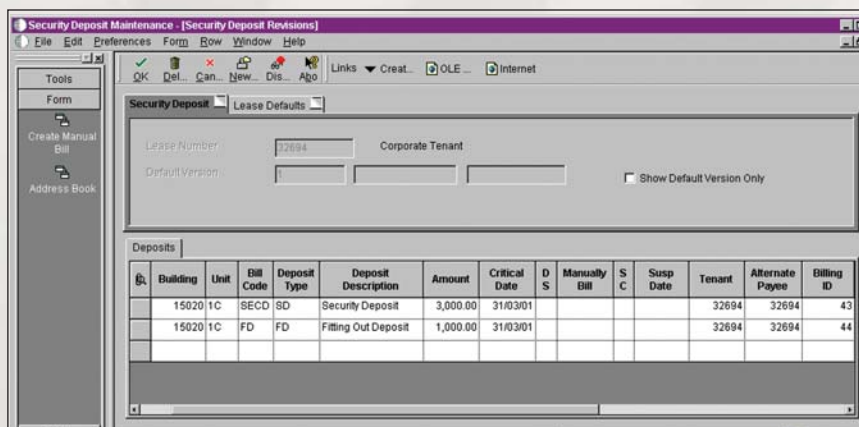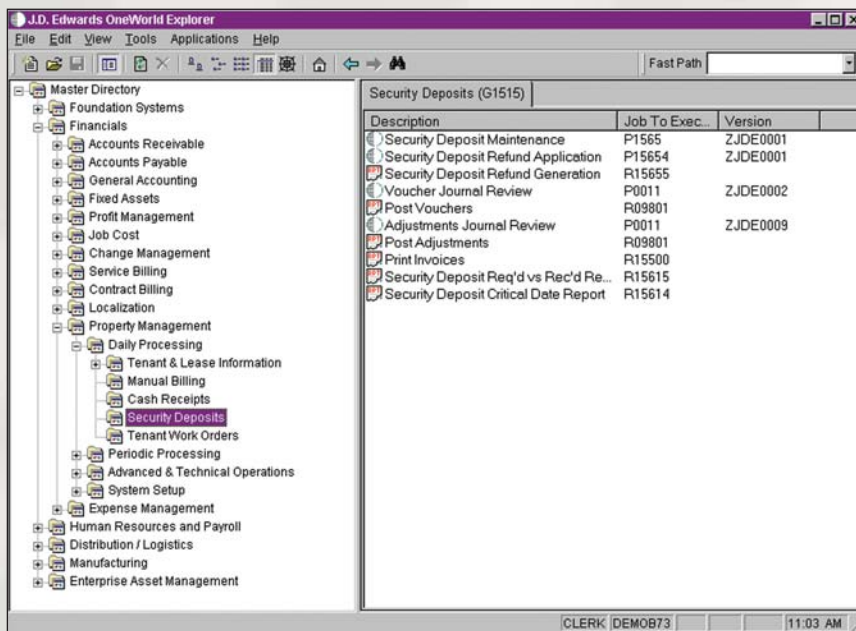
You may create a manual bill to demand payment of a deposit. This is done by highlighting the deposit you want to bill and pressing "Create Manual Bill". This will take you to the manual billing screen where you can confirm the billing details. Creating

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