



# Syllabus

## **STEP Advanced Certificate in Trust and Executry Accounting (Scotland)**



[www.step.org/qualifications](http://www.step.org/qualifications)

# Trust and Executry Accounting

## Introduction

This document contains the detailed syllabus for the STEP Advanced Certificate in Trust and Executry Accounting (Scotland).

For more information about the course and how to apply, please visit the [course page](#) on the CLTI website.



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# Trust and Executry Accounting

## Module 1

### BASIC PRINCIPLES

#### **This module covers:**

- Why trustees and executors should keep accounts
- The differences between single and double-entry accounting
- Cash accounts, client ledgers and why debit and credit entries are reversed as between the cash accounts and the client ledger.

#### **By the end of this module you should be able to:**

- Explain a single-entry accounting system and differentiate this from a double-entry system
- Write up a cash book under single-entry accounting principles
- Prepare simple executry accounts
- Reconcile cash held to these executry accounts.



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## Module 2

### CAPITAL AND INCOME

#### **This module covers:**

- How to allocate receipts and payments between capital and income.

#### **By the end of this module you should be able to:**

- Explain the need for a distinction between capital and income
- Describe how tax payments are attributed, with an example of an exception to the rule that income tax is a charge on income
- Define clearly which categories of professional fees should be charged either to capital or income
- Describe the areas of confusion relating to the position in an executry at the date of death.



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## Module 3

### EXECUTRY ACCOUNTS

#### **This module covers:**

- What accounting and other basic records should be kept in the administration of an executry
- How the single-entry system can be applied in practice to the administration of an executry
- Who is entitled to receive and approve executry accounts
- How to prepare a set of executry accounts from the entries contained in a single-entry set of records.

#### **By the end of this module you should be able to:**

- Describe the role and duties of the executor in accounting for the assets belonging to the estate
- Explain clearly what is meant by the terms 'capital' and 'income' and which funds should be contained in each
- State when and in what circumstances accounts should be presented to executors and beneficiaries
- Identify by whom and in what manner the accounts are approved
- Identify the objectives of a well-organised set of accounts
- Describe the various aspects necessary for preparing accounts and where need be Working Papers.



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## Module 4

### TRUST ACCOUNTS

#### **This module covers:**

- The application of the principles in accounting for executries to accounting for trusts.

#### **By the end of this module you should be able to:**

- Identify the overriding principles and objectives in preparing and maintaining trust accounts
- State which documents and information are incorporated into the trust accounting file
- Explain what trust accounting records are required to be maintained, whether single entry or otherwise
- Describe clearly the constitution of a set of standard trust accounts and trust distribution accounts.



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## Module 5

### PRINCIPAL TYPES OF TRUSTS AND TRUST ACCOUNTS

#### **This module covers:**

- The principal trusts for which accounting may be required in modern trust practice and the type of accounts required
- The special rules relating to the accounting treatment of testamentary trusts for children, with e.g. liferents at 18, vesting at 25
- Examples of two further trust accounts.

#### **By the end of this module you should be able to:**

- Describe the principal types of trusts for which accounting may be required in modern trust practice
- Identify the characteristics of a TBM or 18-25 trust
- Explain the accounting provisions relating to TBMs or 18-25 trusts
- State where liability falls in respect of income tax for trust income and the rate of tax that may be payable.



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## Module 6

### INVESTMENT OF A TRUST FUND

#### **This module covers:**

- The law governing the investment of a trust fund by trustees
- The manner in which that law is applied in practice to create the investment portfolio.

#### **By the end of this module you should be able to:**

- Describe the extent of the power of trustees to invest trust funds
- Explain the limitations imposed on that power by the concept of duty of care
- Explain the ability of trustees to delegate to advisers the power of investment
- Explain the need to monitor and keep under review an adviser or manager to whom authority is delegated
- Discuss issues relating to exoneration provisions in deeds in general terms.



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## Module 7

### DISTRIBUTION OF A TRUST FUND

#### **This module covers:**

- The practicalities of distribution of the income and capital of a trust fund among the beneficiaries
- Trustees' duty to account to beneficiaries and to disclose information.

#### **By the end of this module you should be able to:**

- Identify the duties and discretions affecting trustees when considering distributions
- Describe the position of trustees in accounting to beneficiaries for the their stewardship of the trust and the trust estate
- Discuss issues relating to disclosure of information to beneficiaries.



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## Module 8

### VALUATION

#### **This module covers:**

- How trustees and executors should value assets
- How valuations are used in trust and executry accounts.

#### **By the end of this module you should be able to:**

- Describe the basis of how different assets are valued for confirmation and appropriation purposes
- Assess the appropriate valuation that is suitable for particular circumstances and the implications of so doing.



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## Module 9

### APPORTIONMENTS

#### **This module covers:**

- The various statutory and common law rules that can affect the allocation of funds between capital and income, where the beneficial interests in capital and income are different
- The calculations required in carrying out such apportionments.

#### **By the end of this module you should be able to:**

- Explain why apportionment between capital and income was once perceived as fundamental, yet is now seen as an outdated concept
- Explain why practitioners must still be aware of the rules relating to apportionment
- Identify key elements of the Apportionment Act 1870 and common law provisions relating to apportionment
- Demonstrate a knowledge of how to deal with apportionments
- Describe the rationale behind the treatment of the enhanced scrip dividends option when taken up by a liferenter.



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## Module 10:

### MISCELLANEOUS

#### This module covers:

- The application of the following in the accounting for trusts and estates:
  - Abatement
  - Insolvency
  - Legal rights and prior rights
  - Gifts brought back into account
  - Appropriation
  - Accounts of charge and discharge
  - Charities.

#### By the end of this module you should be able to:

- Describe the principles underlying abatement and the steps to be taken if there is a deficiency in residue
- Explain the appropriation of assets
- Demonstrate a broad knowledge of accounts of charge and discharge.



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