



REIV THE STANDARD
FOR SUCCESS

SUBMISSION

ESTATE AGENTS REGULATIONS
GENERAL, ACCOUNTS AND AUDIT

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ABOUT REIV

The Real Estate Institute of Victoria has been the peak professional association for the Victorian real estate industry since 1936.

Over 2,000 real estate agencies in Victoria are members of the REIV. These members are located in city, rural and regional areas.

The businesses employ more than 10,000 people in Victoria in a market which handles over \$100 billion of transactions totalling 30 per cent of GSP.

Members specialise in all facets of real estate, including: residential sales, commercial and industrial sales, auctions, business broking, buyers agency, property management, owners' corporations management and valuations.

Introduction

The REIV is the peak industry association for the real estate industry in Victoria, representing a significant number of the state's licensed sales agents, Agent's Representatives, property managers and business brokers.

This review of the Estate Agents (General, Accounts and Audit) Regulations 2008 - is of significant importance to our members as it impacts directly on their business practices.

With chapter committees dedicated to property management, sales and business brokerage, the REIV has consulted with members in forming our response.

REIV Response

The following outcomes were gained from the member consultation process.

Trust Accounting

Feedback from REIV members indicates the existing regulations governing trust accounts are generally working well. While this is presently the case, the REIV would also support the introduction of tighter controls on audits and auditors, particularly if it resulted in reduced trust account deficiencies. In instances of trust account fraud, the REIV advocates for harsher penalties.

Notification to the Business Licensing Authority

The REIV considers existing BLA notification requirements to be appropriate. The introduction of the myCAV portal in November will also further streamline communication to the BLA.

Form 2: Sale of a Small Business

As outlined in our response to the Sale of Land & Business Options Paper, the REIV strongly supports relocating small business statement provisions to the Sale of Land Act. As such, it's important that the regulations governing the Statement of a Small Business are moved from the Estate Agents (General, Accounts and Audit) Regulations to the Sale of Land Act Regulations.

In addition, the REIV recommends significant changes to the Statement by a Vendor of a Small Business (Form 2).

At present Section D of this form – Vendor's Business Operating Report - is inadequate in providing a clear overview of a business' financial position. The REIV considers the inclusion of year-to-date trading figures to be essential and recommends that the Statement by a Vendor of a Small Business be revised to clarify that the total price of \$350,000 or less excludes licensed premises.

Feedback from REIV members also indicates support for increasing this threshold from \$350,000 to \$500,000.

The REIV has attached an alternative proposed Statement

to replace the existing Section D (Appendix 1). The alternative Statement would ensure buyers are provided with appropriate information to make informed decisions.

Summary

As a long-term advocate of real estate agents in Victoria, the REIV thanks Consumer Affairs Victoria (CAV) for the opportunity to provide input to the review of the Estate Agents (General, Accounts and Audit) Regulations 2008.

We look forward to liaising with Government as draft regulations are prepared.

APPENDIX 1:**SECTION D – VENDOR’S BUSINESS OPERATING REPORT**

The figures in this Statement relate to the business being sold and are prepared on an *accrual/* cost Basis accounting basis.

Note: Accrual accounting is the method whereby revenue and expenses are recorded in the period in which the entitlement to income and costs are incurred, even though they may not have been received or paid.

Cash accounting means that revenue and expenses are recorded in the period in which the money was received and paid.

1. BUSINESS OPERATING REPORT

	<i>Accounting Period A</i>	<i>Accounting Period B</i>	<i>Turnover – Year-to-Date</i>
(The figures for the most recent period should be in column B)	From	From	From
	To	To	To
Number of weeks of operation.	52	52	
1. TOTAL GROSS INCOME OF BUSINESS (EXCLUDING GST IF APPLICABLE)			
Average per week			
2. COST OF GOODS SOLD			
(a) Opening Stock			
(b) Plus purchases in period			
(c) Less closing stock			
TOTAL COST OF GOODS			
3. GROSS PROFIT OF BUSINESS			
Gross Profit as a % of Gross Profit			
4. TOTAL OPERATING EXPENSES			
(a) Accounting charges			
(b) Advertising			
(c) Bad debts written off			
(d) Bank and transactions charges			
(e) Depreciation & amortisation			
(f) Cartage and freight			
(g) Cleaning, laundry, protective clothing			
(h) Electricity, fuel, gas			
(i) Equipment rental/hire (not hire purchase)			
(j) Insurances (excluding motor vehicle)			
(k) Interest			
(l) Licences, registration, trade subscriptions			
(m) Motor vehicle running costs business related			
(n) Packaging and wrappings			
(o) Postage, printing, stationery			
(p) Rates and outgoings			
(q) Rent of business premises			
(r) Repairs and maintenance			
(s) Staff amenities			
(t) Superannuation employee benefits (exclude associated persons) ¹			
(u) Telephone & Internet			

¹ Associated persons are defined as any family members working in the business or any and all directors or shareholders of a company (corporation) that owns the business¹

(v) Travel & accommodation (w) Wages paid to employees (exclude associated persons) (x) Workcover premiums (y) Other sundry business expenses (z) Other expenses unique to business		
5. NET PROFIT FOR THE BUSINESS		
6. VENDOR'S PERSONAL EXPENSES ADDBACKS (a) Depreciation and Amortisation (b) Financing & Interest costs (c) Vendor's personal expenses (d) Vendor's other sundry expenses (e) Wages paid to associated persons (f) Superannuation paid to associated persons <i>(Add others if applicable)</i>		
7. ADJUSTED NET PROFIT to owners of the business		

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