

SDA Accounting Software
General Conference of Seventh-day Adventists



**Dimension Accounting Supplement
Loan Process**

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Long/Short Term Notes & Loan Receivable/Payable Accounting Policy

Notes and Loans Receivable/Payable must be classified into Short- and Long-term portions for presentation in Financial Statements.

In order to accurately account for Notes / Loans Receivable / Payable, certain accounts must be opened in the right section of the Global Dimensional Chart of Accounts (GDCoA). These accounts present the Short- and Long-term portions of the loan in the right section of the Balance Sheet and other financial reports to allow calculation of the correct percentage of working capital and liquidity in the Statement of Working Capital.

Chart of Accounts Setup

1. Open the following accounts in the Long-term Loan Section of the GDCoA to record the total amount of the Notes and Loans Receivable/Payable:
 - a. Notes/Loans Receivable (Long-term)
 - i. 252XOrgID SDA Organizations
 - ii. 253XSSNN01 Employees
 - iii. 258XNNNNN01 Other Notes/Loans
 - b. Notes/Loans Payable (Long-term)
 - i. 452XOrgID SDA Organizations
 - ii. 453XSSNN01 Employees
 - iii. 458XNNNNN01 Other Notes/Loans

Note:

- i. Entries to these accounts (1a and 1b) must be tagged with OrgID, WHO, and DTLS dimensions for "Other Notes/Loans" to allow details in the statement note/schedule
 - ii. The "X" after the Section No. represents the type of Loan:
 - "C" for Car Loan
 - "G" for General Loan
 - "H" for Housing Loan, etc.
 - iii. When designing the Balance Sheet's Schedule, 252 and 452 must be expanded by OrgID, 253 and 453 by WHO, and 258 and 458 by DTLS dimensions to list the individual details of the Long Term Loan Receivable/Payable.
2. Open the following accounts in the Short-term Loan Section of the GDCoA to record the short term portion of the loan in the Balance Sheet:
 - a. Notes/Loans Receivable (Short-term)
 - i. 152X110 SDA Organizations
 - ii. 153X110 Employees
 - iii. 158110 Other Notes/Loans
 - b. Notes/Loans Payable (Short-term)
 - i. 352X110 SDA Organizations
 - ii. 353X110 Employees
 - iii. 358110 Other Notes/Loans

Note:

- i. Only one account should be opened in each category as per 2a and 2b. Entries to these accounts (2a and 2b) must be tagged with OrgID, WHO, and DTLS dimensions for "Other Notes/Loans" to allow details in the Balance Sheet's schedule. When you create accounts in these sections, the three dimensions above must be set to "Mandatory".

- ii. When designing the Balance Sheet's Schedule, 152 and 352 must be expanded by OrgID, 153 and 353 by WHO, and 158 and 358 by DTLs dimensions to list the individual details of the Short Term Payable/Receivable portion of the loan.
3. Open the following accounts in the Long-term Loan section of the GDCoA as "Contra Accounts" to record the other side of the entries when the Short-term portion of the Notes/Loans Receivable/Payable is transferred to the Short-term section of the GDCoA to reclassify the amount as a current asset in the Balance Sheet as per 2a and 2b.
- a. Notes/Loans Receivable (Long-term)
 - i. 252X110 SDA Organizations
 - ii. 253X110 Employees
 - iii. 258X110 Other Notes/Loans
 - b. Notes/loan Payable (Long-term portion)
 - i. 452X110 SDA Organizations
 - ii. 453X110 Employees
 - iii. 458X110 Other Notes/Loans

Note:

- i. Only one account should be opened in each category as per 3a and 3b. Entries to these accounts (3a and 3b) must be tagged with OrgID, WHO, and DTLs dimensions for "Other Notes/Loans" to allow details in the Balance Sheet's schedule. When you create accounts in these sections, the three dimensions above must be set to "Mandatory".
- ii. When designing the Balance Sheet's Schedule, 252 and 452 must be expanded by OrgID, 253 and 453 by WHO, and 258 and 458 by DTLs dimensions to list the individual details of the Short Term Payable/Receivable portion of the loan.

A sample Chart of Accounts is shown below after steps 1-3 are followed:

<u>Acct Number</u>	<u>Account Description</u>	<u>L1</u>	<u>L2</u>	<u>L3</u>	<u>L4</u>	<u>L5</u>	<u>L6</u>	<u>L7</u>	<u>L8</u>	<u>L9</u>	<u>L10</u>
253CBAZAM01	Bazarra, Amandla (Car Loan)			M			M				
153C110	ST Portion of the LT Car Loan			M			M				
253C110	ST Portion of the LT Car Loan (Contra)			M			M				

4. Every time a loan is granted, the loan account has been created, and the principal loan amount is recorded, Payable/Receivable amounts within the next 12 months (Short-term portion) should be established and the following entries made:
- a. Loan Receivable:
 - Dr 152X110 SDA Orgs (Short-term)
 - 153X110 Employees (Short-term)
 - 158X110 Other Notes/Loans (Short-term)
 - Cr 252X110 SDA Orgs (Long-term)
 - 253X110 Employees (Long-term)
 - 258X110 Other Notes/Loans (Long-term)
 - b. Loan Payable:
 - Dr 452X110 SDA Orgs (Long-term)
 - 453X110 Employees (Long-term)
 - 458X110 Other Notes/Loans (Long-term)
 - Cr 352X110 SDA Orgs (Short-term)

353X110 Employees (Short-term)
358X110 Other Notes/Loans (Short-term)

Note:

- i. The above accounts are the only accounts to be debited or credited in each category range, and they must be tagged with the Org ID, WHO, and DTLS dimensions. This entry is necessary to record the Short-term portion of each account Receivable/Payable and reduce the Long-term portion by the contra amounts.
 - ii. When another new loan is granted, only the loan account of the employee/organization should be created in the Long-term section of the GDCoA. The Short-term portion of the loan must be posted to the same account that the others have been posted to in the same category.
5. If a loan is payable in 5 years, it is assumed that the Short-term portion of the loan will be the same for each of the next 4 years. The monthly installment of the loan Payable/Receivable will be entered account by account in the Long-term section with the following entries:
- a. Sample entry for Car Loan Receivable:
Dr Cash
 Cr 253CBAZAM01 Bazarra, Amandla (Car Loan)
6. For the final year of the loan (5th year), an additional entry is made to zero the balances of the Short-term portion and the Long-term Contra accounts by the following monthly entry every time an installment is received or made:
- a. Sample entry for Car Loan Receivable:
Dr Cash/Bank
 Cr 253CBAZAM01 Bazarra, Amandla (Car Loan)

Dr 253C110 ST Portion of LT Loan Car Loan (Contra) for the same amount
 as the instalment
 Cr 153C110 ST Portion of LT Loan (Car Loan)

Note:

The above entry is necessary to reduce the Short-term portion of the loan by every instalment and to maintain the offsetting accounts between the Short- and the Long-terms.