



## Recording Loan Repayments in Strata Master

A Strata Plan or other type of Strata Corporation may take out a loan from a financial institution and need to make repayments. If you have a loan and need to process a repayment deducted from your trust account, this article may assist you to determine how the loan has been set up in your data.

This article will show you how to reduce the loan amount with instalment records, and also record the interest portion of loan repayments. Note that only the interest paid is an expense.

For issues where you have a Balance on the Balance Sheet once the loan has been fully paid, please see below "Balances on Balance Sheet"

### Important Notes - Must Read

**Note that Strata Master Support is supporting and assisting with the software. We do not provide Accounting advice, so the suggestions here are simply a guide as to how you can record loan repayments in Strata Master.**

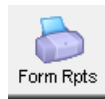
- **You will need to consider your own individual requirements, which may not be fulfilled by the suggestions made here.**
- **We recommend you seek advice and set up assistance from a suitably qualified Accountant or BAS Agent.**
- **Support is not able to set the loans up for you, as how you set it up is your decision and is essentially an Accounting query.**
- **This article is not a step by step and assumes a knowledge of both Strata Master and basic bookkeeping processes and navigation of Strata Master. If you struggle to understand this article, we recommend that you seek training on this subject from our Education Section. You can email [Education.APAC@mrisoftware.com](mailto:Education.APAC@mrisoftware.com).**

### Components Comprising the 3 Steps to Record a Loan

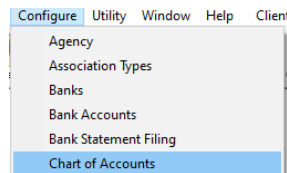
- The initial loan funds deposited to the trust account. This requires a loan liability account in Chart of Accounts.
- The deduction of an instalment from the trust account. This requires a loan liability account in Chart of Accounts.
- The application of interest accrued to the loan. This requires an interest expense account in Chart of Accounts.

## The Chart of Accounts

Go to Formatted Reports > Chart of Accounts. Check to see whether there are existing loan liability and loan interest expense accounts that can be used.



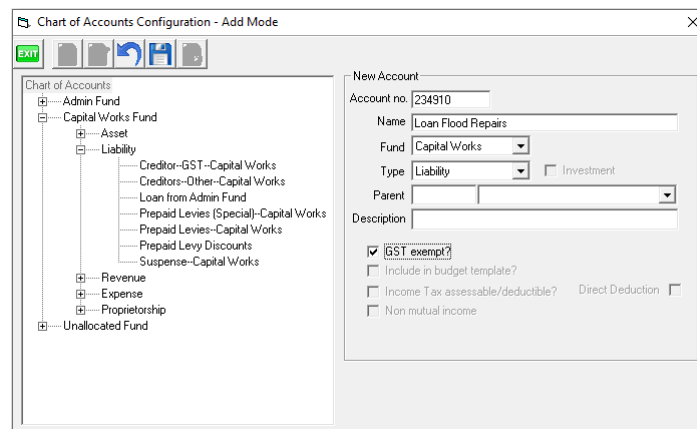
If not, go to Configure > Chart of Accounts and add suitable accounts.



Keep the Naming convention as generic as possible to allow it to be useable for other Plans. For example, Loan - Roof New/Repair - Capital Works is more useful than Loan PX6047893896 - Capital Works, as the latter cannot be used by any other Plan.

You need to check your Chart of Accounts in Formatted Reports to find a suitable account number that is free/not in use.

Here is an example of an account being created -



## The Initial Funds - Step 1

Receipted to the Liability Loan Account for the purpose. The funds are technically not Revenue or Income and if applied as such, will inflate the income figure and affect taxation if the Plan pays income tax. You receipt as revenue if you wish, however the steps in this article would not apply.

As mentioned above, seek a recommendation from your Accountant to suit your circumstances.

Receipting into bank account: Rockend Strata Management - General Trust

Levy or Owner Invoice      **Other Receipt to Owners Corporation**      Trust Ledger

GST registered owners corporation selected  
 Enter Plan No. or Street Name or Body Corporate Name.  
 Strata Plan 4444  
 Chandos Towers  
 1 Chandos Street  
 ST LEONARDS NSW 2065

Investment redemption  
 Refund GST  
 Insurance claim  
 **Other receipt type**

All accounts     Revenue accounts  
 Account 134700    Loans Secured-Admin - Admin    Group

Receipt details  
 Total amount 35,000.00    Payer Westpac bank     Banked  
 Description Loan Funds Received from bank    31/01/2022     Charge fees for manual receipting

Cheque details  
 Cheque amount    Cheque no.    Drawer    Bank    Branch    BSB

Note: When you have completed entering your manual receipts for cash and/or cheques you must finalise those receipts in the Accounting > Banking screen and produce your deposit slip(s).

Capital Works	Capital Works Fund	T = GST taxable E = GST exempt	Budget template	Standard fund account
<b>Proprietorship</b>				
200500	Operating Surplus/Deficit-Capital Works	E		Y
201000	Owners Equity--Capital Works	E		Y
<b>Asset</b>				
221000	Cash at Bank--Capital Works	E		Y
223000	Investments--Capital Works	E		Y
223500	Land & Buildings--Accum Amortisation	E		
224000	Loan to Admin Fund	E		Y
225500	Prepaid Expenses--Capital Works	E		
22990d	Prepaid Levy Discounts Allowed	E		Y
226000	Receivable--Insurance Claims--Capital Works	E		
228300	Receivable--Interest--Capital Works	E		Y
228600	Receivable--Levies (Special)--Capital Works	E		Y
228500	Receivable--Levies--Capital Works	E		Y
227000	Receivable--Other--Capital Works	E		
227500	Receivable--Owners--Capital Works	E		Y
<b>Liability</b>				
232000	Creditor--GST--Capital Works	E		Y
232500	Creditors--Other--Capital Works	E		Y
234910	Loan Flood Repairs	E		
234500	Loan from Admin Fund	E		Y
238200	Prepaid Levies (Special)--Capital Works	E		Y
236000	Prepaid Levies--Capital Works	E		Y
23990d	Prepaid Levy Discounts	E		Y
239000	Suspense--Capital Works	E		
<b>Revenue</b>				

## The Repayment Deduction from the Trust Account - Step 2

Most Banks will deduct one instalment each month, which includes both capital funds and interest. Unless you know the interest amount included, apply one journal to reduce the loan total. Journal > debit to the liability account (to reduce the loan liability as a premium has been made) and credit cash at bank (to reduce cash at the bank).

Journal Entry

Ledger  
 General Ledger  
 GL with auto reversal  
 Trust Ledger

GST registered owners corporation selected  
 Enter Plan No. or Street Name or Body Corporate Name.  
 Strata Plan 4444  
 Chandos Towers  
 1 Chandos Street  
 ST LEONARDS NSW 2065

Accounts  
 Debit 134700    Loans Secured-Admin - Admin  
 Credit 121000    Cash at Bank-Admin - Admin  
 Group

Details  
 Date 31/01/2022  
 Amount \$315.00  
 Description January instalment deducted

## A variation is -

If you know the interest portion in the instalment deducted from the Bank account, you can apply just the capital amount to the journal above and record another journal for the interest amount > Debit Interest on Loan and Credit Cash at Bank. You would then not need to proceed to Step 3.

## The Interest Applied to the Loan Account - Step 3

This journal is required where the interest amount is now known, but wasn't known when the instalment is deducted from the bank account, and where the interest amount is included in the instalment deducted from the loan liability as above. For this transaction you would find the interest amount on the loan statement or other correspondence from the Bank..

Journal > debit the expense account for Loan Interest (to record the interest expense on the I&E report) and credit liability account (to increase the loan amount owing on the Balance Sheet)

Cannot be entered in the Bank Reconciliation screen as this transaction does not involve cash at bank.

Journal Entry

Ledger

General Ledger

GL with auto reversal

Trust Ledger

GST registered owners corporation selected

Enter Plan No. or Street Name or Body Corporate Name.

Strata Plan 4444  
Chandos Towers  
1 Chandos Street  
ST LEONARDS NSW 2065

Accounts

Debit 159300 Interest on Loan Secured - Admin - Admin

Credit 134700 Loans Secured-Admin - Admin

Group

Details

Date 01/02/2022

Amount \$121.33

Description Interest due January 2022

## Reports

Balance Sheet at end of January shows the loan funds received

Less liabilities	
<b>Administrative Fund</b>	
Creditor--GST--Admin	6,568.19
Creditors--Other--Admin	260.00
Deposits Received--Damage Bond--Admin	(120.00)
Deposits Received--Keys--Admin	150.00
<b>Loans Secured--Admin</b>	<b>35,000.00</b>
	<hr/>
	41,858.19

Balance Sheet at end of February shows reduction of loan balance as \$315 was deducted and interest of \$121.11 was added

Less liabilities	
<b>Administrative Fund</b>	
Creditor--GST--Admin	6,568.19
Creditors--Other--Admin	260.00
Deposits Received--Damage Bond--Admin	(120.00)
Deposits Received--Keys--Admin	150.00
Loans Secured--Admin	34,806.11
	<hr/>
	41,664.30

I&E report for just the month of February shows the interest expense of \$121.11 for that month

<b>Less expenses</b>		
Interest on Loan Secured - Admin		121.11
<i>Total expenses</i>		121.11

## Variations

**As mentioned above, and we reiterate, we have provided a common method of recording and reporting loans in the above steps, however the method you choose is entirely your decision, and that suits your needs.**

If you wish, you can use sub accounts, and show the repayments figure, in addition to the loan amount, with a nett figure. Some Auditors may prefer this. Notice that the sub account is for instalments and has the Loan account as its parent. On the Balance Sheet, both account balances will show with the subtotal being Loan less instalments.

Account - Read Only

Account no. 134800

Name Loan Secured Instalments

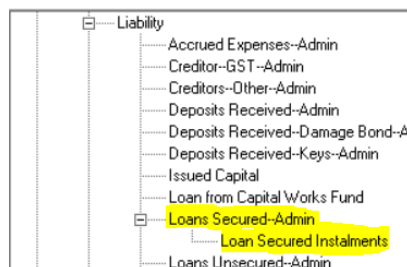
Fund Admin

Type Liability  Investment

Parent 134700 Loans Secured-Admin

Description Instalments Paid

GST exempt?



**Bear in mind that variations that are widely different to the above can make it difficult for Support to assist you with queries, if you have errors. Your query may be referred to a Consultant as chargeable support.**

## Balances on Balance Sheet

**The Balance of the loan in Strata Master should be checked regularly to the Bank Loan Statement and ensure it matches.**

If you use the above method, there should not be a figure for this loan on the Balance Sheet once the loan is fully paid. If you have a balance on the Balance Sheet, then -

- Repayments have not been entered and the Balance of the loan account not balanced with the Bank Statement from time to time
- Interest amounts entered have been duplicated or overstated and once again, the Balance of the loan account not balanced with the Bank Statement from time to time
- Another method of recording the loan has been used. Please note that it is not Strata Master Supports

role to check for accounting/entry errors, however if you find an error, we can assist you to fix it ensuring you use approved methods for the platform.

- If another method has been used, check the Accounting > Adjustments > Search/edit transactions to see how previous instalment entries have been made. Note the debit account used in instalment payments. That is the account where the repayments are recorded, and if different to the Loan liability account, we suggest you discuss with your accountant to clear the balances.

## Useful Links

<https://kb.rockend.com/help/search-for-a-transaction>

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