Purchasing an Asset under Finance/Loan

This document will explain:
How to record the purchase of an asset,
How to set up a loan for the purchase and record the unexpired interest
How to record the repayments
NOTE: We suggest you discuss these transactions with your accountant prior to recording in Jim2.

Your business may purchase a capital asset, such as a vehicle, and take out finance or a loan to pay for it. The setup to reflect this in Jim2 is as follows:

Setting up the General Ledger Accounts
Go to Accounts > General Ledger > 1. Assets, locate a relevant GL Account for the Capital Asset and ensure that it is ticked as an Expense PO account with a default Tax Code of C.
If there is not a suitable GL Asset Account, then add a new one.

Go to Accounts > General Ledger > 2. Liabilities, and add a new GL Account for the Finance/Loan under the Long Term Liabilities section.
Select Type = Detailed Credit Card Postable (so you can do bank reconciliations on this account if required), with the default Tax Code set to X (no GST on payments to the account).

General Ledger

Account Name	Type
1 - Asset 2 - Liability 3 - Equity 4 - Income 5 - Cost Of Sales 6 - Expense 8 - Other Income 9 - Other Expense	
2-0000 Liability	Header
2-1000 Current Liabilities	Header
2-1100 Credit Cards	Header
2-1110 Company MasterCard	Credit Card
2-1200 Trade Creditors	Control
2-1210 Tempory Creditors - POs on Received	Control
2-1300 GST Liabilities	Header
2-1310 GST Collected	Detail
2-1330 GST Paid	Expense PO
2-1335 Deferred GST	Detail
2-1340 Withholding P	Detail
2-1350 BAS Liability/	Detail
2-1355 GST - Collecte	Credit Card
2-1356 GST - Paid NZ	Credit Card
2-1360 Import Duty Pay	Detail
2-1370 Voluntary Withh	Detail
2-1390 Luxury Car Tax	Detail
2-1400 Payroll Liabili	Header
2-1410 Payroll Dedu	Detail
2-1420 PAYG Withho	Detail
2-1430 Guaranteed S	Detail
2-1435 Staff Contrib	Detail
2-1440 Staff Contrib	Detail
2-1450 Accruals	Detail
2-1455 Accruals - Wa	Detail
2-1500 Provisional Tax	Detail
2-1600 Customer Depos	Detail
2-1900 Other Current Li	Detail
2-4000 Long Term Liab	Header
2-4200 Other Long Term Liabilities	Detail
2-4310 CBFC Finance	Detail
2-4312 Unexpired Interest	Detail

Edit GL Account

Type
- ○ Header Account (non Postable)
- ● Detail Account (Postable)
- ○ Detail Credit Card Account (Postable)

Active ☑
Expense PO Account ☐
Control Account ☐

Account Classification: Liability
Account Number: 2 - 4310
Account Name: CBFC Finance
Opening Balance: 0.00
Current Balance: 0.00
Default Tax Code: X Exclude from GST

Linked Accounts:

[OK] [Cancel]

Go to Accounts > General Ledger > 2. Liabilities, and add a new GL Account for the Unexpired Interest for the Finance/Loan under the Long Term Liabilities section.
Select Type = Detail Account, with the default Tax Code set to X (no GST on transactions to the account).

General Ledger

Account Name	Type
1 - Asset 2 - Liability 3 - Equity 4 - Income 5 - Cost Of Sales 6 - Expense 8 - Other Income 9 - Other Expense	
2-0000 Liability	Header
2-1000 Current Liabilities	Header
2-1100 Credit Cards	Header
2-1110 Company MasterCard	Credit Card
2-1200 Trade Creditors	
2-1210 Tempory Creditors - POs on Received	
2-1300 GST Liabilities	
2-1310 GST Collected	
2-1330 GST Paid	
2-1335 Deferred GST	
2-1340 Withholding Payable	
2-1350 BAS Liability/Accrual	
2-1355 GST - Collected NZ	
2-1356 GST - Paid NZ	
2-1360 Import Duty Payable	
2-1370 Voluntary Withholding Payable	
2-1390 Luxury Car Tax Payable	
2-1400 Payroll Liabilities	
2-1410 Payroll Deductions Payable	
2-1420 PAYG Withholding Payable	
2-1430 Guaranteed Super Levy	
2-1435 Staff Contribution - Donations	
2-1440 Staff Contribution - Social Club	
2-1450 Accruals	
2-1455 Accruals - Wages	
2-1500 Provisional Tax	
2-1600 Customer Deposits	Detail
2-1900 Other Current Liabilities	Detail
2-4000 Long Term Liabilities	Header
2-4200 Other Long Term Liabilities	Detail
2-4310 CBFC Finance	Detail
2-4312 Unexpired Interest	Detail

Edit GL Account

Type
- ○ Header Account (non Postable)
- ● Detail Account (Postable)
- ○ Detail Credit Card Account (Postable)

Active ☑
Expense PO Account ☐
Control Account ☐

Account Classification: Liability
Account Number: 2 - 4312
Account Name: Unexpired Interest
Opening Balance: 0.00
Current Balance: 0.00
Default Tax Code: X Exclude from GST

Linked Accounts:

[OK] [Cancel]

Go to Accounts > General Ledger > 6. Expenses section, and add a new GL Account for the Interest on the Finance/Loan with a default tax code of X.

Close out of the General Ledger.

Adding the Vendors
Add a CardFile for the vendor where you purchased the vehicle, and for the finance provider.

Recording the Purchase
Add an Expense PO for the purchase of the vehicle from the Vendor, using Tax Code C.
After finishing the Expense PO, open the creditor record and click on EDIT
Click on Type = Payment and change to Type = CREDITORS ADJUSTMENT DOWN
Select the GL account for the new 2-XXXX Finance/Loan account for the full amount owing, using tax code X
Add a comment 'Move to Finance/Loan Account' and save.
Add a Type = Payment, select 'Payment By' = CREDIT and apply the adjustment credit to the invoice, and save.

You have now moved the amount owed from the Creditor account to the Finance/Loan liability account.

Recording the Unexpired interest
Add a general journal to increase the 2-xxxx liability to include the interest component payable on the Finance/Loan.

Recording the monthly repayments, and monthly interest expense

Go to Accounts > Cheque Book > Add

Select the CardFile for the loan provider

Enter the total amount of the repayment

If you have details of the monthly interest components, you can enter the amount of interest that is being expensed as per the example below.

Viewing Cheque #18							CBFC FINANCE □ ✕

Tran#	135	☑ Handwritten	Type	Cheque ▼	Status	FINISH
Card Code	CBFC	Date 03/12/2012	GL Acc.	11105 Cheque Account 1		

CBFC FINANCE
106 PITT ST
SYDNEY NSW 1001

Payment By | Cheque ▼

Cheque No | 18

Chq Amt $ | 850.00 | ☐ Reconciled

Eight Hundred and Fifty Dollars only | Currency | AUD

Comment | payment of finance/loan, and monthly interest exp | *Invalid per Licence*

Acc.Code	Branch	SubBranch	GL Dept	Name	Curr	Amount Ex.	Amount Inc.	Tax
▶ 24310	... ▼	▼	▼	CBFC Finance	AUD	850.00	850.00	X ▼
24312	... ▼	▼	▼	Unexpired Interest	AUD	-150.00	-150.00	X ▼
62110	... ▼	▼	▼	Interest - Finance/Loan	AUD	150.00	150.00	X ▼

NOTE: If you do not have all the information, or are unsure on how to record the interest, we suggest you discuss this with your accountant before you start recording the payments.

For further assistance or information please call Happen support on 02 9570 4696 or email support@happen.biz