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| **Accounting & Tracking** |

We recommend that you deposit the loan proceeds into a bank account that is separate from your checking account. This could be a money market account or savings account.

As the costs are incurred you can transfer funds from this separate account to cover the applicable expenses.

The accounting for the loan is as follows;

1. Receive the loan

DR Cash Loan Amount

CR Loan payable (liability account) Loan Amount

1. Record expenses as usual. Transfer funds from the separate account to your operating account to cover applicable expenses as they occur.
2. Record interest monthly as it accrues (interest will accrue at 1% per annum each month starting from the date you receive the funds

DR Interest Expense

CR Accrued interest payable

1. When loan is forgiven

DR Loan payable Amount of forgiveness

CR Other Income – Forgiveness Amount of forgiveness

1. When the amount that is not forgiven is paid

DR Loan payable Amount not forgiven

DR Interest expense Interest expense

CR Cash Total paid

Practical considerations:

* You may want to use the department or class feature or customer-job feature of your software and set up a separate class or department for the PPP Loan
* You could record expenses to separate general ledger accounts
* You can track expense on an excel sheet

You will need to maintain documentation of expenses. See the loan forgiveness track.