

Lucky Homes (Pvt) Ltd.

Accounting Entries

1. Purchase of Lands

GL Code	Description	Dr	Cr
201010004	Expenses Payable	xxxx	
102090014	Cash Book		xxxx
	(To record purchase cost of the land)		

2. Budgeted Total Project Cost

GL Code	Description	Dr	Cr
102010003	Land Stock	xxxx	
201010004	Expenses Payable		xxxx
	(To record budgeted total project cost)		

Note : Budgeted total cost includes;

<i>Purchase Cost</i> <i>Survey Charges</i> <i>Development</i> <i>Travelling</i> <i>Advertising</i> <i>Utilities</i> <i>Financing</i>	<i>If any activities added that should be included.</i>
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3. Payment relating to the projects

GL Code	Description	Dr	Cr
201010004	Expenses Payable	xxxx	
102090014	Cash Book		xxxx
	(To record standard project expenses)		

4. Reservation Advance

GL Code	Description	Dr	Cr
102090014	Cash Book	xxxx	
201030049	Advance Received		xxxx
	(To record reservation advance)		

Note:

If any amount is received before finalizing the sold note such amount should be credited to the advance received account.

5. Sales Recognition

5.1 Ought Right Sales

GL Code	Description	Dr	Cr
201030049	Advance Received	xxxx	
301010000	Revenue – Real Estate		xxxx
201040050	VAT Output AC		xxxx

	(To record outright sales)		
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5.2 Land Easy Payment Sales

GL Code	Description	Dr	Cr
201030049	Advance Received	xxxx	
102030042	EP Stock - Performing	xxxx	
301010000	Revenue – Real Estate		xxxx
201040050	VAT Output AC		xxxx
	(To record sales proceeds and amount finance of Land EP sales)		

GL Code	Description	Dr	Cr
102030042	EP Stock - Performing	xxxx	
102030042	Ep Un Earne Interest Income - Performing		xxxx
	(To record unearned interest income of EP sales)		

5.3 Bank Loan /Other Loan

GL Code	Description	Dr	Cr
201030049	Advance Received	xxxx	
102040043	Receivable Land Sales	xxxx	
301010000	Revenue – Real Estate		xxxx
201040050	VAT Output AC		xxxx
	(To record sales proceeds and amount finance of Bank Loan and Other Loans)		

6. Recognition of Cost of Sales

GL Code	Description	Dr	Cr
302010002	Cost of Sales	xxxx	
102010040	Land Stock		xxxx
201040050	NBT Control Account		xxxx
	(To record cost of sales)		

Note:

Land stock = Total cost as per the price list (Capital cost + Other Improvement Cost)

NBT = Sale Value x Improvement % x 2%

7. Recognition of Sales Incentive

GL Code	Description	Dr	Cr
302010002	Cost of Sales	xxxx	
201020048	Improvement Cost Payable		xxxx
	(To record improvement / sales incentives)		

8. Income Recognition and Default charges on Land Easy Payment

8.1 Performing

GL Code	Description	Dr	Cr
102040043	EP Debtors - Performing	xxxx	
102030042	EP Un Earned Interest Income - Performing	xxxx	
301030001	EP Interest Income		xxxx
102030042	EP Stock - Performing		xxxx
	(To record rental fallen due and interest income of Performing Loans)		

8.2 Non- Performing

GL Code	Description	Dr	Cr
102040043	EP Debtors – Non Performing	xxxx	
102030042	EP Un Earned Interest Income - NonPerforming	xxxx	
102040043	EP Interest In Suspense		xxxx
102030042	EP Stock – Non Performing		xxxx
	(To record rental fallen due and interest income of NPL)		

8.3 Default Charges

GL Code	Description	Dr	Cr
102090014	Cash Book	xxxx	
303010004	EP Interest Income -Default		xxxx
	(To record default charges)		

Note: Default interest should be recognized on cash basis.

9. Receipts

9.1 Land Easy Payment – Performing

GL Code	Description	Dr	Cr
102090014	Cash Book	xxxx	
102040043	EP Debtors - Performing		xxxx
	(To record rental collection)		

9.2 Land Easy Payment – NonPerforming

GL Code	Description	Dr	Cr
102090014	Cash Book	xxxx	
102040043	EP Debtors – Non Performing		xxxx
	(To record rental collection)		

Note : When Nonperforming Loans become performing existing balance of;

EP Stock, EP Unearned Income and EP Debtors should be transferred to the performing category.

A non-performing asset may be classified as a performing asset upon settlement of all arrears of principal and interest, and thereafter interest may be recognised on an accrual basis.

9.3 Land Easy Payment – Nonperforming loan become Performing.

GL Code	Description	Dr	Cr
102040043	EP Debtors – Performing	xxxx	
102030042	EP Un Earned Interest Income – Non Performing	xxxx	
102040043	EP Debtors – Non Performing		xxxx
102030042	EP Un Earned Interest Income - Performing		xxxx
(To categorise NPL as performing)			

9.4 Land Easy Payment – Nonperforming loan become Performing.

GL Code	Description	Dr	Cr
102040043	EP Interest In Suspense	xxxx	
301030001	EP Interest Income		xxxx
	(To transfer interest income form suspense to Income Statement when NPL become Performing)		

9.5 Bank & Other Loan Collections

GL Code	Description	Dr	Cr
102090014	Cash Book	xxxx	
102040043	Receivable Land Sales		xxxx
	(To record bank & other loan collections)		

10. EP Rescheduling

10.1 Land Easy Payment – Performing {If excess debtor balance}

GL Code	Description	Dr	Cr
102040043	EP Debtors – Performing	xxxx	
102030042	EP Un Earned Interest Income – Performing	xxxx	
102030042	EP Reschedule Control A/C	xxxx	
102030042	EP Stock - Performing		xxxx
	(To transfer existing balances to control A/C)		

GL Code	Description	Dr	Cr
102030042	EP Stock - Performing	xxxx	
102030042	EP Un Earned Interest Income – Performing		xxxx
102030042	EP Reschedule Control A/C		xxxx
	(To record new balances of rescheduled loan)		

10.2 Land Easy Payment – Performing {If arrears debtor balance}

GL Code	Description	Dr	Cr
102030042	EP Un Earned Interest Income – Performing	xxxx	
102030042	EP Reschedule Control A/C	xxxx	
102040043	EP Debtors – Performing		xxxx
102030042	EP Stock - Performing		xxxx
	(To transfer existing balances to control A/C)		

GL Code	Description	Dr	Cr
102030042	EP Stock - Performing	xxxx	
102030042	EP Un Earned Interest Income – Performing		xxxx
102030042	EP Reschedule Control A/C		xxxx
	(To record new balances of rescheduled loan)		

10.3 Land Easy Payment – Non-Performing

GL Code	Description	Dr	Cr
102030042	EP Un Earned Interest Income – Non Performing	xxxx	
102040043	EP Interest In Suspense	xxxx	
102030042	EP Reschedule Control A/C	xxxx	
102040043	EP Debtors – Non Performing		xxxx
102030042	EP Stock – Non Performing		xxxx
	(To transfer existing balances to control A/C)		

GL Code	Description	Dr	Cr
102030042	EP Stock - Performing	xxxx	
102030042	EP Un Earned Interest Income – Performing		xxxx
102030042	EP Reschedule Control A/C		xxxx
	(To record new balances of rescheduled loan)		

Note:

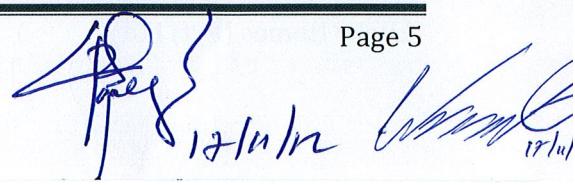
A non-performing asset which has been rescheduled should be reclassified as performing only when the repayments under the rescheduled terms have been complied with for a continuous period of not less than six months.

11. EP Contract Transfer to Bank Loan or Other Loan

11.01 Land Easy Payment – Performing Contract {If excess debtor balance}

GL Code	Description	Dr	Cr
102040043	EP Debtors – Performing	xxxx	
102030042	EP Un Earned Interest Income – Performing	xxxx	
102030042	EP Reschedule Control A/C	xxxx	
102030042	EP Stock - Performing		xxxx
	(To transfer existing balances to control A/C)		

GL Code	Description	Dr	Cr
102040043	Receivable Land Sales	xxxx	
102030042	EP Reschedule Control A/C		xxxx
	(To record new balances of Bank / Other Loan)		



11.02 Land Easy Payment – Performing Contract {If arrears debtor balance}

GL Code	Description	Dr	Cr
102030042	EP Un Earned Interest Income – Performing	xxxx	
102030042	EP Reschedule Control A/C	xxxx	
102040043	EP Debtors – Performing		xxxx
102030042	EP Stock - Performing		xxxx
	(To transfer existing balances to control A/C)		

GL Code	Description	Dr	Cr
102040043	Receivable Land Sales	xxxx	
102030042	EP Reschedule Control A/C		xxxx
	(To record new balances of Bank / Other Loan)		

12. EP Contract Early Settlement

12.01 Land Easy Payment – Performing Contract

GL Code	Description	Dr	Cr
102040043	EP Debtors – Performing	xxxx	
102030042	EP Un Earned Interest Income – Performing	xxxx	
102030042	EP Stock - Performing		xxxx
	(To record early settlement capital & interest balances are transferred to debtor collection A/C)		

12.02 Land Easy Payment – Non Performing Contract

GL Code	Description	Dr	Cr
102040043	EP Debtors – Non Performing	xxxx	
102030042	EP Un Earned Interest Income – Non Performing	xxxx	
102040043	EP Interest In Suspense	xxxx	
301030001	EP Interest Income		xxxx
102030042	EP Stock – Non Performing		xxxx
	(To record early settlement capital & interest balances are transferred to debtor collection A/C)		

13. Contract Cancelled - Resale

13.01 Land Easy Payment – Performing Contract

GL Code	Description	Dr	Cr
102040043	EP Debtors – Performing	xxxx	xxxx
102030042	EP Un Earned Interest Income – Performing	xxxx	
201010047	Resale Payable Acc.	xxxx	
102030042	EP Stock - Performing		xxxx
	(To Transfer existing balances to control a/c)		

GL Code	Description	Dr	Cr
301010000	Revenue – Real Estate	xxxx	
201040050	VAT Output AC	xxxx	
102010040	Land Stock	xxxx	
201040050	NBT Control Account	xxxx	
302010002	Cost of Sales		xxxx
201010047	Resale Payable Acc.		xxxx
	(To reverse sale proceeds, cost of sales and taxes to EP Resale Payable A/C)		

GL Code	Description	Dr	Cr
201010047	EP Resale Payable Acc	xxxx	
102090014	Cash Book		xxxx
	(To record refund amount)		

Note :

Generally after passing the journal entries and refunding the approved amount, EP Resale payable account should be zero. If not remaining balance must be transferred to the income statement. The remaining balance can be debit or credit balance. A special approval shall be obtained to transfer the balance to income statement, only if it is a debit balance. 1

13.02 Land Easy Payment – Non Performing Contract

GL Code	Description	Dr	Cr
102040043	EP Debtors –Non Performing		xxxx
102030042	EP Un Earned Interest Income – Non Performing	xxxx	
102040043	EP Interest In Suspense	xxxx	
201010047	Resale Payable Acc.	xxxx	
102030042	EP Stock - Performing		xxxx
	(To Transfer existing balances to control a/c)		

GL Code	Description	Dr	Cr
301010000	Revenue – Real Estate	xxxx	
201040050	VAT Output AC	xxxx	
102010040	Land Stock	xxxx	
201040050	NBT Control Account	xxxx	
302010002	Cost of Sales		xxxx
201010047	Resale Payable Acc.		xxxx
	(To reverse sale proceeds, cost of sales and taxes to EP Resale Payable A/C)		

GL Code	Description	Dr	Cr
201010047	EP Resale Payable Acc	xxxx	
102090014	Cash Book		xxxx
	(To record refund amount)		

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13.03 Bank Loan and Other Loan

GL Code	Description	Dr	Cr
102040043	Receivable Land Sales		xxxx
201010047	Resale Payable Acc.	xxxx	
	(To Transfer existing balances to control a/c)		

GL Code	Description	Dr	Cr
301010000	Revenue – Real Estate	xxxx	
201040050	VAT Output AC	xxxx	
102010040	Land Stock	xxxx	
201040050	NBT Control Account	xxxx	
302010002	Cost of Sales		xxxx
201010047	Resale Payable Acc.		xxxx
	(To reverse sale proceeds, cost of sales and taxes to Resale Payable A/C)		

GL Code	Description	Dr	Cr
201010047	Resale Payable Acc	xxxx	
102090014	Cash Book		xxxx
	(To record refund amount)		

13.03 Reservation advance received lots – (Sold note not yet finalized)

GL Code	Description	Dr	Cr
201030049	Advance Received	xxxx	
102090014	Cash Book		xxxx
	(To record refund amount)		

Note :

When refunding the reservation advance or further advance generally non-refundable advances are not refunded. Since such advances are transferred to the income statement as follows.

GL Code	Description	Dr	Cr
201030049	Advance Received	xxxx	
303010004	Non Refundable Deposit-Resale		xxxx
	(To recognize non-refundable advance as income)		

14. Borrowing cost capitalization

Borrowing cost - It is recorded under budgeted expenses as cost of capital.

Capitalization – Capitalization means relevant interest portion to be transferred to the income statement to reduce the monthly finance cost.

Basis – There is no hard and fast rule, according to the accounting standard up to the sale date interest can be capitalized. However, practically it transfers to the income statement on following basis.

Beginning of the month :

Land Stock Value of the relevant project xxxx

Less:

Advance Received (xxxx)

Expensed Payable balance of the relevant project xxxx

Net Holding Value xxxxx

Interest capitalization

Net Holding Value X COC Rate p.m xxx

Total existing cost of capital balance should be transferred to the P & L immediately When Land Stock becomes a zero.

GL Code	Description	Dr	Cr
201010004	Expenses Payable	xxxx	
401040008	Borrowing Cost Capitalized		xxxx
	(To capitalized borrowing cost)		