

Accrued Interest Transactions

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There may be times when your accountant or lender may ask you to calculate accrued interest transactions on a loan that has annual or infrequent payments scheduled. This can easily be done in CenterPoint.

Accrued expense refers to an expense that has been incurred but not yet paid. Examples of accrued expense items might be interest that has accrued on an outstanding note that has not been paid, and taxes that have accrued but not yet been paid.

Recording accrued interest provides more accurate accrual reports when processing loans that have annual payments vs. monthly payments. Estimated interest expense is recorded each month instead of recording one lump sum entry. Cash reports for tax purposes are maintained at the same time.

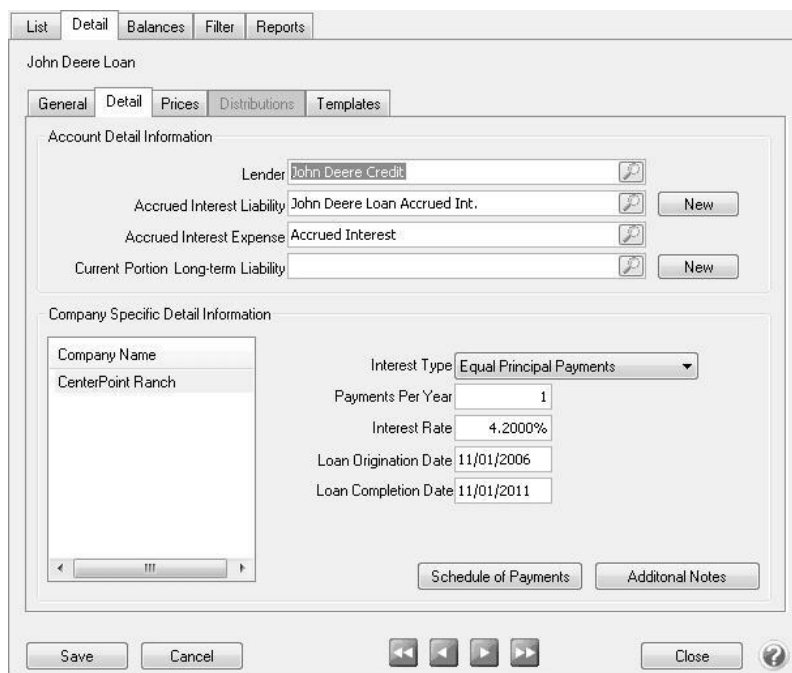
[Step A - Assign Details to the Loan Account \(one-time setup for each loan\)](#)

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Step A - Assign Details to the Loan Account (one-time setup for each loan)

1. Select **Setup > Accounts > Accounts**.
2. Select the appropriate loan account, click **Edit**, and then lick the **Detail** tab.



3. In the **Accrued Interest Liability** field, select the liability account that should be credited when the accrued interest transactions are created (this account will be debited when a payment is made).

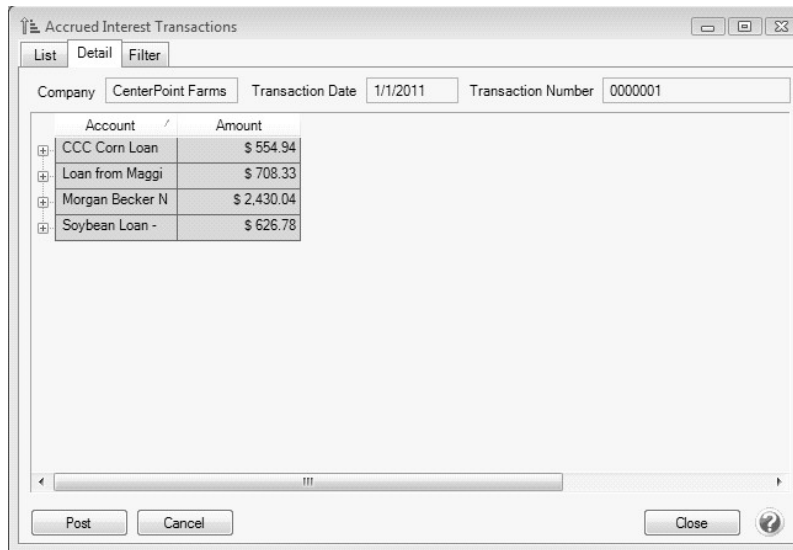
4. Select an appropriate expense account in the **Accrued Interest Expense** field. This account will be debited when the accrued interest transactions are created.
5. The **Company Specific Detail Information** must also be completed for this loan. Specify the appropriate **Interest Type**, **Payments Per Year**, **Interest Rate**, **Loan Origination** and **Completion Date**.
6. Click **Save**.

Step B - Process Accrued Interest Transactions

The accrued interest transaction process will calculate amounts for each loan that currently has a positive balance and has the liability and expense accounts assigned on the Detail tab (step A above). The amounts calculated will display as interest due on the Balance Sheet and an interest expense on the income statement.

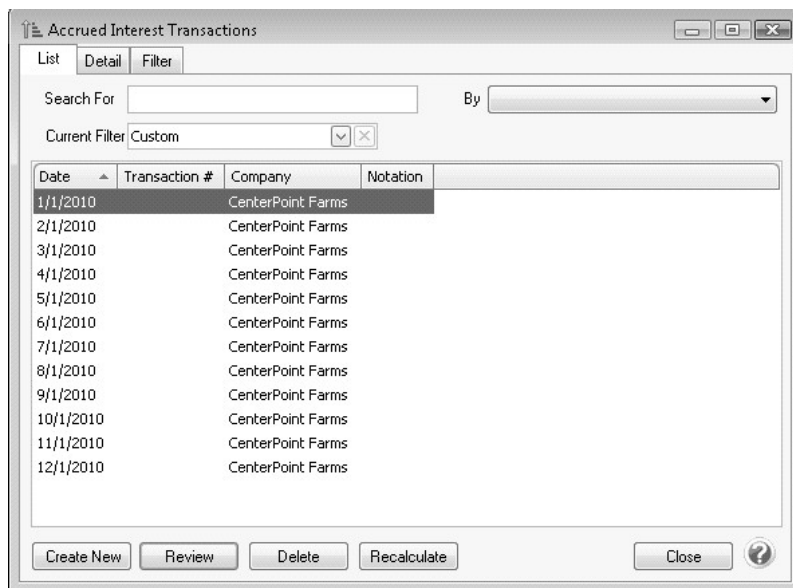
1. Select **Processes > Periodic > Accrued Interest Transactions**.
2. Click **Create New**.

3. In the **Company/Fund** box, enter the company/fund name that the accrued interest transactions should be created for. The company/fund selection controls the loan date, number of payments per year, interest rate, and interest type used in the accrued interest transaction.
4. In the **Transaction Date** box, the next "calculated" date to create accrued interest transactions displays. The date is calculated by taking the last date accrued interest transactions were created and incrementing the date one month.
5. In the **Transaction Number** box, enter the transaction number for the accrued interest transactions or click the sequence number icon and select the next available sequence number. See the *Maintaining Sequence Numbers* topic for more information.
6. In the **Memo Line 1** box, enter an optional memo for the transaction. In the **Line 2** box, if the transaction is assigned a name that was setup with a default memo, it will display automatically and can be overridden.
7. Enter an optional **Notation**.
8. Click **OK**.
9. The amounts for each loan will be displayed. Click on any loan to see which accounts will be debited and credited when the entries are posted.



10. Click **Post** to complete the process.

11. From the List tab, you can perform the following actions on a posted transaction:



» **Review posted transactions:** Select the posted transaction and click **Review**.

» **Reverse and recalculate a posted transaction:** Select the posted transaction, click **Recalculate**, select the **Reverse and Recalculate** option, and then click **OK** to immediately reverse and recalculate the current entry. When the recalculated entry displays, click **Post** to finalize the recalculated entry (if you click **Cancel**, the system has already reversed the previous entry). The current accrued interest transaction recalculates using the same date, company/fund, transaction number, and notation.

Reverse posted transactions: Select the posted transaction, click **Delete**, and then click **Yes**. All accrued interest transactions for the company/fund and date will be reversed.

» **Add accrued interest transactions for assets not previously calculated:** Select the posted transactions, click **Recalculate**, select the **Add accrued interest transactions** option, click **OK**, and then click **Post**.


Step C - Make a Loan Payment

1. Select **Processes > Purchases > Payments**.
2. Specify the **Pay To The Order Of**, **Check Number**, **Date**, and **Amount**.
3. In the grid, select the appropriate interest expense **Account**. On the same line, click the **Details** button.

4. Change the **Current Template** to **DT - Interest Paymt (Accrued)**.
5. Specify the **Amount** being paid on the loan.
6. Specify the same **Accrued Interest Liability** account used in Step A - 4.
7. In **Accrued Interest Expense** account field, specify the same account used in Step A - 5.
8. The **Interest Expense** will default the same account used on the Payment screen.

 Note: This can be the same account as the Accrued Interest Expense account if you are using the same account for Interest Expense and Accrued Interest Expense.

9. Click **OK**.
10. On the original payments screen, click **Save**. If the **Print This Check?** field was selected prior, a check will be printed for the loan payment when the transaction is saved.

 Note: For all future payments on this loan, use the Recall button after entering the Pay To The Order Of field. All information (accounts, amounts, etc.) will automatically be displayed.