

Accounting for your Paycheck Protection Program (PPP) Loan in your SBT/ACCPAC/Sage Pro software.

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Getting a Paycheck Protection Program (“PPP”) loan from your bank backed by the Small Business Administration? These loans are available under the recently passed CARES Act and are forgivable “if all employees are kept on the payroll for eight weeks and the money is used for payroll, rent, mortgage interest, or utilities.” If you are getting a PPP loan, you must account for the loan in your SBT Pro Series, ACCPAC Pro or Sage Pro system. The purpose of this white paper is to advise our SBT Pro Series, ACCPAC Pro and Sage Pro ERP clients how to account for PPP loans.

Accounting for the PPP loan is not difficult. Your software can handle the transactions and related accounting. You can do the work yourself. Or you can ask us to assist.

Here is what the US Department of the Treasury says about the PPP: <https://home.treasury.gov/policy-issues/cares/assistance-for-small-businesses>

And here is what the Small Business Administration, the agency administering the program, has to say: <https://www.sba.gov/funding-programs/loans/coronavirus-relief-options/paycheck-protection-program>

Setting up the loan.

Setting up the loan is simple. To you, the loan is a debit to cash and a credit to a loan payable (or some other liability account). If the loan is forgiven the loan becomes revenue which is a debit to the same loan payable account and a credit to a revenue account. More on the revenue account below.

And how do you post the loan? Best way to post the loan in SBT Pro Series, ACCPAC Pro or Sage Pro ERP is through the Accounts Payable *Bank Reconciliation* sub-module. Here you post the loan as a *Manual Deposit*. Pick your bank account as the debit account and your Long-Term Loans Liability account as the credit account. Doing it this way puts the money in the bank and does the back-end GL accounting for you, all in one transaction. The steps are described below.

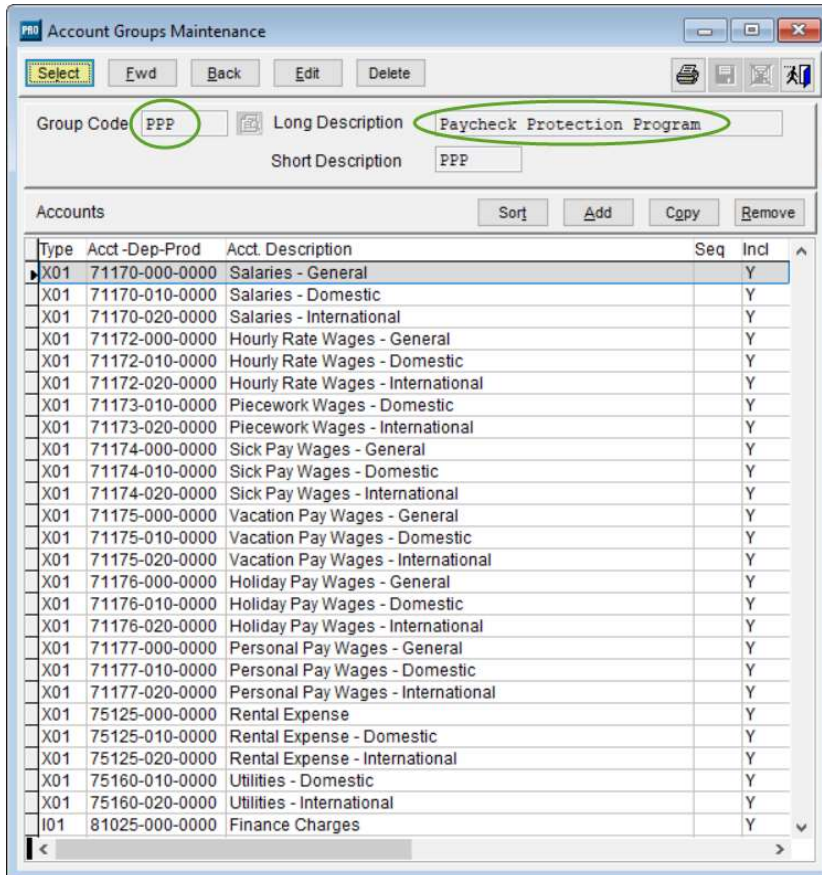
The accounting – Tracking PPP expenses.

The Cares Act says certain expenses – payroll, rent, mortgage interest, or utilities – qualify as PPP expenses. How do you track these expenses? You can always make a spreadsheet and key everything in twice, once in your accounting software and again in Excel. But that is a lot of work. Your accounting software can do most of the work for you.

The best way in Pro (SBT, ACCPAC or Sage Pro) is to create a GL *Account Group* called “PPP” and put all “payroll, rent, mortgage interest and utilities” GL expense accounts into this new Group. Then post all expenses – payroll, rent, mortgage interest and utilities -- normally. Your software does the rest of the work for you.

The Income Statement report in SBT Pro Series, ACCPAC Pro or Sage Pro ERP GL module lets you filter on account groups. To see your PPP expenses, run an Income Statement for the PPP periods with Group = “PPP” and you will see only transactions that qualify as PPP expenses. Instant PPP expense tracking!

Here are screen shots take from Sage Pro 2011. I created a “PPP” account group and put my payroll, rent, mortgage interest and utility expense accounts into the new “PPP” group. This works in all versions of Pro – SBT Pro Series, ACCPAC Pro and Sage Pro ERP – not just Sage Pro 2011.



When you run your Income Statement, key in Group “PPP” and now you have your qualifying PPP expenses in a simple report.

Company Income Statement for Period and Year to Date

Generate Preview Print Export Filter Preferences Reenter Exit

Company Income Statement for Period and Year to Date

Report Type	{Summary/Detail}	↑	Detail
Report Year	Enter Fiscal Year		2008
Report Period	Enter report period		04
Level of Detail	Spacebar toggles choice		Account Number
Account Group	<F2> Picklist Options		PPP
Sort Order	Spacebar toggles choice		Account Number
Show % of Sales?	{Yes/No}		Yes
Subtype Subtotals	{Include/Exclude}	↓	Include

Select an Account Group to limit the report, or blank for All Accounts

Drilling down to exact PPP expenses.

Some of the GL accounts in your PPP group might contain qualified and un-qualified PPP expenses. For example, mortgage interest expense qualifies for PPP but mortgage principal does not. If you post both mortgage interest and principal to the same GL account (and you should not do that, but let's say you do), the PPP group will overstate your qualifying PPP expense during the reporting period. To handle that sort of imprecision, you need to drill down to the source journals which are found in your Accounts Payable and (if you have it) Payroll modules. There the Journal reports will show you all of the expenses by GL expense account and you can use those numbers to adjust the totals from the PPP group Income Statement reporting. Why bother? Because you might be required to do so by your bank or the SBA if you seek PPP loan forgiveness.

Similarly, if your eight-week PPP loan period does not coincide with your GL fiscal calendar periods, you will have to remove expenses incurred outside the eight-week period. The Journal reports in AP and PR will let you filter by date, not just accounting period.

Do you want to keep the loan funds in separate accounts or co-mingle the loan funds with existing accounts?

Many PPP lending banks advise borrowers to create new business checking accounts for the PPP loan money. We agree. You might be asked to prove, at some point, that you spent the PPP money on authorized expenses under the covenants of the PPP loan. That will be easier if the money sits in a separate bank account. But co-mingling with existing checking accounts is fine too.

If you decide to create separate GL accounts, read the next section.

Separate accounts – Create the new GL accounts.

Make a new "Cash PPP" (Asset) and "PPP Loan" (Liability) accounts in your General Ledger chart of accounts. What follows works in all versions of Pro – SBT, ACCPAC Pro and Sage Pro ERP. You should be able to do all of this yourself. But if you need help with this, please contact Lefkowitz Systems.

To do this, go to the GL module. On the menu, chose Maintain / Accounts / Single Accounts.

Pick a new GL account number for the new Cash account. Find a number that is not yet used in your GL Chart of Accounts and is within the range of Cash accounts. Here I create a new “PPP Cash” account in my GL Chart of Accounts with account number previously vacant account number 11012-000-0000. Your chart of accounts will be different.

The screenshot shows the 'Account Maintenance' window with the following fields:

Account Number	11012-000-0000	Type	A01	Current Assets	
Short Desc	PPP Cash				
Long Desc	PPP Cash in Banks				
Status	Active	Term	Current	Type (asset)	Cash
Ratio Group	Cash Account	Subtype			
Cash Flows Code	Cash Balance				
Auto Dist Code				<input checked="" type="checkbox"/> Allow posting from GL	
Consolidated Co Acct		Consolidation %	0.0000		
Report Sequence No	0	Fund Source			

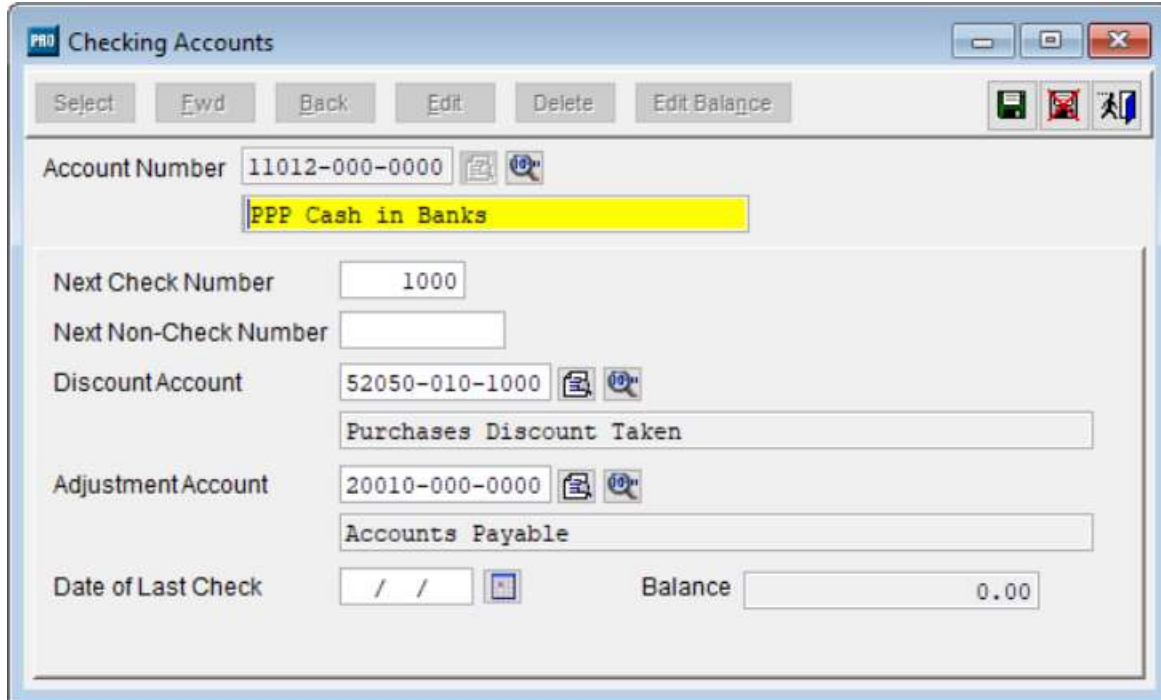
Do the same for the new Liability account. Find a vacant Long-Term Liability GL account number and create a new account using that number. Here I made a “PPP Loan Payable” GL account.

The screenshot shows the 'Account Maintenance' window with the following fields:

Account Number	29055-000-0000	Type	L02	Long Term Liabilities	
Short Desc	PPP Loan				
Long Desc	PPP Loan Payable				
Status	Active	Term	Current	Type (asset)	N/A
Ratio Group	N/A	Subtype			
Cash Flows Code	N/A				
Auto Dist Code				<input checked="" type="checkbox"/> Allow posting from GL	
Consolidated Co Acct		Consolidation %	0.0000		
Report Sequence No		Fund Source			

Make the new Cash account a checking account in Accounts Payable.

To do this, go to Accounts Payable, Maintain / Check Accounts. Key in the new GL Cash account. Click Add. Put in the next check number, non-check number set the discount and adjustment GL accounts and save.



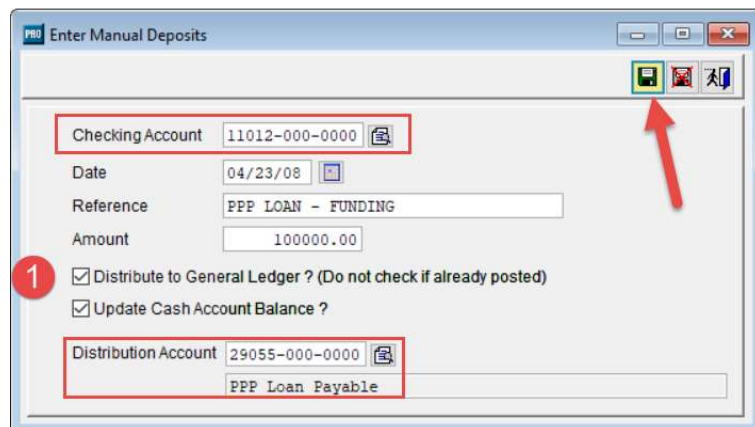
Now you can use this account for Cash transactions in SBT Pro Series, ACCPAC Pro and Sage Pro ERP.

Separate accounts - Fund the new Cash/Checking account

Put your PPP loan money into this bank account using the Accounts Payable Bank Reconciliation Manual Deposit function.

Maintain / Bank Reconciliation / Enter Manual Deposits.

Pick your new (or existing) PPP checking account. Set the date correctly, distribute the deposit to GL and update cash balance by checking the two check boxes (#1). The Distribution Account is the Loans Payable account you created above. Mine is 29055-000-0000. Yours will be something else. Here I post my \$100,000 loan using Manual Deposits to my new Cash account with the off-setting credit to "PPP Loan Payable."



Loan Forgiveness

If you abide by the covenants of the loan for eight weeks, it is supposed to be forgiven. If the loan is forgiven, you must account for the forgiveness. The main transaction is to move the liability (balance sheet) to revenue (income statement). Your PPP debt is now PPP revenue. But what kind of revenue? Taxable or non-taxable?

Disclaimer!

This is an accounting question and I really do not want to offer advice. Lefkowitz Systems is not an accountancy and Matthew Lefkowitz is not an accountant. Do not rely on us for tax guidance. You really should consult your CPA and do your own research on where and how to book this new revenue. What follows is my personal opinion and has no standing anywhere outside of my head.

My reading is that the forgiven PPP loan dollars should be posted below the EBITDA (earnings before interest, taxes, depreciation, and amortization) line and that the revenue does not contribute to taxable net income. But you can post it above the line and recognize the dollars as simple (taxable) revenue too. Again, consult your accountant, not me. The forgiven loan dollars have to be booked as revenue somewhere. If the loan is forgiven, they must be removed from your balance sheet liabilities.

When you have an answer, pick a suitable revenue account for this important journal entry. If it is my company, I will create a new "PPP Revenue" GL account so that the money sits apart from other, business revenues. I would post a debit to my PPP liability account and credit to this new, revenue account on the day my bank tells me the loan is forgiven. Then I would hand my financial reports, with this special account highlighted, to my CPA with a note about where I put the PPP revenue dollars so that my CPA lists the PPP revenue correctly on my corporate tax returns (Federal and State). If my CPA tells me to put the forgiven loan revenue some place else on my income statement, I will make another journal entry in accordance with this new advice.

And that is it. I hope you found this white paper useful and I hope you survive the present crisis with renewed prosperity.

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