Paycheck Protection Program Loans: PPP Loan Accounting 101

With Updates as of May 18, 2020

This information is provided for general informational and educational purposes only and does not constitute legal advice. Please note guidance is changing regularly and we encourage you to check with the SBA and your lender for updated information.
I. Recording & Tracking Funds
Overview: How to Manage the Loan

Record loan in your general ledger as a liability
Record interest monthly
Record expenses as you normally would, and tag allowable expenses
Submit forgiveness paperwork
Prepare to pay back what isn't forgiven
Accounting When We Receive The Loan

- Re-read through promissory note and save with other key financial documents

- If not already in place, create new accounts in your chart of accounts for **PPP Loan Payable** (Liability Account), **Forgiveness of Debt** (Revenue Account), and **Interest Expense** (Expense Account)

- Create a way to track the allowable expenses associated with the loan like you would other funding sources (e.g., Customer/Job function)

- Record the Cash when received and offset with Total Loan Amount as Liability on your Balance Sheet

See Section II for Step-by-Step Journal Entry Guidance
Accounting During the Loan Period

- As related invoices and payments are processed through accounts payable, book as you normally would. But also determine portion to be tracked as allowable and later considered in the forgiveness process. Code accordingly.

- Accrue interest as **Interest Expense** at 1% APR against the total loan amount until full forgiveness confirmed or all funds paid back.
Accounting When the Loan is Forgiven

After your lender confirms your amount for forgiveness:

- Reduce **PPP Loan Payable** account by the amount (principal + interest) forgiven

- Increase **Forgiveness of Debt** account by the amount forgiven
II: General Ledger
Step-by-Step Directions
1: Loan Funds Disbursed To Nonprofit

- PPP proceeds are initially recorded as a liability
- Later, lender will determine what portion of the loan funds will be forgiven and what portion will remain a loan
- Record one-time entry when loan funds are received in cash

<table>
<thead>
<tr>
<th>Journal Entry</th>
</tr>
</thead>
<tbody>
<tr>
<td>Date of cash receipt</td>
</tr>
<tr>
<td>Date of cash receipt</td>
</tr>
<tr>
<td>Date of cash receipt</td>
</tr>
</tbody>
</table>
General Ledger Recording: Allowable Expenses

2: Spending PPP Loan Proceeds

Proceeds of a PPP loan are to be used for allowable expenses: payroll costs, mortgage/other loan interest payments, rent payments, utility payments (as defined by regulations).

As related invoices and payments are processed through accounts payable, determine portion to be tracked as allowable and later considered in the forgiveness process.

Reminder: Keeping track of allowable expenses during the 8-week period after loan disbursement will assist your organization in optimizing the amount of loan forgiveness.
### General Ledger Recording: Allowable Expenses

#### 2: Spending PPP Loan Proceeds

<table>
<thead>
<tr>
<th>Type</th>
<th>Account</th>
<th>DR</th>
<th>CR</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Utilities</strong></td>
<td>Utility expense **</td>
<td>$750</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Cash or accounts payable</td>
<td></td>
<td>$750</td>
</tr>
<tr>
<td><strong>Loan Interest</strong></td>
<td>Interest expense **</td>
<td>$550</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Loan principal (balance sheet)</td>
<td></td>
<td>$300</td>
</tr>
<tr>
<td></td>
<td>Cash</td>
<td></td>
<td>$850</td>
</tr>
<tr>
<td><strong>Payroll</strong></td>
<td>Payroll expense **</td>
<td>$1,500</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Cash or payroll payable</td>
<td></td>
<td>$1,500</td>
</tr>
</tbody>
</table>

** Further chart of account dimensions based on each organization’s chart of account structure. See consideration of coding to funding source to follow.**
QuickBooks – PPP Allowable Expenses

Sample Chart of Account Structure

Account
- General Ledger Expense (such as payroll, interest or utilities)

Class
- Program
- M&G
- Fundraising

Customer / Job
- Source – PPP Loan
QuickBooks – PPP Allowable Expenses

Bringing it Together

**Example:**

- An organization incurs $3,500 of PPP allowable payroll for the afterschool program staff during a bi-weekly pay period:

<table>
<thead>
<tr>
<th>Account</th>
<th>Class</th>
<th>Job/Customer (Source)</th>
<th>DR</th>
<th>CR</th>
</tr>
</thead>
<tbody>
<tr>
<td>Payroll Expense</td>
<td>Afterschool Program</td>
<td>PPP Loan</td>
<td>$3,500</td>
<td></td>
</tr>
<tr>
<td>Cash</td>
<td></td>
<td></td>
<td></td>
<td>$3,500</td>
</tr>
</tbody>
</table>
3. Forgiveness is Determined

- Following notification of forgiveness of all or a portion of loan funds, reduce loan balance and record revenue.
- Remember – Any loans NOT forgiven have accrued interest since the disbursement date.

<table>
<thead>
<tr>
<th>Date of forgiveness</th>
<th>PPP loan payable (balance sheet account)</th>
<th>DR</th>
<th>$50,000</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Revenue – forgiveness of debt</td>
<td></td>
<td>$50,000</td>
</tr>
</tbody>
</table>
## Paycheck Protection Program Toolbox

**Most recent updates below:** Wednesday 5/13 3pm ET

- [Click to Subscribe for PPP Updates](https://fmaonline.net/ppptoolbox/)
- [Take our brief PPP Survey](https://fmaonline.net/ppptoolbox/)

Our PPP Toolbox is designed to support nonprofit organizations as they navigate the Paycheck Protection Program, from Application, through Loan Management and Reporting, and Forgiveness. If you are looking for information to support a small business, you may find our tools useful, but they are designed primarily with the needs of nonprofit organizations in mind. The links below will take you to the relevant section of this page:

- [FMA Resources](#) – The latest tools and answers to your questions
- [FMA Clinics](#) – Free assistance in a live webinar format, daily.
- [Federal Government Resources](#)
- [Others’ Resources](#)

[https://fmaonline.net/ppptoolbox/](https://fmaonline.net/ppptoolbox/)
How do we reach FMA with additional questions and support on PPP?

Please reach out to

FMACARES@fmaonline.net

One of our experts will assist you with your questions as soon as possible