



e-News

Monday, 14th August 2023

Newsletter No 107

How to Series No 3 - How to Enter a Chattel Mortgage Asset Purchase & Loan

HOW TO

Bookkeeping Resource

This is the third part in a series I'm calling "How-To". If you missed the first two parts, you can find them in my newsletter archive [here](#). I will be using Xero as the software, but don't worry if you use another software, the basic rules will still apply.

The second how-to is about how to enter a Chattel Mortgage asset and associated loan into your accounting software.

Step 1 - Let's say your business has purchased a new motor vehicle. The invoice from the vehicle dealer might look something like this:

Shady Motors

Tax Invoice 569034533

1st October 2014

ABN: 11 222 333 444

Nissan Navara Registration ABC 123

Sold to: Your Business

Nissan Navara	\$50,000.00
Stamp Duty	\$950.00
Registration	\$800.00
Insurance	\$500.00
Insurance Stamp Duty	\$45.00
GST	\$5,050.00
Deposit Paid	\$5,000.00
Balance Owing	\$52,345.00

Step 2 - The finance company loan schedule is also required. It may look something like this:

Your Finance Company

Finance Details

Nissan Navara (amount payable)	\$52,345.00
Establishment Fee	\$400.00
Stamp Duty	\$160.00
Interest to Pay	\$11,500.00
Total Loan Amount	\$64,405.00

Repayment Details

Residual Payment	\$15,000.00
48 monthly repayments of	\$1029.27

Step 3 - Create the following accounts in your software (check first because some may already exist):

- Deposit Paid (Current Asset) – no tax code
- Motor Vehicles at Cost (Non-Current Asset) – apply capital expense including GST tax code
- Chattel Mortgage (Motor Vehicle) (Non-Current Liability) – no tax code
- Chattel Mortgage Interest Charges (Expense) – no tax code
- Chattel Mortgage Fees & Charges – tax code varies, could be Free or GST inclusive (check your documentation)
- Motor Vehicle Registration (Expense) – apply GST Free tax code
- Motor Vehicle Insurance (Expense) – apply GST inclusive tax code
- Unexpired Term Interest (Non-Current Liability) – no tax code

Step 4 - First enter a spend money transaction to record the payment of the deposit:

Transaction: Spend Money

Marked as unreconciled

What's this? ⓘ



Options ▾

To	Date	Reference	Total
Your Finance Company	1 Nov 2014	MV Chattel Mortgage	1,029.27

Amounts are Tax Exclusive

Item Code	Description	Quantity	Unit Price	Account	Tax Rate	Amount AUD
	Chattel Mortgage	1.00	1,029.27	Chattel Mortgage (Motor Vehicle)	BAS Excluded	1,029.27
	Unexpired Term Interest	1.00	(311.31)	Unexpired Interest (Navara)	BAS Excluded	(311.31)
	Navara Chattel Mortgage Interest	1.00	311.31	Chattel Mortgage Interest Charges	GST Free	311.31

Subtotal 1,029.27

TOTAL	1,029.27
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Bonus Tip! Sometimes it isn't possible to obtain the loan repayment schedule for whatever reason. When this happens, you need to create your own. I use this [amortisation calculator by Bret Whissel](#). It has served me well over the years. I hope you find it useful too.

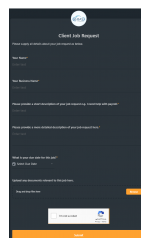
Next week for part four of this How-To series, I will cover how to set up a Hire Purchase agreement in your accounts. Until then, happy bookkeeping!

Latest Articles



Simple Cash Flow Tool

Download our new cash flow tool.



Job Requests

Learn how to submit job requests to us.

DO NOT
INCLUDE

What NOT to include in Payslips for Paid Family & Domestic Violence Leave

Something important to call out in relation to paying this leave is the information that is **prohibited** from being included on the employee's payslip.



Xero Tips & Tricks

Here is my list of useful tips and tricks that I use when wrangling Xero. I'll try to keep adding new tips etc as I discover them. I hope you find them useful.

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