

HOW TO.....

ENTER Methodist Trust Association and Church Building and Loan Transactions into Xero

As we know Xero can connect to banks and have automatic feeds from banks into Xero making transaction processing very simple.

There is no way of making transactions that appear on your Methodist Trust Association (MTA) or Church Building and Loan Fund (CBL) statements go straight into Xero, so in these cases we need to manually enter most of these transactions into Xero.

We would normally recommend that you have one account in Xero for each MTA and CBL account. You do not have to but it may make the reconciliation process easier.

We will deal with each scenario and how to code them into Xero. At the end of this document is an example of the type of statement you receive from the Connexional Office each quarter, after the MTA distribution is completed. Most entities that have deposits in the MTA will be familiar with these. In the attached example, I have printed the statement out for a whole financial year rather than just a quarter. I will refer to these in my examples. You should do the journal entries into Xero for each quarter, once you have received the MTA and CB&L statements.

The first account number has five deposits, two are in a fund called General Purposes Trust, and two are in the Methodist Trust Association Short Term (STA) fund while the last one is in The Methodist Trust Association Growth and Income Fund. The first page is a summary page. In most cases you will only receive statements for the MTA and CB&L.

If we look at page 2 we can see that the two GPT accounts have debits and credits of the same amount. There is a deposit and a withdrawal on the same day. What does this tell us?

Deposits shown on these statements usually mean one of two things, interest earned on the capital invested or additional capital deposited. Withdrawals are also the same but in reverse, either interest withdrawn from the account or a capital part of the deposit withdrawn.

In this example the deposits match the withdrawals so the deposits will be interest earned. There are no capital deposits or withdrawals.

You can also see the net result is that opening balance and the closing balance in these two accounts is zero.

From doing my day to day transactions in Xero, I could see the withdrawals from these two accounts come into my bank account (BNZ, Westpac, ANZ, etc.) and therefore have already processed them into income. I coded them into 1490 (Other Investment Income). If it related to a CB&L interest earned transaction, then the code would have been 1420.

Still on page 2, there is a Methodist Trust Association Short Term STA deposit (brought forward amount of \$34,802.50). You can see that at end of each quarter, gross interest is credited to the account and the balance changes so that at the end of June 2014 the balance is \$36,789.80.

In this case the amounts are all interest income.

To get the balance from \$34,802.50 to \$36,789.80 we need to do journal entries. We need to do four of them. One for each transaction. In Xero (for most users – called a Standard User in Xero) go to Reports > All Reports > Journal Report > Add New Journal.

You need to put in the following:

Field Name	Enter into this field.....	Comments
Narration	Interest earned on MTA Account for 30/9/13	This will need to change for each quarter or each journal you do.
Date	30/9/13	This date will change as it is the date you want the transaction recorded in Xero
Auto Reversing Date (optional)	Tab over	Do not normally need to use
Description	Tab over	Normally this field gets filled up by what you entered in the Narration field above
For each journal entry you need to have two lines. One line will be a debit entry and one is a credit entry. The total of the debit and credit needs to be zero. Normally start with the debit entry.		
In this case the debit entry is going to be into the MTA deposit account as follows:		
Account	6301	This is a short term MTA account number I have in my chart of accounts.
Tax Rate	Tab over	No GST on this type of transaction.
Cost Centre/Tracking Code	Parish	If you use tracking codes/cost centres then put in the correct tracking code. If you do not use tracking codes TAB over it and do not worry.
Debit NZD	\$484.22	
Now the credit entry.		
Account	1410	Interest earned from MTA
Tax Rate	Tab over	No GST on this type of transaction.
Cost Centre/Tracking Code	Parish	If you use tracking codes/cost centres then put in the correct tracking code. If you do not use tracking codes TAB over it and do not worry.
Credit NZD	\$484.22	

That should now complete the transaction. The journal balances that is debits equal credits. You can post the entry and you will see your MTA income in 1410 will increase and also the amount in your MTA deposit account will also increase.

Why do I suggest this? Firstly it leaves a nice audit trail to follow and secondly it allows you to code it as a transaction on your main Xero bank transaction screen rather than as a journal.

So, let us assume that on 3 July 2013, we ask the Connexional Office to transfer \$10,000 from our 04-001 MTA account to our BNZ account and it appears in Xero. What do we do with it? We can process this transaction like any other transaction that appears in the main reconciliation window in Xero. We need to code the \$10,000 to the balance sheet MTA account. In this case my account code is 6302 and my narration will be something descriptive like "Withdrawal from MTA for general funds use". There is no GST to worry about, we press the OK button and that is it.

Let us say that the \$5,000 withdrawal on the 3/2/14 was done so that we could pay a grant to the Hello There Charity. So, we ask the Connexional Office to transfer the funds into our BNZ bank account. Same coding as above, goes into 6302 and the narration will be something like "transfer funds from MTA 04-001 to be used as a grant to Hello There Charity". Click the OK button, job done. There is, of course the payment TO the Hello There Fund which you will need to do and code it to the Grants Paid account (4560) but that is a separate transaction.

Let us say that the last transaction on 10/3/14 was going into a Rabo Bank Investment Account. It is a new investment and there is no code for it. The investment period is 12 months.

We need to do a manual journal entry for this as we do not have any bank feeds for Rabo Bank or the MTA accounts.

Field Name	Enter into this field.....	Comments
Narration	Withdrawal from MTA account 04-001 into Rabo Bank Deposit for 12 months @ 4.3%	Put a good narration in as it will help others figure out why you did the transaction if you are around.
Date	10/3/14	This date will change as it is the date you want the transaction recorded in Xero
Auto Reversing Date (optional)	Tab over	Do not normally need to use
Description	Tab over	Normally this field gets filled up by what you entered in the Narration field above
<p>For each journal entry you need to have two lines. One line will be a debit entry and one is a credit entry. The total of the debit and credit needs to be zero. Normally start with the debit entry.</p> <p>In this case the debit entry is going to be to the Rabo Bank Deposit. A debit entry into the balance sheet (as the Rabo Bank deposit is a balance sheet transaction-increase in assets) normally means one of two things, increase in an asset or a decrease in a liability.</p>		
Account	6260	This code is for Term Investments-Bank.
Tax Rate	Tab over	No GST on this type of transaction.
Cost Centre/Tracking Code	Parish	If you use tracking codes/cost centres then put in the correct tracking code. If you do not use tracking codes TAB over it and do not worry.
Debit NZD	\$17,000.00	

Now the credit entry. Because this is a credit to an asset, it will decrease the amount held in that account.		
Account	6302	MTA Deposit Account
Tax Rate	Tab over	No GST on this type of transaction.
Cost Centre/Tracking Code	Parish	If you use tracking codes/cost centres then put in the correct tracking code. If you do not use tracking codes TAB over it and do not worry.
Credit NZD	\$17,000.00	

Once you have completed all of the transactions for 04-001, go back and check the account balances in 6302, 6260 and 1410 to make sure the balances are what you expect them to be. If they are, all good. If not, check the entries again. Your account codes may be different to the ones listed so check the account codes that are appropriate for you.

Let us look at the next MTA account which is 01-001. This MTA account is slightly different to the other MTA accounts in that it a Growth and Income Account. Why is this different? Two reasons. Firstly, the funds are invested for a longer term when compared to the STA accounts and therefore need to be classified under Investments. Secondly, at the end of the financial year MTA made an "accretion" or "decretion" distribution.

The starting balance in the account 01-001 is \$27,164.70 and the ending balance is \$27,669.34. You will note that the statement date has been run FROM 1 July 2013 TO 1 July 2014. The reason why the statement is run to 1 July is that the MTA system dates the accretion/decretion amount on the 1 July BUT the value of the transaction relates to the previous financial year that is the year ended 30 June. This is a system feature that we cannot change.

So for the transaction dated 1 July 2013 (\$504.64), this should have been accrued into the financial accounts for 30 June 2013 as it is income earned in that financial year. This transaction can be treated as any other interest earned on your MTA Deposit but with a different narration and date it the last day of the previous financial year rather the beginning of the new financial year. See below:

Field Name	Enter into this field.....	Comments
Narration	Capital Accretion relates to 30/6/2013 as per MTA statement received.	Tells the user what the transaction is about.
Date	30/6/2013	
Auto Reversing Date (optional)	Tab over	Do not normally need to use
Description	Tab over	Normally this field gets filled up by what you entered in the Narration field above
For each journal entry you need to have two lines. One line will be a debit entry and one is a credit entry. The total of the debit and credit needs to be zero. Normally start with the debit entry.		
In this case the debit entry is going to be into the MTA deposit account as follows:		
Account	8700	This is a Xero code for MTA Growth and Income account

		that I have set up in my chart of accounts. Your code may be different or you have more than one code.
Tax Rate	Tab over	No GST on this type of transaction.
Cost Centre/Tracking Code	Parish	If you use tracking codes/cost centres then put in the correct tracking code. If you do not use tracking codes TAB over it and do not worry.
Debit NZD	\$504.64	
Now the credit entry.		
Account	1410	Capital accretion 2013 earned from MTA
Tax Rate	Tab over	No GST on this type of transaction.
Cost Centre/Tracking Code	Parish	If you use tracking codes/cost centres then put in the correct tracking code. If you do not use tracking codes TAB over it and do not worry.
Credit NZD	\$504.64	

Now for the entries on the statement with a narration of "DISTRIBUTION PAID BY EFT". What does this mean? As the amounts of the GROSS INTEREST and the DISTRIBUTION PAID BY EFT are the same amounts, it means that all of the interest earned on that account have been paid out of the MTA. Normally this would mean that the amounts shown on the statement would appear in one of your bank accounts that required to be reconciled. In these situations, all that you would need to do is code them to 1410 (MTA Interest).

End of Financial Year

Before completing the end of financial year work, you need to ensure that the balances reported on your MTA and CB&L statements match the amounts that appear in Xero and correct them so they balance.

You will need to wait until you receive the statements from the Connexional Office and do an entry for the June interest received and any possible capital accretion or decretion.

TACT ACCOUNTING

SUMMARY POSITION STATEMENT

ACCOUNT NUMBER:
STATEMENT DATE: 30 JUN 14
PAGE: 1 OF 3

HOLDING	NAME OF HOLDING	POOL HELD IN	MATURING	BALANCE
3112				
<u>SUMMARY OF FUNDS HELD</u>				
00-001	GENERAL PURPOSES MIXED POOL			0.00
00-001	GENERAL PURPOSES INCOME & GROWTH A/C			0.00
02-003	METHODIST TRUST ASSOC. SHORT TERM STA		13 SEP 2015	36,789.80
04-001	METHODIST TRUST ASSOC. SHORT TERM STA		22 JAN 2015	57,039.54
01-001	METHODIST TRUST ASS GROWTH & INCOME A/C		16 MAY 2017	27,669.34
TOTAL				<u>121,498.68</u>

TACT ACCOUNTING

TRANSACTION POSITION STATEMENT

ACCOUNT NUMBER:
STATEMENT PERIOD: 01 JUL 13
TO: 30 JUN 14
PAGE: 2 OF 3

HOLDING NAME OF HOLDING	DATE	REFERENCE	TRANSACTION TYPE	DEBIT	CREDIT	BALANCE
3112 GENERAL PURPOSES MIXED POOL 00-001	30/09/13	CMFRE	DEPOSIT	8,803.32	8,803.32	8,803.32
	30/09/13	GPTDIST	WITHDRAWAL			0.00
	31/12/13	CMFRE	DEPOSIT	7,370.83	7,370.83	7,370.83
	31/12/13	GPTDIST	WITHDRAWAL			0.00
	31/03/14	CMFRE	DEPOSIT	7,494.76	7,494.76	7,494.76
	31/03/14	GPTDIST	WITHDRAWAL			0.00
	30/06/14	CMFRE	DEPOSIT	8,924.85	8,924.85	8,924.85
	30/06/14	GPT	WITHDRAWAL			0.00
GENERAL PURPOSES INCOME & GROWTH A/C 00-001	30/09/13	CMFRE	DEPOSIT	560.38	560.38	560.38
	30/09/13	GPTDIST	WITHDRAWAL			0.00
	31/12/13	CMFRE	DEPOSIT	470.40	470.40	470.40
	31/12/13	GPTDIST	WITHDRAWAL			0.00
	31/03/14	CMFRE	DEPOSIT	480.18	480.18	480.18
	31/03/14	GPTDIST	WITHDRAWAL			0.00
	30/06/14	CMFRE	DEPOSIT	572.40	572.40	572.40
	30/06/14	GPT	WITHDRAWAL			0.00
METHODIST TRUST ASSOC. SHORT TERM ST ^A 02-003	31/01/13		BALANCE BROUGHT FORWARD			34,802.50
	30/09/13		GROSS INTEREST	484.22	484.22	35,286.72
	31/12/13		GROSS INTEREST	490.95	490.95	35,777.67
	31/03/14		GROSS INTEREST	498.43	498.43	36,276.10
	30/06/14		GROSS INTEREST	513.70	513.70	36,789.80

IF YOU DO NOT AGREE WITH THE BALANCES DETAILED ON THIS STATEMENT, PLEASE CONTACT US AT THE ADDRESS ABOVE.

TACT ACCOUNTING

TRANSACTION POSITION STATEMENT

ACCOUNT NUMBER:
 STATEMENT PERIOD: 01 JUL 13
 TO: 30 JUN 14
 PAGE: 3 OF 3

HOLDING NAME OF HOLDING	DATE	REFERENCE	TRANSACTION TYPE	DEBIT	CREDIT	BALANCE
3112 METHODIST TRUST ASSOC. SHORT TERM STA 04-001	01/07/13		BALANCE BROUGHT FORWARD			85,154.81
	03/07/13	MTA	WITHDRAWAL	10,000.00		75,154.81
	30/09/13		GROSS INTEREST		1,050.19	76,205.00
	31/12/13		GROSS INTEREST		1,060.27	77,265.27
	03/02/14	MTA	WITHDRAWAL	5,000.00		72,265.27
	10/03/14	MTA	WITHDRAWAL	17,000.00		55,265.27
	31/03/14		GROSS INTEREST		977.81	56,243.08
	30/06/14		GROSS INTEREST		796.46	57,039.54
METHODIST TRUST ASS GROWTH & INCOME A/C 01-001	01/07/13		BALANCE BROUGHT FORWARD			27,164.70
	01/07/13		CAPITAL ACCRETION		504.64	27,669.34
	30/09/13		GROSS INTEREST		338.87	28,008.21
	30/09/13		DISTRIBUTION PAID BY EFT	338.87		27,669.34
	31/12/13		GROSS INTEREST		283.84	27,953.18
	31/12/13		DISTRIBUTION PAID BY EFT	283.84		27,669.34
	31/03/14		GROSS INTEREST		288.59	27,957.93
	31/03/14		DISTRIBUTION PAID BY EFT	288.59		27,669.34
	30/06/14		GROSS INTEREST		343.53	28,012.87
	30/06/14		DISTRIBUTION PAID BY EFT	343.53		27,669.34

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