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Uniform system of accounts for multi-family and group housing projects insured under the National Housing Act, June 13, 1955

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UNIFORM SYSTEM OF ACCOUNTS

FOR

MULTI-FAMILY AND GROUP HOUSING PROJECTS

INSURED UNDER THE
NATIONAL HOUSING ACT



June 13, 1955

FEDERAL HOUSING ADMINISTRATION
WASHINGTON, D. C.

OUTLINE

- I. Introduction
- II. Outline of Accounts
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- IV. Financial Statements:
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 - B. Statement of Profit and Loss
 - C. Statement of Surplus

UNIFORM SYSTEM OF ACCOUNTS

FOR

LARGE SCALE HOUSING PROJECTS

I. INTRODUCTION

This Uniform System of Accounts is prescribed for the large scale housing projects on which the Federal Housing Administration has insured the indebtedness. While this system of accounts is required of certain housing projects insured under the National Housing Act, it is offered as an accounting system for use by all apartment owners and operators to gain uniformity in account classification. The use of standard accounts with a uniform method of breaking down expenses is necessary if comparable figures relating to the operating experience of apartment houses are to be obtained. The Federal Housing Administration supplies this manual to aid the management and employees in the use of the system.

An outline of accounts is shown in Section II. These accounts are explained and illustrative examples of entries to be recorded in them are given in Section III. The persons responsible for the record keeping should be thoroughly familiar with these explanations. Care must be taken to classify the various items according to instructions. Undoubtedly many transactions will arise which cannot be classified properly under the account headings which have been provided. In such a situation the necessary accounts should be set up in the ledger and numbers which are appropriate assigned to them. The expansion of account numbers to include unclassified transactions is illustrated in the accompanying examples.

Service Incomes and Service Expenses are groups in which the specific accounts should be named and specific account numbers assigned. In certain cases more detailed information may be desirable concerning accounts with code numbers already assigned. In such cases accounts should be established for the breakdown of the major account, or part thereof, which seems desirable. Miscellaneous groupings have been provided for treating those transactions which cannot be recorded properly under any of the established groups.

It will be noted that payroll accounts are shown under each operating function. It is not intended that the payrolls be prorated so as to give effect to the various duties performed by any one employee but rather that the payroll be charged to an account describing the principal duty performed. For example, if an employee after performing the regular janitorial duties mows the lawns, makes minor repairs, or cleans apartments, his wages are charged to Janitor Payroll (6430). Although this method of recording the payroll does not give as true a picture of the detail of the operating and maintenance expenses as would the proration of the payroll on an estimated basis, it does simplify the work of keeping the books and is sufficiently accurate for management purposes and comparative studies.

Some explanation of the method of numbering the accounts is necessary. Numbers ending in three zeros designate types of accounts. In no case will such numbers be assigned to specific ledger accounts. The types of accounts coded in this way are assets, liabilities, net worth accounts, valuation accounts, income and expenses.

Numbers ending in two zeros are used to designate groups of accounts within each type and will not be assigned to specific ledger accounts.

Numbers ending in one zero, or a figure other than a zero, are assigned to specific ledger accounts and will receive the actual debits and credits. They are the accounts which make up the group mentioned above. Unless there is some specific reason for such action the breakdown need not go beyond this point.

In summary the method may be shown in the following manner: the "X" in each case represents a whole number:

X000	Type of accounts
XX00	Group of accounts
XXX0	Ledger accounts
XXXX	

The cash account may be used to illustrate the plan. As an example of the method it may be shown in the following manner:

1000	Asset accounts - the type of account
1100	Current assets - the group of accounts
1120	Cash in bank - the ledger account

The system is designed to provide for complete records to be kept on either a cash or an accrual basis. However, when the books are kept on the cash basis the financial statements should reflect, and in the case of projects insured by this Administration must reflect, the financial condition and financial progress on the accrual basis. For interim statements prepared during the fiscal year the adjustments can be made as work sheet entries, but at the close of the fiscal year when the annual statements are prepared the adjustments should be recorded in the ledger accounts.

The conditions under which the FHA agrees to insure mortgages covering multifamily housing projects include the requirement that mortgagors must maintain complete and accurate books of account. This necessarily means that the books of original entry must be kept current at all times and that frequent postings must be made to the ledger accounts. It is recommended that such postings be made monthly.

This introduction would be incomplete without calling attention to the widespread use for which this system has been designed. It is probable that no one project will have use for all of the accounts but all accounts that are used should be in the group and order shown in Outline of Accounts. This will permit the comparison of operating and maintenance expenses between all projects when the expenses have been reduced to a common denominator. If accounts for which no provision has been made are needed for recording certain transactions these accounts should be set up and classified in accordance with accepted accounting principles.

FEDERAL HOUSING ADMINISTRATION
UNIFORM SYSTEM OF ACCOUNTS

II. OUTLINE OF ACCOUNTS

- 1000 Asset Accounts:
- 1100 Current Assets:
 - 1110 Cash in Office.
 - 1120 Cash in Bank.
 - 1130 Tenants' Accounts Receivable.
 - 1140 Other Accounts Receivable.
 - 1150 Notes Receivable.
 - 1160 Accrued Receivables.
 - 1170 Investments (Short Term).
 - 1180 Mortgagee Escrow Deposits.
 - 1190 Miscellaneous Current Assets.
 - 1200 Prepaid Expenses:
 - 1210 Fuel Inventory.
 - 1220 Gasoline and Oil Inventory.
 - 1230 Supplies Inventory.
 - 1240 Prepaid Hazard Insurance.
 - 1250 Prepaid Mortgage Insurance.
 - 1260 Prepaid Advertising.
 - 1270 Prepaid Taxes.
 - 1290 Miscellaneous Prepaid Expenses.
 - 1300 Funds:
 - 1310 Sinking Fund.
 - 1320 Cash-Reserve for Replacements.
 - 1330 Securities-Reserve for Replacements.
 - 1340 Mortgage Prepayments-Reserve for Replacements.
 - 1350 Cash-General Reserve.
 - 1360 Securities-General Reserve.
 - 1370 Mortgage Prepayments-General Reserve.
 - 1400 Fixed Assets:
 - 1410 Land.
 - 1420 Buildings.
 - 1430 Building Equipment-Fixed.
 - 1440 Building Equipment-Portable.
 - 1450 Furniture.
 - 1460 Furnishings.
 - 1470 Maintenance Equipment.
 - 1480 Motor Vehicles.
 - 1490 Miscellaneous Fixed Assets.
 - 1500 Investments.
 - 1600 Deposits Receivable.
 - 1700 Suspense Accounts.
 - 1800 Organization Expenses.
 - 1900 Other Assets.
- 2000 Liability Accounts:
- 2100 Current Liabilities:
 - 2110 Vouchers Payable.
 - 2120 Accrued Wages Payable.
 - 2130 Accrued Interest Payable.
 - 2140 Dividends Payable.
 - 2150 Accrued Taxes.
 - 2160 Notes Payable (Short Term).
 - 2190 Miscellaneous Current Liabilities.
 - 2200 Prepaid Incomes:
 - 2210 Prepaid Rent.
 - 2220 Prepaid Interest Income.
 - 2230 Deposits Held.
 - 2290 Miscellaneous Prepaid Incomes.
 - 2300 Fixed Liabilities:
 - 2310 Notes Payable (Long Term).
 - 2320 Mortgages Payable.
 - 2330 Bonds Payable.
 - 2390 Miscellaneous Fixed Liabilities.
 - 2900 Other Liabilities.
- 3000 Net Worth Accounts:
- 3100 Capital Stock:
 - 3110 Preferred Stock.
 - 3120 Common Stock.
 - 3200 Surplus:
 - 3210 Earned Surplus.
 - 3220 Reserve for Replacements.
 - 3230 Reserve for General Purposes.
 - 3240 Capital Surplus.
 - 3250 Profit and Loss.
- 4000 Valuation Accounts:
- 4100 Depreciation Reserves:
 - 4120 Buildings.
 - 4130 Building Equipment-Fixed.
 - 4140 Building Equipment-Portable.
 - 4150 Furniture.
 - 4160 Furnishings.
 - 4170 Maintenance Equipment.
 - 4180 Motor Vehicles.
 - 4190 Miscellaneous.
 - 4210 Reserve for Doubtful Accounts.
 - 4310 Notes Receivable Discounted.

5000 Income Accounts:

5100 Rent Incomes (Gross):

- 5110 Houses.
- 5120 Apartments.
- 5130 Furniture.
- 5140 Stores.
- 5150 Offices.
- 5160 Basement.
- 5170 Garage.
- 5190 Miscellaneous.

5200 Vacancies:

- 5210 Houses.
- 5220 Apartments.
- 5230 Furniture.
- 5240 Stores.
- 5250 Offices.
- 5260 Basement.
- 5270 Garage.
- 5290 Miscellaneous.

5300 Service Incomes:

- 5310 (Type I).
- 5320 (Type II).

5400 Financial Incomes.

- 5410 Interest Income.
- 5420 Income from Investments.
- 5430 Income from Sinking Fund.
- 5440 Discounts Earned.
- 5490 Miscellaneous Financial Income.

5900 Other Incomes:

- 5910 (Type I).
- 5920 (Type II).

6000 Project Expense Accounts:

6100 Expense Clearance Accounts.

6200 Renting Expenses.

- 6210 Advertising.
- 6220 Commissions.
- 6230 Concessions to Tenants.
- 6240 Alterations.
- 6290 Miscellaneous Renting Expenses.

6300 Administrative Expenses:

- 6310 Office Salaries.
- 6311 Office Expenses.
- 6312 Office Rent.
- 6320 Management Fee.
- 6330 Managers' or Superintendents' Salaries.
- 6340 Legal (Project).
- 6350 Auditing.
- 6360 Telephone and Telegraph.
- 6370 Bad Debts.
- 6390 Miscellaneous Administrative Expenses.

6000 Project Expense Accounts - Continued.

6400 Operating Expenses:

- 6410 Elevator Payroll.
- 6411 Elevator Power.
- 6420 Fuel.
- 6421 Engineers' Payroll.
- 6430 Janitors' Payroll.
- 6431 Janitors' Supplies.
- 6440 Bus Operators' Payroll.
- 6441 Gasoline, Oil and Grease.
- 6450 Electricity.
- 6451 Water.
- 6452 Gas.
- 6460 Exterminating Payroll.
- 6461 Exterminating Supplies.
- 6462 Exterminating Contract.
- 6470 Garbage and Rubbish Removal.
- 6490 Miscellaneous Operating Expenses.

6500 Maintenance Expenses:

- 6510 Protection Payroll.
- 6511 Protection Fee.
- 6520 Grounds Payroll.
- 6521 Grounds Supplies and Replacements.
- 6522 Grounds Contract.
- 6530 Cleaning Payroll.
- 6540 Repairs Payroll.
- 6541 Repairs Material.
- 6542 Repairs Contract.
- 6550 Elevator Maintenance.
- 6560 Decorating Payroll.
- 6561 Decorating Supplies.
- 6562 Decorating Contract.
- 6570 Motor Vehicle Repairs.
- 6580 Maintenance Equipment Repairs.
- 6590 Miscellaneous Maintenance Expenses.

6600 Depreciation:

- 6620 Buildings.
- 6630 Building Equipment - Fixed.
- 6640 Building Equipment - Portable.
- 6650 Furniture.
- 6660 Furnishings.
- 6670 Maintenance Equipment.
- 6680 Motor Vehicles.
- 6690 Miscellaneous.

6700 Taxes and Insurance:

- 6710 Taxes.
- 6720 Insurance.

6800 Financial Expenses:

- 6810 Interest on Bonds Payable.
- 6820 Interest on Mortgage Payable.
- 6830 Interest on Notes Payable(Long Term).
- 6840 Interest on Notes Payable(Short Term).

6000 Project Expense Accounts - Continued.

6800 Financial Expenses - Continued:

6850 Insurance on Mortgage.

6890 Miscellaneous.

6900 Service Expenses.

6910 (Type I).

6920 (Type II).

7100 Corporate Expense Accounts:

7110 Officers' Salaries.

7120 Legal Expenses (Corporate).

7130 Federal Income Tax.

7131 State Income Tax.

7132 Other Corporate Taxes.

7190 Other Corporate Expenses.

III. EXPLANATION OF ACCOUNTS

1110. Cash in Office.

This account should be kept on the imprest fund basis. Some fixed amount such as \$100, \$200, or any amount which will be adequate, should be set up as a fund for office use. As cash is used receipts for the amount withdrawn should be deposited in the cash drawer. When the cash is reduced to the point where it is necessary to reimburse the fund, a check will be drawn charging the various expense accounts for which expenditures have been made. As a result the Cash in Office account will remain at a fixed amount. No debits will be made to the account unless it becomes necessary to increase the fund. No credits will be made to it unless it seems desirable to reduce the fund. At any time the total of the cash in the drawer plus the receipts for bills paid will be equal to the amount of the fund which has been set up.

1120. Cash in Bank.

This account will receive debits from the total of the Cash Receipts Record as all cash received should be deposited intact in the bank to the account of the corporation. Credits to the account come from the total of the Cash Disbursements Record as the total of checks which have been written. Therefore, the account will receive one debit and one credit each time the cash books are summarized. No other postings will be made to the account. This will provide a cancelled check for each disbursement which has been made. If more than one bank account is used, this account should be replaced with accounts 1121 and 1122 or as many as are needed.

1130. Tenant Accounts Receivable.

This is a controlling account which is supported by a subsidiary Tenant Accounts Receivable ledger. At the end of each month the rent roll should provide a total which will be recorded by journal entry as a debit to this account and credits to the proper rent income accounts. The credit to the account will come from the Cash Receipts Record when the rent is paid in cash and from journal entires which record concessions to tenants, payments in services rendered, and like items when they have been charged to the tenant. The balance of the account will represent the total of rents not collected. The sum of the balances of the accounts in the Tenant Accounts Receivable ledger will be equal to the balance of the controlling account.

1140. Other Accounts Receivable.

This account will be charged for all receivables other than rents receivable and accrued incomes. It is a controlling account and will be supported by a subsidiary ledger listing the detailed accounts covered by the controlling account. If there is any reason to record the receivables in more detail, this account may be replaced with accounts numbered 1141, 1142, etc.

1210. Reserve for Doubtful Accounts.

Accounts in this series are to be used to withhold from profits an amount which is estimated to be necessary to cover any losses from failure to collect receivables. On the balance sheet the balance of the account will be deducted from the total of Tenant Accounts Receivable and Other Accounts Receivable.

The credit to the account is developed from a journal entry made at the end of the accounting period which results in a debit to Bad Debts and a credit to this Reserve for Doubtful Accounts. After all attempts to collect the account have failed, it will be necessary to write off the balance to this reserve. This is accomplished by a journal entry which debits the reserve and credits the appropriate account, either Tenant Accounts Receivable or Other Accounts Receivable. At the same time it will be necessary to credit the individual account in the appropriate subsidiary ledger.

1150. Notes Receivable.

All notes receivable will be charged to this account as they are acquired. The balance of the account should represent the total current notes receivable held by the company plus the notes it has transferred to others and which have not been paid. Credits to the account will come from a journal entry debiting Notes Receivable Discounted when a note that has been transferred to another is paid, thus releasing the company from the contingent liability thereon. When payment is received by the company, credits to the Notes Receivable account will come from the Cash Receipts Record.

4310. Notes Receivable Discounted.

Accounts in this series represent the contingent liability of the company on notes which it has transferred to others. The credits to these accounts will come from entries in the Cash Receipts Record. Debits to the accounts come from journal entries which result in corresponding credits to Notes Receivable recorded at the date of payment of the notes on which the company has become liable in a contingent way.

1160. Accrued Receivables.

Any accrued income, other than rent income, shall be shown in this account. The entry recording amounts in this account will consist of a debit to Accrued Receivables and a credit to the necessary income account. This accomplishes two things: it adjusts the income accounts for the income earned but not yet received and, at the same time, sets up the asset account for inclusion in the balance sheet. After the statements have been prepared and the books closed, it will be necessary to set up a readjusting entry to reverse the adjusting entry which has been made. This puts the accounts in position to be left correct when the income is received and is accounted for in the usual way. Accounts 1161, 1162, etc., may be substituted if detailed information is necessary.

1170. Investments, Short Term.

Any short term investment which the company makes other than those in the "Funds" should be debited to this account. If the company has more than one type of short term investment each type should be recorded separately in accounts numbered from 1171 to 1179. Credits to these accounts will be made when the organization disposes of any of these investments.

1180. Mortgagee Escrow Deposits.

This account will be charged with the periodic deposits made with the

mortgagee in anticipation of the payment of the next mortgage insurance premium, taxes and hazard insurance premium. The credits to this account will come from general journal entries recording disbursements made by the mortgagee. (Note: Any deposits with the mortgagee of funds for replacements are to be carried in account 1320.)

1190. Miscellaneous Current Assets.

When there are current assets for which no provision has been made above, they may be recorded in this account. However, if it becomes necessary this account may be broken down into specific current asset accounts. If this is done, numbers in the 1190 group should be used.

1210. Fuel Inventory.

The value of the fuel on hand at the close of the fiscal year will be recorded in this account by debiting Fuel Inventory and crediting Fuel (6420). At the beginning of the next accounting period this entry should be reversed.

1220. Gasoline and Oil Inventory.

The value of the gasoline and oil to be used in the trucks, tractors, busses, etc., that is on hand at the end of the fiscal year should be charged to this account when account No. 6441 is credited. This entry should be reversed at the beginning of the next accounting period.

1230. Supplies Inventory.

The value of the supplies on hand at the end of the accounting period will be transferred to this account. This amount should be shown as a prepaid expense when the balance sheet is prepared and returned to the appropriate account at the beginning of the following accounting period.

1240. Prepaid Hazard Insurance.

As insurance is purchased the cost will be charged against this account. At the close of the accounting period an adjusting entry will be made to transfer the cost of the insurance expired to the appropriate expense account.

1250. Prepaid Mortgage Insurance.

At the close of the accounting period that portion of the Mortgage Insurance paid to the Federal Housing Administration which is applicable to the following year should be transferred to this account from account No. 6850, Insurance on Mortgage. At the beginning of the next accounting period this entry should be reversed.

1260. Prepaid Advertising.

This account is set up by an adjusting journal entry at the close of the accounting period which transfers the cost of any unused advertising to it. At the beginning of the following accounting period a readjusting journal entry is necessary to transfer the amount back to the Advertising Expense account.

1270. Prepaid Taxes.

This account will record the amount of taxes paid in advance at the close of the accounting period. An adjusting entry will transfer the amount

which has been paid for future periods from the Taxes account to this account. At the beginning of the next accounting period the amount should be returned to the Taxes account by a readjusting journal entry.

1290. Miscellaneous Prepaid Expenses.

Against this account will be charged the cost of those items which are to be prorated over future periods and which have not been provided for in the other prepaid expense accounts. As the charges are absorbed they will be transferred by journal entry to the proper expense accounts.

1310. Sinking Fund.

In cases where the financing is obtained from a bond issue rather than a mortgage the payments to the trustee for the retirement of the bonds is debited to this account. The credits to this account will be made from journal entries reflecting the retirement of the bonds.

Note: The accounts numbered 1320 through 1370 each have the word "reserve" in their titles. From the accountants' point of view these accounts are funds and not reserves. However, since the legal instruments requiring these funds to be set aside by all projects insured under the National Housing Act often refer to them as reserves, this same title has been used here.

1320. Cash - Reserve for Replacements.

The cash required by the certificate of incorporation to be set aside for replacements, either by deposit in a special bank account or by deposit with the mortgagee, will be recorded in this account. Also, debits will be made to this account to record cash received from the sale of any securities previously purchased from the fund. Credits will arise from disbursements for replacements, to purchase securities (1330) and for investment in prepayments to the mortgage (1340).

1330. Securities - Reserve for Replacements.

The cost of securities purchased from cash in the replacement fund (1320) will be charged to this account. This account will be credited when securities are sold. The amount credited to this account should be the same as the amount debited to the account when the securities were purchased. Any increment earned should be credited to Miscellaneous Financial Income (5490).

1340. Mortgage Prepayments - Reserve for Replacements.

The debits to this account will be made from journal entries recording the investment of Cash - Reserve for Replacements (1320) in prepayments on the insured mortgage. The credits will be made to record the application of the prepaid amount to the regular amortization payment whenever a regular payment is not made and the funds that would have been used to make the regular payment are used to pay for replacements.

1350. Cash - General Reserve.

The cash required by the certificate of incorporation to be set aside for general purposes will be recorded in this account. Also, debits will be made

in this account to record the cash received from the sale of securities purchased from this fund. The credits to this account will arise from disbursements for debt service and other accounts paid from the fund, to purchase securities for the fund (1360) and for the investment of the fund in prepayments to the insured mortgage (1370). The balance of this account will represent the cash on deposit in the special bank account titled General Reserve.

1360. Securities - General Reserve.

The cost of securities purchased from cash in the general fund (1350) will be charged to this account. This account will be credited when securities are sold. The amount credited to this account should be the same as the amount debited to the account when the securities were purchased and any increment earned should be credited to Miscellaneous Financial Income (5490).

1370. Mortgage Prepayments - General Reserve.

The debits to this account will be made from journal entries recording the investment of Cash - General Reserve (1350) in prepayments on the insured mortgage. The credits will be made to record the application of the prepaid amount to the regular amortization payment when no other funds are available for that purpose.

1410. Land.

The purchase price of the land plus the cost of improvements to the land will be charged to this account. Costs of excavating for basements and such expenses applicable to the buildings should not be included. The balance of the account will represent the total outlay which has been necessary to obtain the land and to make the improvements to it. In some instances it may be desirable to charge depreciation on certain land improvements. In these instances the depreciable land improvements should be charged to a separate account which may be numbered 1411. This will also require setting up an additional account in both the depreciation reserves and depreciation expenses. These additional accounts may be assigned the numbers 4110 and 6610, respectively.

1420. Buildings.

The total cost of the buildings, exclusive of equipment, furniture and furnishings, will be charged to this account. When improvements are made that better the building they should also be charged to the Buildings account. Credits will be made to this account if any buildings are disposed of. The balance will represent the original cost of the buildings and betterments in use.

4120. Reserve for Depreciation - Buildings.

As depreciation is charged on the building by an adjusting journal entry at the end of the accounting period the offsetting credit will be to this account. If any building is disposed of, the depreciation which has been written on it will be removed from this reserve account. The balance of the account represents the depreciation which has been written on the building, or buildings, in use.

1430. Building Equipment - Fixed.

The cost of the heating and ventilating system, the elevators and similar items of fixed equipment will be charged against this account. This will permit the computation of depreciation on this equipment exclusive of the structure itself. The balance will represent the cost installed of the fixed equipment in use.

4130. Reserve for Depreciation - Building Equipment - Fixed.

As depreciation is incurred on fixed equipment, an adjusting journal entry should be made to record it as charges to the expense account and a credit to this reserve. When such equipment is discarded the accumulated depreciation on it should be removed from the reserve account. The balance of the account will represent the depreciation which has been written on the fixed equipment in use.

1440. Building Equipment - Portable.

The cost of such equipment purchased, transportation charges thereon, and the cost of installation will be charged to this account. This will include stoves, refrigerators, and like equipment. Placing such items in a separate asset account will permit the writing of depreciation on this type of equipment separately. As equipment is withdrawn from use, its cost should be withdrawn from the account. The balance will represent the total cost of the portable equipment in use.

4140. Reserve for Depreciation - Building Equipment - Portable.

An adjusting entry will charge depreciation on portable equipment with a corresponding credit to this reserve. As such equipment is withdrawn from use, the accumulated depreciation applicable to it should be taken from the reserve account. The balance of the account will represent the depreciation which has been written on the portable equipment in use.

1450. Furniture.

The net cost of all equipment and furniture purchased by the project for use in the project office, lobbies, halls, lawns and sundecks, plus the freight and drayage on the furniture, should be charged to this account. If furniture is purchased from project funds for the purpose of renting it to tenants the cost of such rental furniture should be charged to a separate account numbered 1451 and shown separately on the Balance Sheet. Credits will arise when furniture is disposed of in any fashion.

4150. Reserve for Depreciation - Furniture.

This reserve account will be credited for the depreciation charged on the furniture purchased for project use. The depreciation charged on furniture purchased for rental to tenants should be credited to a separate account numbered 4151 and shown separately on the Balance Sheet. Debits will arise when furniture is disposed of and the depreciation is withdrawn from the account.

1460. Furnishings.

If the cost of the furnishings (window shades, venetian blinds, shower curtains, hall carpets, etc.) is not charged to the cost of the building it

should be recorded in this account. Credits to the account should be made when furnishings are withdrawn from use. The balance of the account will represent the cost of the furnishings in use.

4160. Reserve for Depreciation - Furnishings.

As depreciation is written on furnishings the reserve will receive corresponding credits. With the withdrawal of furnishings from use the depreciation applicable to it should be withdrawn from the reserve account. The balance will represent the accumulated depreciation on furnishings in use.

4170. Maintenance Equipment.

The cost of the maintenance equipment plus the transportation charges thereon should be charged to this account. This will include vacuum cleaners, floor waxers and polishers, all janitor's tools, and like equipment. As such equipment is withdrawn from use the cost allocated to it will be taken from the account. The balance will represent the cost of the equipment in use.

4170. Reserve for Depreciation - Maintenance Equipment.

As depreciation is written on equipment of this kind the reserve will receive corresponding credits. With the withdrawal of such equipment from use the depreciation applicable to it should be withdrawn from the reserve account. The balance will represent the accumulated depreciation on the equipment in use.

4180. Motor Vehicles.

The cost of busses, trucks, passenger cars, etc., will be recorded in this account. Each class of this equipment will be shown separately and given an account number in the 4180 group. Equipment withdrawn from use will be credited to this account and the balance will represent the cost of this equipment in use.

4180. Reserve for Depreciation - Motor Vehicles.

As depreciation is written on equipment of this kind the reserve will receive corresponding credits. With the withdrawal of such equipment from use the depreciation applicable to it should be withdrawn from the reserve account. The balance will represent the accumulated depreciation on the equipment in use.

4190. Miscellaneous Fixed Assets.

When there are fixed assets for which no provision has been made above, they may be recorded in this account. However, if it becomes necessary, this account may be broken down into specific fixed asset accounts. If this is done numbers in the 4190 group should be used.

4190. Reserve for Depreciation - Miscellaneous Fixed Assets.

As depreciation is written on assets for which no account has been provided, this reserve may receive corresponding credits. Accounts in the 4190 series should be set up to correspond with the accounts set up in the 4190 series. With the withdrawal of such assets from use, the depreciation applicable to them should be withdrawn from the reserve account. The balance will represent the accumulated depreciation on such assets.

1500. Investments.

Any long term investments which the company makes other than those in the "Funds" should be charged against accounts in the 1500 series. Credits to these accounts will be made when the organization disposes of any such investments.

1600. Deposits Receivable.

Accounts in the 1600 series should be charged for all deposits which are made by the company. Examples are deposits to utility companies such as those for power, gas, telephone and water. When any collection of deposits occurs these accounts will be credited. The balances of the accounts will represent recoverable deposits.

1700. Suspense Accounts.

Accounts in the 1700 series should be charged for those temporarily unadjusted items such as bad checks. As the item is cleared the amount will be removed from the account. Any balance in the account is a balance sheet item. These accounts should not be used except for these temporary items.

1800. Organization Expenses.

When the owner of the housing project is a corporation the cost of organizing the corporation should be charged to this account. Credits to this account will come from general journal entries amortizing the original cost.

1900. Other Assets.

When the organization acquires assets for which no provision has been made above, an account should be set up to record the item properly. This account will be assigned a number in the 1900 group. It should be given a descriptive name.

2110. Vouchers Payable.

This account will be credited for the total of the bills vouchered. Debits to the account will come from the Cash Disbursements Record. The balance of the account represents the total bills which have not been paid. This is a controlling account and should be supported by the file of unpaid vouchers, or an accounts payable ledger. At any time when posting has been completed the total of the vouchers in the unpaid voucher file or the total of the accounts payable ledger will agree with the balance of this controlling account.

2120. Accrued Wages Payable.

At the close of an accounting period it may be necessary to make a journal entry to record the accrued payroll as of that date. The total amount so accrued should be credited to this account and charged to the appropriate expense accounts. When a balance sheet is prepared this balance will appear as a current liability. At the beginning of the following accounting period this entry should be reversed.

2130. Accrued Interest Payable.

At the end of the accounting period an adjusting entry will be made charging the appropriate interest account for interest to the end of the period on all outstanding interest-bearing obligations with a corresponding

credit for the total to Accrued Interest Payable. At the beginning of the next accounting period a readjusting journal entry will be made to return the accrued interest to the various expense accounts against which it should be charged when paid. If there is a need for breaking down the account it may be replaced by accounts 2131, 2132, etc.

2140. Dividends Payable.

When the Board of Directors of the corporation declares a dividend, a journal entry should be made charging Surplus and crediting the Dividends Payable account. When the dividend is paid, this account will be debited and a corresponding credit will be made to the account necessary to record the means of payment. Any balance in the account will represent dividends which have been declared but have not been paid.

2150. Accrued Taxes.

Adjusting entries should be made at the end of the accounting period to charge the estimated taxes to the proper account and to credit this account. The balance in this account will represent the proportionate part of the taxes which have accrued but are not due. At the beginning of the next accounting period the entry setting up this account should be reversed. If necessary, the account may be replaced by 2151, 2152, and 2153.

2160. Notes Payable (Short Term).

As liabilities are incurred in the form of notes of less than one year, signed by the company, credits will be made to this account. In general, these entries will come from two sources. When loans are secured by the means of notes payable, the credit to the account will come from the Cash Receipts Record. In case other payables are cancelled by the substitution of a note payable the posting to the account will come from a journal entry.

2190. Miscellaneous Current Liabilities.

When there are current liabilities for which no provision has been made above they may be recorded in this account. However, if it becomes necessary this account may be broken down into specific current liability accounts. If this is done numbers in the 2190 group should be used.

2210. Prepaid Rent.

At the close of the accounting period an adjusting entry should be made to transfer the rent which has been paid in advance from the tenants' accounts to this account. At the beginning of the next accounting period a readjusting entry will be made to return the balance to the account from which it was removed. Accounts 2211 - 2219 may be substituted if detailed information is necessary.

2220. Prepaid Interest Income.

At the close of the accounting period all interest income that has been received but not earned should be credited to this account. At the beginning of the next accounting period this amount will be returned to the account from which it was transferred.

2230. Deposits Held.

The purpose of this account is to record the amount of rent deposits which the company receives. Any additional deposits required by the Management

should be recorded in this account. As service is given for the amount of the deposit this amount should be transferred to the proper tenants' account. In case deposits are forfeited their amount should be transferred from this account to an account set up under Other Income (5900).

2290. Miscellaneous Prepaid Incomes.

When prepaid incomes arise for which no provision has been made, specific accounts should be set up to record them properly. When this is done account numbers in the 2290 series should be used.

2310. Notes Payable (Long Term).

The purpose of this account is to record the notes payable obligations of the company which do not mature within one year from the date of the balance sheet. It will receive credits when such notes are issued and debits when the notes are paid.

2320. Mortgages Payable.

When a mortgage is put on the property there should be a credit to the Mortgages Payable account. When the regular amortization payments are made on the principal of the mortgage, the Mortgages Payable account will be charged for the amount paid. No interest transactions or payments other than the regular payments required by the credit instrument will be recorded in this account. The balance of the account will represent the unpaid balance after application of regular amortization, as any prepayments will be recorded in accounts set up for that purpose.

2330. Bonds Payable.

If the plan of capitalization includes a bond issue the bonds will be recorded as a credit to this account at the par value. Debits to the account should be made to show the payment and cancellation of bonds. Interest, premium, and discount entries will not be made in this account. The balance of the account must represent the par value of the bonds outstanding.

2390. Miscellaneous Fixed Liabilities.

If the company assumes any obligations which mature more than one year after date and for which no provision has been made above, they may be recorded in this account. If necessary, the account will be broken down into specific liability accounts to record items of importance. When this is done, account numbers in the 2390 series should be used.

2900. Other Liabilities.

When no provision for a specific liability has been made above it may be recorded in this account. If necessary, this account will be broken down to suit the needs of the project. When this is done account numbers in the 2900 series should be used.

3110. Capital Stock - Preferred.

A credit will be made to this account for the par value of any Preferred Stock of the par value type which has been issued. If No-Par Preferred Stock is issued a credit will be made to this account for the value allocated to the stock. Debits to the account will arise when the stock is cancelled. The balance in this account will represent the Preferred Stock which has been issued and is outstanding.

3120. Capital Stock - Common.

This account will record transactions in Common Stock in the same way that the above discussion indicates for the recording of transactions in preference stock. If more than one class of Common Stock is issued an account for each class should be set up and numbers 3121 to 3129 assigned to the accounts.

3210. Earned Surplus.

Credits to the Earned Surplus account will come from journal entries transferring a profit from the Profit and Loss account, adjusting prior earnings for income not recorded during the period in which it was earned and adjustments in surplus reserves. Debits will arise from transferring a loss from Profit and Loss, the declaration of dividends, adjusting prior earnings for expenses not recorded during a prior period to which they apply and allocations of surplus to reserves.

3220. Reserve for Replacements.

When it is desirable to segregate that part of the Surplus represented by the cash deposited in the Reserve for Replacements Fund this account will be credited. Debits will be made when Earned Surplus is credited for amounts disbursed from the Reserve Fund.

3230. Reserve for General Purposes.

This account will record transactions in the General Reserve in the same way that the discussion indicates for the recording of transactions in the Reserve for Replacements.

3240. Capital Surplus.

Specific accounts should be set up to record the different types of capital surplus included in the Net Worth of the Company.

3250. Profit and Loss.

All expenses and all incomes should be transferred to this account at the time the books are closed. The balance of the account will be transferred to Earned Surplus.

5110. Rent Income - Houses.

The purpose of this account is to record the gross rental expectancy from houses owned by the company. If no houses are owned the account will not be used. At the end of each month an entry should be made debiting Tenants' Accounts Receivable and Vacancies - Houses and crediting this account with the gross potential income. At the close of the accounting period Vacancies - Houses will be closed to this account. The balance will then represent the rent earned. This balance should be closed to Profit and Loss.

5210. Vacancies - Houses.

The account records the loss through vacancy of houses. It receives a charge when the Rent Income - Houses account is credited for the amount of vacancies. Adjustments will be made to credit this account for any rent income received through services and for concessions when these items have not been charged to the tenant. At the close of the accounting period the balance of the account should be closed to Rent Income - Houses, then the balance of this latter account will show the net rent earned on houses.

5120. Rent Income - Apartments.

This account is designed to record the gross rent income expectancy from apartments. At the end of each month an entry should be made debiting both Tenants' Accounts Receivable and Vacancies - Apartments and crediting this account with the gross potential income. At the close of the accounting period Vacancies - Apartments will be closed to this account. The balance will then represent the rent earned by apartments. This balance will become a credit to Profit and Loss.

5220. Vacancies - Apartments.

The account records the loss through vacancy of apartments. It receives a charge when the Rent Income - Apartments account is credited for the amount of vacancies. Adjustments will be made to credit this account for any rent income received through services and for concessions when these items have not been charged to the tenant. At the close of the accounting period the balance of the account should be closed to Rent Income - Apartments when the balance of the latter account will show the net rent earned on apartments.

5130. Rent Income - Furniture.

When furnished apartments are supplied the gross rent income expectancy from furniture should be recorded in this account with offsetting debits being made to the respective tenants and the Vacancies - Furniture account. With the closing of Vacancies - Furniture to this account at the close of the accounting period the balance will represent rent earned on furniture. The remaining balance will be a credit to Profit and Loss.

5230. Vacancies - Furniture.

This account records the loss through vacancy applicable to furniture. It receives a charge when the Rent Income - Furniture account is credited for the amount of vacancy loss. Adjustments will be made to credit this account for any rent income received through services and for concessions when these items have not been charged to the tenant. At the close of the accounting period the balance of the account should be closed to Rent Income - Furniture when the balance of this latter account will show the net rent earned on furniture.

5140. Rent Income - Stores.

The account records the gross rent income expectancy from stores. Such rent expectancy should be credited to this account with offsetting debits to the tenants and Vacancies - Stores. At the close of the accounting period Vacancies - Stores should be closed to this account when the balance will represent the net rent earned by stores. In turn this balance will be closed to Profit and Loss.

5240. Vacancies - Stores.

This account records the loss through vacancy of stores. It receives a charge when the Rent Income - Stores account is credited for the amount of vacancies. Adjustments will be made to credit this account for any rent income received through services and for concessions when these items have not been charged to the tenant. At the close of the accounting period the balance of the account should be closed to Rent Income - Stores when the balance of this latter account will show the rent earned on stores.

5150. Rent Income - Offices.

This account is designed to record the gross rent income expectancy from offices. As credits are made to the account, offsetting debits will be made to the tenants and to Vacancies - Offices. The balance of Vacancies - Offices will be closed to this account at the end of the accounting period, at which time the balance will represent the rent income earned on offices. This balance will then be transferred to Profit and Loss.

5250. Vacancies - Offices.

This account records the loss through vacancy of offices. It receives a charge when the Rent Income - Offices account is credited for the amount of the vacancies. If services are rendered in payment for office rent and if concessions are made to office tenants, adjustments will be made to this account when the amounts have not been charged to the tenant. At the close of the accounting period the balance of the account should be closed to Rent - Income - Offices when the balance of the latter account will show the net rent earned on offices.

5160. Rent Income - Basement.

The purpose of this account is to record the gross rent income expectancy from the basement. As credits are made to the account, offsetting debits should be made to the tenants and to Vacancies - Basement. The balance of Vacancies - Basement should be closed to this account at the end of the accounting period at which time the balance will represent the rent income earned on basement space. This balance will be transferred to Profit and Loss.

5260. Vacancies - Basement.

This account records the loss through vacancy of basement space. It receives a debit when the Rent Income - Basement account is credited for the amount of vacancies. If services are rendered in payment for rent of space in the basement and if concessions are made to tenants of this space, adjustments should be made to record these in this account if they have not been charged to the tenant. At the close of the accounting period the balance of the account should be closed to Rent Income - Basement when the balance of this latter account will show the net rent earned on basement space.

5170. Rent Income - Garage.

The account is designed to record the gross rent income expectancy from garages. As credits are made to the account, offsetting debits will be made to the tenants and to Vacancies - Garage. The balance of Vacancies - Garage will be closed to this account at which time the balance should represent the rent income earned on garage space. This balance will be closed to Profit and Loss.

5270. Vacancies - Garage.

This account records the loss through vacancy of garage space. It receives a debit when the Rent Income - Garage account is credited for the amount of vacancies. If services are rendered in payment for garage rent and if concessions are made to tenants, adjustments should be made to record these in this account when they have not been charged to the tenant. At the close of the accounting period the balance of the account should be closed to Rent Income - Garage when the balance of this latter account shows the net rent earned on garage space.

5190. Rent Income - Miscellaneous.

This account is designed to serve as a record for gross rent income expectancy which has not been provided for in specific accounts. It may be broken down in the ledger to suit the specific needs of the building but account numbers in the 5190 series should be assigned to the specific accounts established. Examples of need for this account will be found when the building rents part of its ground space for a gasoline station or for a parking lot. The credits to the account will be offset by debits to the tenants and to Vacancies - Miscellaneous. The balance of Vacancies - Miscellaneous will be closed to this account at which time the balance should represent the rent income from sources for which no specific provision has been made. If specific accounts are established the procedure in each case should be the same. The balance will be closed to Profit and Loss.

5290. Vacancies - Miscellaneous.

This account serves the same purpose for vacancies that Rent Income - Miscellaneous serves for miscellaneous rent incomes. It provides a means of recording the total loss through vacancies not provided for in specific vacancy accounts. It should be broken down into specific vacancy accounts to correspond with the rent income accounts which have been established to record types of rent income for which no provision has been made. Account numbers in the 5290 series should be assigned. If services are rendered in payment for such rent and if concessions are made to tenants, adjustments should be made to record these in this account, or in the specific accounts which have been placed in the ledger when they have not been charged to the tenant. At the close of the accounting period the balance of this account will be closed to Rent Income - Miscellaneous, at which time the balance of this latter account should record the net rent income earned by the miscellaneous methods. This latter balance will be closed to Profit and Loss.

5300. Service Incomes.

Specific accounts numbered in the 5300 series should be set up to record each type of service income received. Examples of service income would be the proceeds from the sale of telephone service, gas or electricity to the tenants whether billed separately or included in the rent and the rent received from furniture owned by the project but rented to tenants. The cost of the service should be shown in corresponding accounts set up in the 6900 series. At the close of the accounting period the balance of these accounts will be closed to Profit and Loss.

5410. Interest Income.

All interest income received and accrued, exclusive of that on investments made, and interest on sinking funds should be credited to this account. At the close of the accounting period the balance will be closed to Profit and Loss.

5420. Income from Investments.

All income from investments should be taken up in this account. Adjustments will be made to take up accrued interest income at the end of the period. The balance will be closed to Profit and Loss.

5430. Income from Sinking Funds.

This account is designed to record the earnings on sinking funds. As such income is received it should be credited to the account. At the close of the accounting period an adjustment should be made to record the accrued income as a credit to the account. The balance will be closed to Profit and Loss.

5440. Discounts Earned.

This account is designed to record discounts earned by the early payment of fuel and supply bills. The credits to the account will be derived from the total of a column provided in the Cash Disbursements Record. Discounts received for early payment of bills for capital items such as fixed and portable equipment and furniture should be deducted from the amount of the bill and the net cost placed in the records. At the close of the accounting period the balance of the Discounts Earned account will be transferred to Profit and Loss.

5490. Miscellaneous Financial Income.

This account will record those miscellaneous financial incomes for which no specific provision has been made. They will be accumulated as a credit balance in this account and at the close of the accounting period this balance should be closed to Profit and Loss. If necessary, specific accounts may be set up with the account numbers chosen from the 5490 series.

5900. Other Incomes.

Income received and accrued which has not been provided for by specific income accounts should be credited to this account when the amounts are small. If important items develop it will be necessary to set up specific income accounts to provide for them. If specific accounts are set up the account numbers should be chosen from the 5900 series. At the close of the accounting period the total will be transferred to Profit and Loss.

6100. Expense Clearance Accounts.

If expenses are to be charged to Clearance accounts before they are distributed to their respective accounts the Clearance accounts should be assigned numbers in the 6100 series.

6210. Advertising.

The cost of advertising should be charged to this account. At the end of the accounting period the cost of any unused advertising will be transferred to account 1260, Prepaid Advertising, to be shown in the balance sheet. The cost of the advertising to be allocated to the period will be transferred to Profit and Loss.

6220. Commissions.

Commissions should be charged to this account whether they are paid in cash or in services. If the commissions are prorated over the life of the leases on which they are paid the amount applicable to the leases in force at the end of the accounting period should be transferred to an account in the 1290 series. The balance remaining in this account will be charged to Profit and Loss. After the books are closed the amount transferred to Prepaid Expenses should be returned to this account.

6230. Concessions to Tenants.

Debits to this account will come from journal entries recording any concessions which are made with credits to the appropriate accounts. The balance should be closed to Profit and Loss. Concessions should be charged in the period in which they are made. In other words, no concessions should be deferred longer than the period in which the concession is effective. This will provide that income will not be inflated by deferring an "expense" item which is nothing more than a failure to secure an income.

6240. Alterations.

Materials purchased for use in major alterations made to obtain occupancy will be charged to this account. Payroll and supplies used in such changes should be allocated here. Payments to independent organizations engaged in making alterations for the company should be debited to the account. The cost of alterations made for an incoming tenant should be spread over the length of the lease. The cost allocated to the future will be set up in the balance sheet as a prepaid expense. The amount that applies to the current period becomes a Profit and Loss charge.

6290. Miscellaneous Renting Expenses.

As any renting expenses develop which are not provided for by specific accounts they should be charged to Miscellaneous Renting Expenses. Credits, of course, will be made when the balance is transferred to Profit and Loss. However, it may become necessary to break down this account to provide for items which may occur frequently. When such is the case specific accounts in the 6290 series should be used.

Note: In order that the Profit and Loss statements submitted by Rental Housing Projects will conform to accepted appraisal procedure, certain items that would be considered by accountants to be administrative expenses have been excluded from the 6300 group. These items are the expenses applicable to the owning corporation as distinguished from the expenses applicable to the operation of the project. They have been assigned numbers in the 7000 series in the Chart of Accounts and are shown separately on the Profit and Loss Statement.

6310. Office Salaries.

The salaries paid to employees in the project office other than those charged to accounts numbered 6330, 7110 and 7190 should be charged to this account. These charges should be only for services rendered the project as distinguished from the owning corporation. If any services are given to these employees in addition to their salary, the value thereof will be charged to this account. At the end of the accounting period the balance of the account will be transferred to Profit and Loss.

6311. Office Expenses.

Expenses of the office will be charged to this account as they arise. Examples are postage, stationery and printing expenses. The balance of the account will be closed to Profit and Loss at the close of the accounting period.

6312. Office Rent.

When an apartment that would otherwise be considered as potentially rent-producing is used as the project office the rental value of the space occupied should be charged to this account. At the end of the accounting period the balance should be transferred to Profit and Loss.

6320. Management Fee.

If the project is managed by an agent the fee paid the agent should be charged to this account. At the close of the accounting period this account will be adjusted to reflect the amount charged by the agent for managing the project during the period. This account will be closed to Profit and Loss at the end of the accounting period.

6330. Managers' or Superintendents' Salaries.

The salary paid to a manager or a superintendent when his duties are primarily of an administrative nature and his work includes that usually performed by a manager should be charged to this account. Any services given a manager or superintendent in lieu of salary should also be charged to this account. At the end of the accounting period the balance of this account will be transferred to Profit and Loss.

6340. Legal Expenses (Project).

All fees paid for legal services rendered the project as distinguished from corporate legal expenses will be charged to this account. The balance of this account will be charged to Profit and Loss at closing.

6350. Auditing Expense.

All fees paid for auditing services will be charged to this account. The cost of keeping the records should not be included here. The balance of this account will be charged to Profit and Loss at the close of the accounting period.

6360. Telephone and Telegraph Expenses.

The balance remaining in the Telephone and Telegraph account after Service Expense has been charged for the cost of the service billed the tenants, represents the expense to be charged to this account. At the close of the accounting period the balance will be closed into Profit and Loss.

6370. Bad Debts.

An adjusting journal entry should be made to record the estimated loss on Bad Debts and to make the corresponding credit to the Reserve for Doubtful Accounts. This expense account will be closed to Profit and Loss at the close of the accounting period.

6390. Miscellaneous Administrative Expenses.

When Administrative Expenses are incurred for which no specific accounts have been provided, they will be charged to this account. When necessary this account may be broken down and assigned numbers in the 6390 series.

6410. Elevator Payroll.

Salaries and wages paid to elevator operators will be transferred to this account when the payroll is distributed. With the closing of the books at the end of the period the total of this account will be transferred to Profit and Loss.

6411. Elevator Power.

If the electricity used for power is metered separately from other electricity the charge for power used to operate the elevators should be debited to this account. The balance in the account should be transferred to Profit and Loss at the close of the accounting period.

6420. Fuel.

The fuel purchased during the period will be charged to this account. The value of the fuel on hand at the close of the accounting period will be transferred to Fuel Inventory, Account No. 1210 and the balance in the account will be closed into Profit and Loss.

6421. Engineers' Payroll.

The amount paid to workmen employed in the boiler rooms should be debited to this account. At the end of the period the balance in the account should be closed into Profit and Loss.

6430. Janitor Payroll.

The wages paid to janitors, as well as any services given in lieu of salary, will be charged to this account. The balance of the account becomes a Profit and Loss charge. The amount paid to a head janitor would also be charged here.

6431. Janitor Supplies.

The supplies purchased for use by the janitors in performing their janitorial duties should be charged to this account. The value of the supplies on hand at the end of the accounting period should be credited to this account when Account No. 1230 is charged. The balance of this account will be charged to Profit and Loss.

6440. Bus Operators' Payroll.

When busses are operated by the project the payroll of the operators should be charged to this account. The balance of this account is a Profit and Loss charge when the books are closed.

6441. Gasoline, Oil and Grease.

The cost of the gasoline, oil and grease purchased for use in the busses, trucks, automobiles and tractors should be debited to this account. At the end of the period the value of the inventory should be transferred to Gasoline and Oil Inventory, Account No. 1220 and the balance of the account should be closed to Profit and Loss.

6450. Electricity.

The cost of electricity used to light public space will be charged to this account. If electricity is furnished the tenants either on a flat rate basis or is included in the apartment rent and is not metered separately, the total cost will be charged to this account. Also, if the electricity used

for power is metered with the electricity used for lights it will be charged to this account. The balance of this account will be transferred to Profit and Loss at the close of the accounting period.

6451. Water.

The cost of all water used by the project will be charged to this account. The balance of this account will be closed to Profit and Loss.

6452. Gas.

The cost of gas used by the building will be charged to this account. If gas is furnished the tenants either on a flat rate basis or is included in the apartment rent and is not metered separately, the total cost will be charged to this account. The balance of this account will be transferred to Profit and Loss at the close of the accounting period.

6460. Exterminating Payroll.

The salaries or wages paid the exterminator will be charged to this account. The total of this account will be closed to Profit and Loss at the end of the period.

6461. Exterminating Supplies.

The cost of the exterminating supplies consumed will be charged to this account. The total of this account is a Profit and Loss charge at closing.

6462. Exterminating Contract.

When exterminating is done under a contract the cost applicable to the period will be charged to this account. The total of this account will be closed to Profit and Loss at the end of the period.

6470. Garbage and Rubbish Removal.

All expense incurred in the removal of garbage and rubbish, exclusive of the wages paid to the janitors who collect it, will be charged to this account. At the close of the accounting period the balance of the account will be closed to Profit and Loss.

6490. Miscellaneous Operating Expenses.

When operating expenses cannot be classified under the accounts which have been provided, additional accounts should be set up against which they will be charged. These accounts should be given numbers in the 6490 series. At the close of the accounting period the balance of all such accounts will be closed to Profit and Loss.

6510. Protection Payroll.

In the distribution of payroll the wages of night watchmen and guards will be charged to this account. The balance of this account will be closed to Profit and Loss by journal entry at the close of the period.

6511. Protection Fee.

When a fee is paid for night watchman or guard services and the night watchman or guard is not on the payroll of the company the charge should be to this account. Profit and Loss will be charged when this account is closed at the end of the period.

6520. Grounds Payroll.

The payroll of the employees engaged primarily in taking care of the grounds will be charged to this account. If additional landscaping is done or other permanent improvements to the land are made, the cost should be capitalized and the payroll should not be charged to this expense account. The balance of the account will be transferred to Profit and Loss at closing.

6521. Grounds Supplies and Replacements.

The cost of the supplies used in the upkeep of the grounds should be charged to this account. Also, the cost of sod and shrubs used as replacements should be charged to this account. The total of this account should be charged to Profit and Loss at closing.

6522. Grounds Contract.

When the grounds are maintained by an outsider under contract with the company the cost applicable to the period will be charged to this account. This amount will be closed to Profit and Loss at the end of the period.

6530. Cleaning Payroll.

In the distribution of payroll this account will be charged for the applicable payroll. The balance will be closed to Profit and Loss at the close of the accounting period.

6540. Repairs Payroll.

The repairs payroll account will be charged for labor used in making repairs that are considered an expense rather than a capital item. The balance will be closed to Profit and Loss at the end of the period.

6541. Repairs material.

This account will receive a charge for supplies used in making repairs. Also, other material purchased for making repairs will be debited to this account. The balance will be closed to Profit and Loss at closing.

6542. Repairs Contract.

When repairs are performed by outsiders under a contract with the company this account will be charged. At the end of the period this account will be closed to Profit and Loss.

Note: The above breakdown of the cost of repairs will be used for minor items. When a major repair is made it must be shown separately in the Profit and Loss statement if it is treated as an expense and should be given a number in the 6540 series.

6550. Elevator Maintenance.

This account will be charged with the cost of maintaining the elevator. If the maintenance is by a contract based on a fixed amount per elevator per month the title of the account will be Elevator Maintenance - Contract. If the elevators are maintained by making repairs only when needed, whether by contract or by project personnel, the title of the account will be Elevator Maintenance - Repairs. Profit and Loss will be charged when this account is closed at the end of the accounting period.

6560. Decorating Payroll.

The salary of employees engaged in decorating should be charged to this account. The balance of the account will be closed to Profit and Loss.

6561. Decorating Supplies.

This account will receive a charge for supplies used in decorating. Also, other material purchased for decorating will be debited to this account. The balance will be closed to Profit and Loss.

6562. Decorating Contract.

When decorating is done by an outside agent under a contract this account will be charged. At the end of the period this account will be closed to Profit and Loss.

6570. Motor Vehicle Repairs.

This account will be debited for the cost of repairs and maintenance of motor vehicles. The account will be credited at the end of the period when the balance is closed to Profit and Loss.

6580. Maintenance Equipment Repairs.

The cost of repairing and maintaining the maintenance equipment will be charged to this account. Credits will come from closing the account to Profit and Loss at the end of the period.

6590. Miscellaneous Maintenance Expenses.

When a maintenance expense item arises for which no provision has been made in the above accounts, a specific account in the 6590 series should be set up. At the close of the accounting period the balances of such accounts will be closed to Profit and Loss.

6620. Depreciation - Buildings.

An adjusting entry at the end of the accounting period should be made to record depreciation on the building and to adjust the corresponding reserve account. The depreciation will be closed to Profit and Loss at the close of the period.

6630. Depreciation - Building Equipment - Fixed.

The depreciation charge on fixed equipment should be made to this account. The adjusting entry that charges the account will have a corresponding credit to the Reserve for Depreciation - Building Equipment - Fixed. At the close of the accounting period the balance will be closed to Profit and Loss.

6640. Depreciation - Building Equipment - Portable.

This account should be set up by an adjusting entry at the close of the accounting period which provides for depreciation on refrigerators, stoves, and similar equipment. The corresponding credit will be made to Reserve for Depreciation - Building Equipment - Portable. The balance will be transferred to Profit and Loss.

6650. Depreciation - Furniture.

This account will be debited with the depreciation charged on furniture purchased for project use. If furniture is purchased by the project for rental

to the tenants the depreciation on that furniture should be charged to a separate account numbered 6651 and shown separately on the Profit and Loss Statement. These accounts will be closed to Profit and Loss at the end of the period.

6660. Depreciation - Furnishings.

An entry should be made to charge this account for depreciation of furnishings for the accounting period. A corresponding credit will be made to the Reserve for Depreciation - Furnishings. The balance of Depreciation - Furnishings will be closed to Profit and Loss.

6670. Depreciation - Maintenance Equipment.

An entry should be made to record the depreciation on maintenance equipment. This entry will result in a charge to Depreciation - Maintenance Equipment and a corresponding credit to Reserve for Depreciation - Maintenance Equipment. The balance of the Depreciation - Maintenance Equipment account will be closed to Profit and Loss.

6680. Depreciation - Motor Vehicles.

An adjusting entry at the end of the accounting period should be made to record depreciation on busses and motor vehicles and to adjust the corresponding reserve account. The depreciation will be closed to Profit and Loss at the end of the period.

6690. Depreciation - Miscellaneous.

This account is designed to record depreciation on any items not included in the accounts above. In most cases it will be desirable to establish specific depreciation accounts for items not covered by the above accounts. When this is done numbers in the 6690 series should be assigned to the accounts set up. Procedure in each case will be similar to that outlined for the other depreciation accounts.

Note: The rates of depreciation to be used by Rental Housing Projects are not prescribed by the Federal Housing Administration but are left to the discretion of the directors of each corporation.

6710. Taxes.

The amount of taxes paid or accrued during the period except those shown in accounts 7130, 7131 and 7132 will be charged to this account. The amount applicable to the following accounting period will be transferred to Prepaid Taxes, Account 1270. The taxes will not be shown as one amount on the Profit and Loss Statement but will be shown in detail such as real estate taxes, franchise tax, etc. At the close of the accounting period the balance will be closed to Profit and Loss.

6720. Insurance.

Against this account will be charged the cost of all insurance, regardless of kind, purchased during the current period. If a schedule of insurance coverage showing the prepaid and expired amounts is included in the auditor's report this account may be shown as one amount; otherwise it should be broken down to show the different types of insurance on the Profit and Loss statement. The balance will be closed to Profit and Loss.

6810. Interest on Bonds Payable.

Interest on bonds of the company will be charged to this account when paid or accrued. If the bonds have been sold at a premium or a discount, such an amount will be written off to this account over the life of the bonds. Discount on serial or callable bonds should be written off to this account with proper regard for the amount of bonds outstanding and the time they are outstanding. The balance is a Profit and Loss charge.

6820. Interest on Mortgages Payable.

All interest paid and accrued on any outstanding mortgages will be charged to this account. At the close of the accounting period the total will be closed to Profit and Loss.

6830. Interest on Notes Payable (Long Term).

This account will be charged for interest and discount on all notes payable of more than one year duration. This does not include notes supported by a mortgage as interest on these must be charged to a separate account. The balance will be a charge to Profit and Loss.

6840. Interest on Notes Payable (Short Term).

Interest and discount on all notes of less than one year duration will be charged to this account. At the close of the accounting period the balance of the account will be closed to Profit and Loss.

6850. Insurance on Mortgage.

All payments to the Federal Housing Administration for insurance on the mortgage should be charged to this account. Adjustments should be made for prepayments. At the close of the accounting period the balance should be transferred to Profit and Loss.

6890. Miscellaneous Financial Expenses.

As financial expenses arise for which there is no specific account provided they should be charged to this account. If it is necessary, this account will be broken down to provide for specific expenses. Numbers in the 6890 series should be assigned to the accounts thus established. At the close of the accounting period the total will be closed to Profit and Loss.

6900. Service Expenses.

Specific accounts have not been provided for service expenses. The necessary accounts should be provided by the management to correspond with the accounts set up in the 5300 series, Service Income. These accounts would include, in instances where furniture is rented to tenants, accounts for both depreciation and repairs applicable to the rental furniture. All such accounts thus established should have numbers in the 6900 series assigned to them. At the close of the accounting period the balances of all accounts which have been set up in this series will be closed to Profit and Loss.

7110. Officers Salaries.

The salary paid to officers of the corporation for performing corporate duties should be charged to this account. Also any services given to officers in lieu of salary should be charged here. The balance of this account should be transferred to Profit and Loss at the end of the accounting period.

7120. Legal Expenses (Corporate).

All fees paid for legal services rendered the corporation as distinguished from legal services in connection with operating the project will be charged to this account. The balance of this account will be charged to Profit and Loss at closing.

7130. Federal Income Tax.

The Federal Income Tax applicable to the period covered by the statement of Profit and Loss should be charged to this account. At closing the balance of this account will be charged to Profit and Loss.

7131. State Income Tax.

The State Income Tax applicable to the period covered by the Statement of Profit and Loss should be charged to this account. The balance of this account will be closed to Profit and Loss at the end of the period.

7132. Other Corporate Taxes.

All corporate taxes other than income taxes will be charged to this account. If the amount of any of these taxes is substantial it should be shown separately on the Statement of Profit and Loss. This account will be charged to Profit and Loss at closing.

7190. Other Corporate Expenses.

Expenses other than officers' salaries which are applicable to the operation of the owning corporation rather than the project should be charged to this account. Examples of these items are clerical salaries for keeping the minutes of directors' meetings, fees paid to directors and office rent and supplies used exclusively for corporate purposes. The balance of this account should be charged to Profit and Loss at the end of the period.

IV. FINANCIAL STATEMENTS

- A. Balance Sheet.
- B. Statement of Profit and Loss.
- C. Statement of Surplus.

A. BALANCE SHEET

As of _____ 19__

ASSETS

Current assets:

Cash in office.....		\$.....	
Cash in bank.....		.....
Tenants' accounts receivable.....	\$.....		
Other accounts receivable.....	_____		
Total accounts receivable.....	\$.....		
Less-Reserve for doubtful accounts.....	_____		.....
Notes receivable.....	\$.....		
Less-Notes receivable discounted.....	_____		.....
Accrued receivables.....			.....
Investments, short term (explain).....			.....
Mortgagee escrow deposits.....			.....
.....			_____
Total current assets.....			\$.....

Prepaid expenses:

Fuel inventory.....		\$.....	
Gasoline and oil inventory.....		.....
Supplies inventory.....		.....
Prepaid hazard insurance.....	\$.....		
Less-Balance due on financing contract excluding amount maturing within one year *.....	_____		.....
Prepaid mortgage insurance.....			.....
Prepaid advertising.....			.....
Prepaid taxes.....			.....
.....			_____
Total prepaid expenses.....			.....

Funds:

Sinking funds.....		\$.....	
Reserve for replacements:			
Cash.....	\$.....		
Securities.....	_____		.....
Invested in prepayments to mortgage (\$.....)			
General reserve:			
Cash.....	\$.....		
Securities.....	_____		.....
Invested in prepayments to mortgage (\$.....)			
Total funds.....			.....

*When insurance is purchased through a financing contract and the lender looks only to the cancellation of the insurance for his security, the payments on the contract maturing within one year shall be shown as a current liability and the payments maturing beyond one year shall be deducted from the prepaid hazard insurance.

ASSETS(CONTINUED)

Fixed assets:

	Cost	Depreciation Reserve	Net
Land.....	\$.....		\$.....
Buildings.....	\$.....
Building equipment-Fixed.....
Building equipment-Portable...
Furniture.....
Furnishings.....
Maintenance equipment.....
Motor vehicles.....
.....
.....
Total fixed assets.....	\$.....	\$.....

Investments, long term (describe).....	.....
.....
Deposits receivable.....	.....
.....
Suspense.....	.....
.....
Organization expenses.....	.....
Other assets (list).....	.....
.....
.....
Total assets.....	\$.....

B. STATEMENT OF PROFIT AND LOSS

For the _____ months ending _____, 19__

INCOME

Rent income:	Gross	Vacancies	Net Amount
Houses.....	\$.....	\$.....	\$.....
Apartments.....
Furniture.....
Stores.....
Offices.....
Basement.....
Garage.....
Miscellaneous.....
Total rent income.....	<u>\$.....</u>	<u>\$.....</u>	\$.....
 Service incomes (list):			
.....		\$.....	
.....		
.....		<u>.....</u>	
Total service incomes.....		
 Financial incomes:			
Interest income.....		\$.....	
Income from investments.....		
Income from sinking fund.....		
Discounts earned.....		
.....		
.....		<u>.....</u>	
Total financial incomes.....		
 Other incomes (list):			
.....		\$.....	
.....		
.....		<u>.....</u>	
Total other incomes.....		
 Total income.....			<u>\$.....</u>

EXPENSE

Renting expenses:			
Advertising.....		\$.....	
Commissions.....		.....
Concessions to tenants.....		.....
Alterations written off.....		.....
.....		
.....		<u>.....</u>	
Total renting expenses.....			\$.....

STATEMENT OF PROFIT AND LOSS (CONTINUED)
EXPENSE (CONTINUED)

Administrative expenses:

Office salaries.....	\$.....		
Office expense.....	.....	
Office rent.....	.....	
Management fee.....	.....	
Managers' or superintendents' salaries.....	.....	
Legal expenses (project).....	.....	
Auditing expenses.....	.....	
Telephone and telegraph.....	.....	
Bad debts.....	.....	
.....		
.....		
Total administrative expenses.....	.....		.....

Operating expenses:

Elevator payroll.....	\$.....		
Elevator power.....	.....	\$.....
Fuel.....	\$.....		
Engineers' payroll.....	.....	
Janitors' payroll.....	\$.....		
Janitors' supplies.....	.....	
Bus operators' payroll.....	\$.....		
Gasoline, oil and grease.....	.....	
Electricity.....	.....	
Water.....	.....	
Gas.....	.....	
Exterminating payroll.....	\$.....		
Exterminating supplies.....	.....	
Exterminating contract.....	.....	
Garbage and rubbish removal.....	.....	
.....		
.....		
Total operating expenses.....	.....		.....

Maintenance expenses:

Protection payroll.....	\$.....		
Protection fee.....	.....	\$.....
Grounds payroll.....	\$.....		
Grounds supplies and replacements.....	.....	
Grounds contract.....	.....	
Cleaning payroll.....	.....	
Repairs payroll.....	\$.....		
Repairs material.....	.....	
Repairs contract.....	.....	
Elevator maintenance.....	.....	
Decorating payroll.....	\$.....		
Decorating supplies.....	.....	
Decorating contract.....	.....	
Motor vehicle repairs.....	.....	
Maintenance equipment repairs.....	.....	
.....		
.....		
Total maintenance expenses.....	.....		.....

C. STATEMENT OF SURPLUS

Surplus balance* _____ 1, 19__ (beginning of period)		\$.....
Add--Credits to surplus (list):		
.....	\$.....	
.....	
.....	
.....
.....
	-----	-----
Total.....		\$.....
Deduct--Debits to surplus (list):		
.....	\$.....	
.....	
.....	
.....	
.....
	-----	-----
Surplus balance* _____ 31, 19__ (end of period)		\$ <u>.....</u>

*If deficit, enter in red.