PROJECT RELATED INSURANCE CLAIM RECEIPT

SUMMARY

This article describes how a user can allocate an insurance claim to a project to cover goods purchased that are the result from the insurance claim. For example, if a residence under construction is vandalised, a payment will be made to you from your insurance company to cover the cost of the damages. This money can then be applied to the project budget to cover the cost of goods purchased to repair the damage.

This scenario would work with any project related insurance claim.

EXAMPLE:

Requirements:

- Money receipted into the bank account
- Dollars entered into the project budget to counteract the additional dollars spent on materials that has now been reimbursed by the insurance company
- The first example here has no GST implications to simplify the process. The only difference if GST is included or excluded from the payout from the insurance company is how the journal is created. The last section displays a journal including GST.

This transaction can be completed via a subsidiary journal. There will need to be a debit to the bank account to put money in the account and credits to the project cost centres that occurred expenses.

In this example there has been a $10,000 credit from the insurance company that does not include GST for steel and for concrete to a specific job. This money has also been received at the bank.

Creating the journal

Open a subsidiary journal. Got to Accounting>General Ledger>Subsidiary Journals
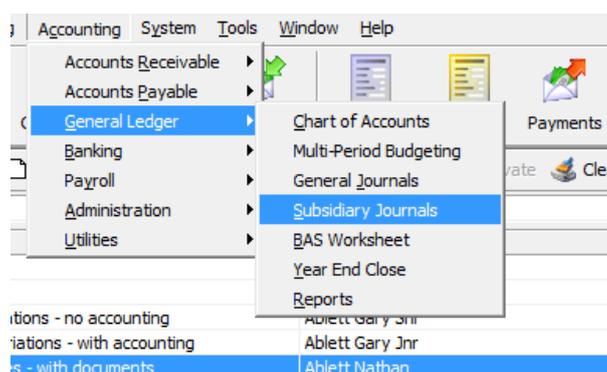
Click "New AP Journal" to create a new journal. The following journal is what you need to create. A detail line for each cost centre that has been refunded and a detail line for the bank account. You will need to 'Credit' the project and 'Debit' the bank account. Remember that the journal notes are what is seen in the bank reconciliation when displaying the bank account deposit. There are no other required transactions.
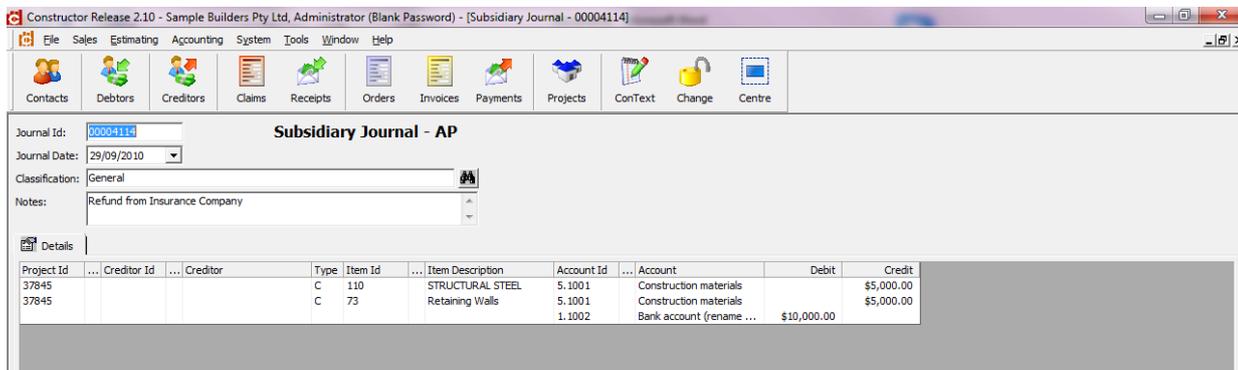
The result of the journal

Within the project budget you will now see some figures that are included in the 'Jrnls' column and this will show as a 'negative' (-$) figure. This amount will offset what you have spent for the additional works that has be reimbursed by the insurance company.

The Result of the bank reconciliation

The bank will now have a deposit for the $10,000 that was received from the insurance company with the 'Description' displaying the Journal notes that were entered.

If there was GST included in the refund

If the insurance payout included GST, then an additional line would need to be added to the subsidiary journal to include the GST amount. This GST amount would be required to be posted to the 'GST Paid' account in your Chart of Accounts. The journal would look as below;

Journal Id:	00004114			**Subsidiary Journal - AP**							
Journal Date:	29/09/2010										
Classification:	General										
Notes:	Refund from Insurance Company										

Project Id	...	Creditor Id	...	Creditor	Type	Item Id	...	Item Description	Account Id	...	Account	Debit	Credit
37845					C	110		STRUCTURAL STEEL	5.1001		Construction materials		$5,000.00
37845					C	73		Retaining Walls	5.1001		Construction materials		$5,000.00
									1.1002		Bank account (rename ...	$11,000.00	
									1.1303		GST Paid		$1,000.00

The effect of this will reduce the amount of GST that you have paid because now the system is reflecting that the insurance company has paid the GST on the additional goods purchased as part of the "payout" figure.