How to reconcile Inter-entity loans

What is Inter- entity Loans?

- Intercompany loan accounts occur when multiple business entities, usually companies, are connected by shareholding and form a corporate group. Those related entities can be in the same country, or different ones. Intercompany loan accounts reflect monetary balances owed between those entities.

Inter Entity Loan Reconciliation

Intercompany reconciliation is the process of verifying and adjusting financial transactions between two or more companies that are part of the same corporate group.

Step 1 – Check whether the opening balance are matched between the entities

Company – Jeshing property

	30 June 2024	30 June 2023
Non-current Assets		
665 - Borrowing Expenses at Cost	1,250.00	1,250.00
666 - Less Amortised Borrowing Cost	(1,232.88)	(982.88)
669 - Loan - AHC Finance Pty Ltd	1,499.00	1,405.00
671 - Loan - Heritage Golf	8,095,585.81	7,186,904.60
672 - Loan - HGC Properties	2,202,319.21	2,133,701.04

Company – HGC property

Non-current Liabilities		
21299 - ATO Integrated Account	(2,992.68)	(2,992.68)
26000 - Trade Creditors - THGCC	176,671.53	-
26050 - Loan - Jeshing Property P/L	2,201,834.23	2,133,701.04
26051 - Loan - Mr Wang	22,540,174.43	22,554,103.43

Step 2 – Check whether the Closing balance are matched between the entities. If it’s matched the inter-entity loans are reconciled.

Step 3 – If it is not matched, we should scrutinize GL to determine the differences between the both entities.

Company – Jeshing property

	30 June 2024	30 June 2023
Non-current Assets		
665 - Borrowing Expenses at Cost	1,250.00	1,250.00
666 - Less Amortised Borrowing Cost	(1,232.88)	(982.88)
669 - Loan - AHC Finance Pty Ltd	1,499.00	1,405.00
671 - Loan - Heritage Golf	8,095,585.81	7,186,904.60
672 - Loan - HGC Properties	2,202,319.21	2,133,701.04
673 - Loan - Match Play Management AU	495,936.48	495,192.68

Company – HGC property

Non-current Liabilities		
21299 - ATO Integrated Account	(2,992.68)	(2,992.68)
26000 - Trade Creditors - THGCC	176,671.53	-
26050 - Loan - Jeshing Property P/L	2,187,905.23	2,133,701.04
26051 - Loan - Mr Wang	22,554,103.43	22,554,103.43

Step – 4 Check whether any transactions are wrongly coded in this loan accounts.

1-1401	Loan to HGC Properties								
Date	Reference number	Transac	Transaction descr	Account	GST	Open (	Debit (	Credit (	Net activity (
13/07/202	EFT	Spend mo	PAYMENT TO YARRA	Water Rate	Free	19,62,974.27	12.45		12.45
13/07/202	EFT	Spend mo	PAYMENT TO YARRA	Water Rate	Free	19,62,986.72	12.45		12.45
02/08/202	CR009167	Receive m	TRANSFER FROM PLAN	415064K1 000032		19,62,999.17		14,421.84	-14,421.84

2-6050	Loan From Jeshing Property Mana								
Date	Reference number	Transaction type	Transaction description	Account	GST	Open ($)	Debit ($)	Credit ($)	Net activity ($)
02/08/2022	CR000058	Invoice payment	Payment; OC 415064K1	Owner Corporation	GST	-18,08,544.53	14,421.84		14,421.84

The yellow highlighted transactions are missing in the other entity. This needs to be reallocated to reconcile the loans

Step – 5 Now, the inter- entity loans are reconciled.

Company – Jeshing property

	30 June 2024	30 June 2023
Non-current Assets		
665 - Borrowing Expenses at Cost	1,250.00	1,250.00
666 - Less Amortised Borrowing Cost	(1,232.88)	(982.88)
669 - Loan - AHC Finance Pty Ltd	1,499.00	1,405.00
671 - Loan - Heritage Golf	8,095,585.81	7,186,904.60
672 - Loan - HGC Properties	2,202,319.21	2,133,701.04
673 - Loan - Match Play Management AU	495,936.48	495,192.68
674 - Loan - KWB Group	388,900.73	388,853.73

Company – HGC property

Non-current Liabilities		
21299 - ATO Integrated Account	(2,992.68)	(2,992.68)
26000 - Trade Creditors - THGCC	176,671.53	-
26050 - Loan - Jeshing Property P/L	2,202,319.23	2,133,701.04
26051 - Loan - Mr Wang	22,540,183.43	22,554,103.43
28250 - Loan - Other Directors	234,476.28	234,476.28
Total Non-current Liabilities	**25,150,657.79**	**24,919,288.07**