Voluntary Right to Buy – accounting guidance

Worked example

Assumptions:

- Properties held at cost
- Grant accounted for under the accruals model

	£
Market value	150,000
Discount	60,000 [fully compensated]
Property Net Book Value	(70,000)
Sales and marketing costs	(3,000)
Transaction costs	(2,000)
Administration payment from government	2,000
Grant received when property developed	20,000 [6,000 amortised]
Debt used to fund the property	30,000

Note: Further clarification was provided by MHCLG that outstanding debt remaining on the property can be deducted from net receipts but any grant attached to the property should be reinvested in replacement stock.

Recognition of 100% of receipts from the sale of the property				
	£		£	**£ P&L**
Dr Cash	90,000	Cr P&L	90,000	
Dr Debtor	60,000	Cr P&L	60,000	
				150,000
Accounting for sales & transaction costs and administration fee received				
	£		£	**£ P&L**
Dr P&L	5,000	Cr Cash/Creditor	5,000	
Dr P&L	70,000	Cr PPE	70,000	
Dr Debtor	2,000	Cr P&L	2,000	
				(73,000)

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Accounting for Historic grant received when property developed				
	£		£	**£ P&L**
Dr P&L	6,000	Cr RCGF	6,000	
Dr Deferred Income	14,000	Cr RCGF	14,000	
				(6,000)
Total profit on disposal through P&L				**71,000**

Amount to be ring fenced in separate ledger code and IMS	**120,000***

*Receipts of £150,000 net of attributed debt of £30,000.