

H O U S I N G

Special Attention of: Regional Administrators,

Regional Housing Commissioners, Director
of Regional Housing, Field Office Managers,
Directors of Housing Development Division,
Directors of Housing Management Division, Loan
Management Branch Chiefs and Assisted Housing Management Branch Chiefs.

Transmittal for
Handbook No.: 4370.4

Issued: 6/24/92

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1. This transmits Revised Handbook 4370.4 REV-1, Basic Accounting Desk Reference for HUD Loan Servicers.
 2. Explanation of Materials Transmitted. This Handbook is a complete revision of the Basic Accounting Desk Reference for HUD Loan Servicers, 4370.4, dated January 1981. It can be used as a reference to provide loan management staff with the accounting knowledge necessary to perform their duties regarding the review and analysis of financial statements submitted on Secretary held or HUD Insured Multifamily Projects. The Handbook helps the loan management staff use accounting information more effectively and offers a better understanding of accounting concepts. This Handbook should be reviewed by Loan Management staff responsible for reviewing financial reports.
 3. Significant Changes.
 - o Include revised accounting/auditing nomenclature in accordance with American Institute of Certified Public Accountants, Government Auditing Standards and appropriate standards.
 - o Include cross-references to current HUD Handbooks and automated system (Multifamily Information Processing System MIPS) for functions related to loan management.
 - o Encompass ratios (liquidity, profitability and activity) that measure a project's financial stability, collection procedures and management effectiveness.
 - o Revise the forms used in reviewing and analyzing multifamily projects.
 - o Revise the Table of Contents to include a list of exhibits and acronyms.
 - o Include discussion of Modification Agreements as an option which can be pursued by project owners.
 - o Incorporate revised accounting knowledge quizzes throughout the Handbook.
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- o Expand on the details of Statement of Cash Flows instead of the

Statement of Changes in Financial Position and Statement of Receipts and Disbursements.

- o Discuss in detail the Statement of Retained Earnings.
 - o Expand discussion of owner's equity to include a description of accounts which comprise owner's equity.
 - o Introduce MIPS and flags and reports and discusses how it relates to Form HUD-92410.
 - o Delete all reference to the Statement of Changes in Financial Position.
 - o Incorporate discussion of comparing impound balances to prior expense.
 - o Incorporate expanded discussion of Generally Accepted Audit Standards (GAAS), Generally Accepted Accounting Principles (GAAP), and Government Auditing Standards (GAS), and includes new requirements for audit reports.
 - o Expand discussion of "Notes to the Financial Statements" and their purpose.
 - o Modernize discussion of depreciation to bring up to date with current IRS methods and expands discussion of depreciation to include GAAP versus Income Tax Methods.
 - o Explain the necessity of the Computation of Surplus Cash and Residual Receipts.
3. Effective Date: Upon Receipt.
4. Cross References: This Handbook contains a Foreword which cross references all applicable handbooks and guidance relating to reviewing multifamily financial statements and supplemental data.
5. Filing Instructions:
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| Remove: | Insert: |
| Basic Accounting Desk Reference
for HUD Loan Servicers dated 1/81 | Basic Accounting Desk Reference
for HUD Loan Service dated 6/92 |

Arthur J. Hill, Assistant Secretary
for Housing-Federal Housing Commissioner

Departmental Staff
and Program
Participants

June 1992

Basic Accounting
Desk Reference for
HUD Loan Servicers
