Guide · 2026

Business Loan Payment Splitter & Year-End Balance Tie-Out

Split every loan payment into principal and interest, and make your books match the lender at year-end.

Inside: 1. How a loan payment works · 2. Using the workbook · 3. Recording payments in QuickBooks Online · 4. Recording payments in QuickBooks Desktop · 5. Year-end tie-out · 6. Common mistakes · 7. Checklist

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1. How a loan payment works

Each payment on a typical installment loan has two parts. **Interest** is the cost of borrowing for that period and is recorded as an expense. **Principal** reduces what you still owe and is recorded against the loan liability account, not as an expense. Early payments are mostly interest; later payments are mostly principal.

Example: $35,000 at 7.5%, 60 months (sample values)	Payment	Interest	Principal	Balance after
Payment 1	$701.33	$218.75	$482.58	$34,517.42
Payment 2	$701.33	$215.73	$485.60	$34,031.82
Payment 60 (last)	$701.19	$4.36	$696.83	$0.00

> **Why it matters:** if the whole $701.33 is booked as an expense every month, expenses are overstated by the principal part and the loan still shows its original balance on the balance sheet.

Interest in the workbook is calculated as balance × annual rate ÷ 12. Many lenders (especially SBA loans and lines of credit) charge interest by the day, so the real split differs by a few dollars. Type the lender's interest figure when you have it; the workbook will use it.

2. Using the workbook

1. **Loan Setup**: type the loan amount, annual rate, number of monthly payments and first payment date. If the lender set the payment, type it in the grey cell. The green cells show the monthly payment, total interest, last payment date and the year summary (interest, principal and Dec 31 balance).
2. **Schedule**: fills itself in. Nothing to type.
3. **Payment Splitter**: type the starting balance, then each real payment (date and amount). Add the lender's interest and any fees if your statement shows them. The green INTEREST and PRINCIPAL lines are what you record in QuickBooks.
4. **Year-End Tie-Out**: type four numbers (lender balance, QuickBooks balance, lender interest, QuickBooks interest). If the two differences are equal, the payments were split wrong and the suggested journal entry fixes both.
5. **Scenarios**: three tested example loans to compare.

3. QuickBooks Online: set up and record payments

Set up the loan account

Intuit's help article "Set up a loan in QuickBooks Online" describes these steps: go to **All apps › Accounting › Chart of accounts**, select **New**, then choose the account type. For a loan paid off within the fiscal year use **Other Current Liabilities** with the **Loan Payable** detail type; for a longer loan use **Long Term Liabilities** with **Notes Payable**. Menu names change often; if you can't find a menu, use the search bar.

Record each payment

1. Create the payment (a check or expense) from the bank account the money left.
2. Line 1: the loan liability account, amount = the green **PRINCIPAL** figure.
3. Line 2: your interest expense account, amount = the green **INTEREST** figure.
4. Line 3 (only if any): fees, to the account your accountant uses for bank or loan fees.
5. When the bank feed downloads the withdrawal, match it to this payment instead of adding a new one.

> **Starting mid-loan?** Intuit's article says to enter the loan's balance as of your chosen start date as the opening balance; for a brand-new loan already deposited, the opening balance is $0. Type that start balance into the Payment Splitter.

4. QuickBooks Desktop: record payments

Intuit's article "Manually track loans in QuickBooks Desktop" uses a liability account (**Other Current Liability** or **Long Term Liability**), a vendor for the lender and an expense account for interest. To record a payment on Windows: **Banking › Write Checks**; on the Expenses tab, line 1 = the loan liability account with the principal amount, line 2 = the interest expense account with the interest amount. You can memorize the check for recurring payments, but update the two amounts each month from the Payment Splitter.

> **Note:** Intuit's help says Loan Manager was discontinued in QuickBooks Desktop 2022 and can still be used in earlier supported versions. This workbook gives the same principal/interest split without it.

5. Year-end tie-out (do this before you close the year)

1. Get the lender's Dec 31 statement or year-end summary: principal balance and interest paid for the year.
2. Run a Balance Sheet as of Dec 31 and note the loan account balance.
3. Run a report of the interest expense account for this loan for the year.
4. Type the four numbers into the Year-End Tie-Out tab.
5. If the result says the payments were split wrong, record the suggested journal entry dated Dec 31.
6. If the differences don't match, work through the checklist on the tab first.

Sample values	Lender	QuickBooks	Difference
Principal balance, Dec 31	$29,522.59	$30,979.40	$1,456.81
Interest for the year	$2,237.22	$3,694.03	$1,456.81
Fix: Debit Loan payable $1,456.81 / Credit Interest expense $1,456.81 (three payments had been booked fully as interest).			

> Ask your tax preparer before posting an entry into a year whose return was already filed.

6. Common mistakes

- Booking the whole payment as an expense.
- Booking the loan deposit as income.
- Leaving fees, escrow or insurance inside the principal line.
- Recording the bank-feed withdrawal again instead of matching it.
- Using the schedule interest when the lender charges daily interest.

7. Checklist

- ☐ Loan liability account set up with the right type
- ☐ Starting balance matches the lender on the start date
- ☐ Every payment recorded with a principal line and an interest line
- ☐ Bank-feed withdrawals matched, not added twice
- ☐ Dec 31 balance and yearly interest tied to the lender
- ☐ Adjusting entry posted (if needed) before the year is closed

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