7 Advanced real estate accounting concepts for astute investors

- Section 1031 Exchange
  - What are Qualifying Properties?
  - What are Like-Kind Properties?
  - Holding Period
  - Boot or Mortgage Relief exchange
  - Using a Qualified Intermediary
- Accounting in real estate for non-monetary exchanges
  - Fair value
  - Fair value exceptions
  - Fair value restrictions
    - 1. Fair Value Not Determinable
    - 2. Exchange for customer sales
    - 3. Exchange transactions lack commercial value
- Real estate accounting for Non-monetary exchange including monetary considerations
  - Real estate accounting by the recipient of monetary considerations
  - Payer-based real estate accounting
- Major Real Estate Accounting Issues
  - Exchange-Leaseback
  - Related-party transactions
    - Owner nonreciprocal transfers
    - Spin-off asset transfers
    - Common-control asset transfers
    - Joint venture partners' non-monetary asset transfers
- How to apply the core revenue recognition principle
  - Step 1 - Identify customer contracts.
  - Step 2 - Identify separate performance obligations.
  - Step 3 - Determine the transaction price.
  - Step 4 - Allocate the Transaction Price to Performance Obligations.
  - Step 5 - Recognize revenue when a performance obligation is met.
- Real estate sale guidance applicability
  - Sale and Profit Recognition
  - Profit recognition by the accrual method of real estate accounting
    - 1. General Rule
    - 2. Details
    - Adequate initial and ongoing investments
      - Sales value
      - Initial and ongoing investments
- What to do if you fail to meet the accrual method criteria?
  - Insufficient initial investment
  - Subordinated Receivable
  - Continuing Involvement
- Different Real Estate Accounting Methods
  - 1. Deposit Method
  - 2. Installment Method
  - 3. Cost Recovery Method
  - 4. Financing Method
    - Gross versus net recording
  - 5. Profit-sharing Method
  - 6. Lease Method
- Bottom Line