



VI Accounting for Securities/Investments

This chapter provides a uniform procedure to record the accounting events associated with the purchase and sale of securities or investments. These procedures may be used by any agency that has direct responsibility for the purchase and sale of securities or investments.

The following is a list of terms with the definitions as used in this chapter:

Discount - When the purchase price of a security is less than the Face Value. The difference is called a Discount and recorded in General Ledger Account (GLA) 2014-Discount on Securities.

Interest Purchased - When a security is purchased between interest payment dates, a portion of the purchase price is to cover the interest earned by the seller as of the sale date. This is recorded in GLA 1320-Accrued Interest Receivable. It is liquidated when the interest payment for the entire period is received.

Premium - When the purchase price of a security is more than the face value. The difference is called a Premium and recorded in GLA 2013-Premium on Securities.

There are two GLAs available to record the face value of securities:

GLA 2011-Investment in Securities at Cost - Used when there is NO stated interest rate on the investment (example: Treasury Bills); and

GLA 2012-Investment in Securities - Used for securities that have a stated interest rate.

ACCOUNTING EVENTS

Exhibit VI-1 lists the securities/investments accounting events, corresponding CALSTARS transaction codes and shows accounting events in the T-Account format.

EXHIBIT VI-1
SECURITIES/INVESTMENTS ACCOUNTING EVENTS

| Security or Investment purchases: One or more of the following entries must be made: | | |
|--|---|--|
| 1 | Record Face Value of Security. TC S01 - Record Face Value of Security Dr. 2011 Investments in Securities at Cost or Dr. 2012 Investments in Securities Cr. 1140 Cash in State Treasury OR TC S02 - Claim Payment for Face Value of Security Dr. 2011 Investments in Securities at Cost or Dr. 2012 Investments in Securities Cr. 3021 Claims in Process | If Discounted, record the purchase price less Interest Purchased. If purchased for more than face value, record the face value. Enter the applicable GLA for the Investment. |
| 2 | Record Interest Purchased: TC S03 - Record Interest Purchased Dr. 1320 Accrued Interest Receivable Cr. 1140 Cash in State Treasury OR TC S04 - Claim Payment for Interest Purchased Dr. 1320 Accrued Interest Receivable Cr. 3021 Claims in Process | Record the portion of the purchase price related to interest earned by the seller as of the sale date. |
| 3 | Record Premium Paid for Security: TC S05 - Record Premium Paid on Security Purchased Dr. 2013 Premium on Securities Cr. 1140 Cash in State Treasury OR TC S06 - Claim Payment for Premium on Security Dr. 2013 Premium on Securities Cr. 3021 Claims in Process | Record the amount of the purchase price that exceeds the Face Value. (Purchase price less Face Value less Interest Purchased.) |
| 4 | Record Discount received on Security: TC S07 - Record Discount on Security Purchased Dr. 2011 Investments in Securities at Cost or Dr. 2012 Investments in Securities Cr. 2014 Discount on Securities | Record the amount of the purchase price that is less than Face Value. (Face Value less purchase price less Interest Purchased.) Input the applicable GLA for Investment. |

EXHIBIT VI-1 (CONTINUED)
SECURITIES/INVESTMENTS ACCOUNTING EVENTS

| | | |
|---|--|---|
| | Transactions Recorded During the Life of the Security: Examples are: recording interest earned, and amortization of discount or premium against the security purchased. | |
| 5 | Record Interest Received that has not been accrued and is not part of Interest Purchased at time Security was acquired: TC 136 - Record SCO Collection of Revenue (Not Billed) Dr. 1140 Cash in State Treasury Cr. 8000 Revenue OR TC 101 - Record Cash Receipts as Revenue (Not Billed) Dr. 1110 General Cash Cr. 8000 Revenue | Use Source code 215n00 . |
| 6 | Record Interest Received that has been accrued and is not part of Interest Purchased at time Security was acquired. TC 144 - Record SCO Collection of A/R Operating Revenue Dr. 1140 Cash in State Treasury Cr. 1314 Accounts Receivable Operating Revenue OR TC 143 - Record Cash Receipts for Operating Rev Prev Billed Dr. 1110 General Cash Cr. 1314 Accounts Receivable Operating Revenue | Use Source code 215n00 . |
| 7 | Record Interest Received that is part of the Interest Purchased when the Security was acquired (Entry 2). TC S08 - Liquidate Interest Purchased - SCO Collection Dr. 1140 Cash in State Treasury Cr. 1320 Accrued Interest Receivable OR TC S09 - Liquidate Interest Purchased - Agency Collection Dr. 1110 General Cash Cr. 1320 Accrued Interest Receivable | Balance of Interest received is recorded as Revenue in Entry #6, above. If the agency receives the Interest payment directly, there must be special information on the Remittance Advice to ensure that the Cash is posted correctly. |
| | Year-End Entries (Adjusting Entry A-5): Year-end entries are as of June 30th. Additional entries may be recorded during the year, and are posted to the same period as the SCO. The source of the entries are normally SCO journal entries. Entry #11 is used for Year-end accruals only. | |
| 8 | Record Amortization of Premium: TC 549 A-5 Record Amortization of Premium on Security Dr. 8000 Revenue Cr. 2013 Premium on Securities | Use Source code 215n00 . |
| 9 | Record Accumulation of Discount: TC 548 - A-5 Record Accumulation of Discount on Security Dr. 2014 Discount on Securities Cr. 8000 Revenue | Use Source code 215n00 . |

EXHIBIT VI-1 (CONTINUED)
SECURITIES/INVESTMENTS ACCOUNTING EVENTS

| | | |
|--|--|---|
| 10 | <p>Record Amortization of Interest purchased: TC 550 - A-5 Record Amortization of Accrued Interest Purchased Dr. 8000 Revenue Cr. 1320 Accrued Interest Receivable</p> | <p>Use Source code 215n00. This entry is recorded if the first interest payment has not been received and Entry #2 was recorded at the time of purchase. This entry is for the amount of Accrued Interest Purchased at the time the security was acquired. Entry #11 must be made at the same time.</p> |
| 11 | <p>Record Accrued Interest on Securities as of June 30: TC 121 - Record Billing of A/R Operating Revenue Dr. 1314 Accounts Receivable Operating Revenue Cr. 8000 Revenue</p> | <p>Use Source code 215n00. This entry is for the <u>full</u> amount of interest from the last interest payment date of the security to June 30.</p> |
| <p>Security Sales: When a security is sold, one or more of the following entries must be recorded:</p> | | |
| 12 | <p>Record Sale of Securities - Face Value: TC S10 - Record Sale of Security - SCO Collection Dr. 1140 Cash in State Treasury Cr. 2011 Investments in Securities at Cost or Cr. 2012 Investments in Securities</p> <p style="text-align: center;">OR</p> <p>TC S11 - Record Sale of Security - Agency Collection Dr. 1110 General Cash Cr. 2011 Investments in Securities at Cost or Cr. 2012 Investments in Securities</p> | <p>If security was purchased at a Discount, then this entry is for the Face Value less Unaccumulated Discount. If security was purchased at a Premium, the entry is for the Face Value. If sold for a loss, the amount would be sales price less interest received less Unaccumulated Discount if applicable. Input applicable General Ledger for Investment.</p> |
| 13 | <p>Record Sale of Securities - Interest Received: If Interest has NOT been accrued: TC 136 - Record SCO Collection of Revenue (Not Billed) Dr. 1140 Cash in State Treasury Cr. 8000 Revenue</p> <p style="text-align: center;">OR</p> <p>TC 101 - Record Cash Receipts as Revenue (Not Billed) Dr. 1110 General Cash Cr. 8000 Revenue</p> <p>If Interest has been accrued: TC 144 - Record SCO Collection of A/R Operating Revenue Dr. 1140 Cash in State Treasury Cr. 1314 Accounts Receivable Operating Revenue</p> <p style="text-align: center;">OR</p> <p>TC 143 - Record Cash Receipts for Operating Rev Prev Billed Dr. 1110 General Cash Cr. 1314 Accounts Receivable Operating Revenue</p> | <p>Use Source code 215n00. Record the amount of cash received that is for interest earned as of the sale date. If sold before the first interest payment AND recorded Interest Purchased (Entry #2), TC S08 or S09 must also be recorded.</p> |

EXHIBIT VI-1 (CONTINUED)
SECURITIES/INVESTMENTS ACCOUNTING EVENTS

| | | |
|----|--|---|
| 14 | <p>Liquidate Balance of Discount on Security When Sold TC S12 - Liquidate Discount on Security When Sold Dr. 2014 Discount on Securities Cr. 2011 Investments in Securities at Cost or Cr. 2012 Investments in Securities</p> | <p>If security was purchased at a Discount, this entry is for the Discount balance. Input applicable General Ledger for Investment.</p> |
| 15 | <p>Liquidate Balance of Premium on Securities When Sold: TC S13 - Liquid. Premium on Security When Sold - SCO Collect Dr. 1140 Cash in State Treasury Cr. 2013 Premium on Securities</p> <p style="text-align: center;">OR</p> <p>TC S14 - Liquid. Premium on Security When Sold-Agency Collect Dr. 1110 General Cash Cr. 2013 Premium on Securities</p> | <p>If security was purchased at a Premium, this entry is for the Unamortized Premium balance.</p> |
| 16 | <p>If Sale is for less than Face Value of security, record Loss. This entry is for the amount of the Face Value of the security less sales price less Interest received. TC S15 - Record Loss on Sale of Security - SCO Dr. 8000 Revenue Cr. 2011 Investments in Securities at Cost or Cr. 2012 Investments in Securities</p> | <p>Use Source code 215n00.</p> |
| 17 | <p>Record Gain on Sale of Security. The entry is for the sales price less Face Value less Interest Received. TC S16 - Record Gain on Sale of Security - SCO Collection Dr. 1140 Cash in State Treasury Cr. 8000 Revenue</p> <p style="text-align: center;">OR</p> <p>TC S17 - Record Gain on Sale of Security - Agency Collection Dr. 1110 General Cash Cr. 8000 Revenue</p> | <p>Use Source code 215n00. Enter the applicable GLA for the Investment.</p> |

EXHIBIT VI-1 (CONTINUED)
SECURITIES/INVESTMENTS ACCOUNTING EVENTS

T ACCOUNT EXAMPLE

Transfer of cash to securities.

| | | |
|-----------|-----------------------------|----------|
| Scenario: | Face Value of Security | \$900.00 |
| | Accrued Interest Receivable | 10.00 |
| | Discount on Purchase | 40.00 |
| | Cash purchase price | 870.00 |

Entry #1: To record transfer of cash to investments:

| | | |
|--|----------|----------|
| | Dr. 2012 | \$900.00 |
| | Dr. 1320 | 10.00 |
| | Cr. 2014 | \$ 40.00 |
| | Cr. 1140 | 870.00 |

The following entries would be used to record the above:

| | | |
|--|---------------------|----------|
| | #1 DR 2012, CR 1140 | \$860.00 |
| | #2 DR 1320, CR 1140 | 10.00 |
| | #4 DR 2012, CR 2014 | 40.00 |

Entry #2: To record receipt of interest and to record amortization to date:

| | | |
|--|----------|----------|
| | Dr. 1140 | \$100.00 |
| | Dr. 2014 | 10.00 |
| | Cr. 8000 | \$100.00 |
| | Cr. 1320 | 10.00 |

The following entries would be used to record the above:

| | | |
|--|---------------------|---------|
| | #7 DR 1140, CR 1320 | \$10.00 |
| | #9 DR 2014, CR 8000 | 10.00 |
| | #5 DR 1140, CR 8000 | 90.00 |

Entry #3: To record notification of sale at a profit:

| | | |
|--|----------|----------|
| | Dr. 1140 | \$950.00 |
| | Dr. 2014 | 30.00 |
| | Cr. 2012 | \$900.00 |
| | Cr. 8000 | 80.00 |

The following entries would be used to record the above:

| | | |
|--|----------------------|----------|
| | #12 DR 1140, CR 2012 | \$870.00 |
| | #14 DR 2014, CR 2012 | 30.00 |
| | #17 DR 1140, CR 8000 | 80.00 |

EXHIBIT VI-1 (CONTINUED)
SECURITIES/INVESTMENTS ACCOUNTING EVENTS

| <u>EVENT</u> | <u>TC</u> | <u>DR</u> | <u>CR</u> |
|--|--------------------------|------------------------------|------------------------------|
| 1. Record Face Value of Security; or Claim Payment for Face Value of Security | S01 S02 | * * | 1140 3021 |
| 2. Record Interest Purchased; or Claim Payment for Interest Purchased | S03 S04 | 1320 1320 | 1140 3021 |
| 3. Record Premium Paid on Security Purchase; or Claim Payment for Premium on Security | S05 S06 | 2013 2013 | 1140 3021 |
| 4. Record Discount on Security Purchase | S07 | * | 2014 |
| 5. Record SCO Collect of Revenue (Not Bill); or Rec Cash Receipts as Revenue (Not Bill) | 136 101 | 1140 1110 | 8000 8000 |
| 6. Rec SCO Collect of A/R Operating Revenue; or Rec Cash Receipts for Operating Rev Prev Billed | 144 143 | 1140 1110 | 1314 1314 |
| 7. Liquidate Interest Purchased-SCO Collect; or Liquidate Interest Purchased-Agency Collect | S08 S09 | 1140 1110 | 1320 1320 |
| 8. A-5 Rec Amortization of Premium on Security | 549 | 8000 | 2013 |
| 9. A-5 Rec Amortization of Discount on Security | 548 | 2014 | 8000 |
| 10. A-5 Rec Amortization of Interest Purchased | 550 | 8000 | 1320 |
| 11. Record Billing of A/R Operating Revenue | 121 | 1314 | 8000 |
| 12. Record Sale of Security - SCO Collect; or Record Sale of Security - Agency Collect | S10 S11 | 1140 1110 | * * |
| 13. Rec SCO Collection of Revenue (Not Bill); or Rec Cash Receipts as Revenue Not Billed; or Rec SCO Collect of A/R Operating Revenue; or Rec Cash Receipts for Operating Rev Prev Billed | 136 101 144 143 | 1140 1110 1140 1110 | 8000 8000 1314 1314 |
| 14. Liquidate Discount on Security When Sold | S12 | 2014 | * |
| 15. Liquidate Premium on Security When Sold-SCO; or Liquidate Premium on Security When Sold-Agency | S13 S14 | 1140 1110 | 2013 2013 |
| 16. Record Loss on Sale of Security | S15 | 8000 | * |
| 17. Record Gain on Sale of Security - SCO; or Record Gain on Sale of Security - Agency | S16 S17 | 1140 1110 | 8000 8000 |
| * Input General Ledger Account 2011 or 2012 | | | |

EXHIBIT VI-1 (CONTINUED)
SECURITIES/INVESTMENTS ACCOUNTING EVENTS

| <u>T ACCOUNTS</u> | | | | | |
|--|----|---|----|-------------------------------|----|
| 1110 General Cash | | 1140 Cash in State Treasury | | 1314 A/R Operating Revenue | |
| 5 | | | 1 | | 6 |
| 6 | | | 2 | 10 | |
| 7 | | | 3 | 11 | |
| 12 | | 5 | | | 13 |
| 13 | | 6 | | | |
| 15 | | 7 | | | |
| 17 | | 12 | | | |
| | | 13 | | | |
| | | 15 | | | |
| | | 17 | | | |
| 1320 Accrued Interest Receivable | | 2011-Invest in Securities at Cost 2012-Investments in Securities | | 2013 Premium on Securities | |
| 2 | | 1 | | 3 | |
| | 7 | 4 | | | 8 |
| | 10 | | 12 | | 15 |
| | | | 14 | | |
| | | | 16 | | |
| 2014 Discount on Securities | | 3021 Claims in Process | | 8000 Revenue | |
| | 4 | | 1 | | 5 |
| 9 | | | 2 | 8 | |
| 14 | | | 3 | | 9 |
| | | | | 10 | |
| | | | | | 11 |
| | | | | | 13 |
| | | | | 16 | |
| | | | | | 17 |