SECURITIES **19464**

(Revised 5/1987)

Agencies that invest cash trust moneys in securities may make arrangements with the State Treasurer's Office (or in some instances with the State Employees' Retirement System) for the handling of purchase and sale transactions. The securities will be held by the State Treasurer for safekeeping. The head of the agency or his deputy will send a letter to the State Treasurer similar to that prescribed in SAM Section 19423.

The following principles will be observed in accounting for investments in securities.

- Par value, premium, discounts, and accrued interest purchased on stated rate of interest securities will be accounted in separate accounts.
- The "no stated rate of interest" securities will be recorded at cost and no interest will be recognized except at time of sale or maturity and at June 30 (when the interest will be accrued).
- Premium will be amortized and discount will be accumulated by the "interest method" (amortization of premium and discount is used to yield an equal periodic rate of interest) as of each June 30 only. Amortization and accumulation to each interest date will not be required.
- Interest will be accrued as of each June 30.
- Bond amortization schedules will be developed by the agency or may be purchased from a publishing company. Effective yield will be computed to the nearest 1/100 of 1 percent. The following information must be supplied when ordering bond amortization schedules: (1) face value, (2) purchase price, (3) coupon rate, (4) maturity date (month, day, year), (5) purchase date (month, day, year). and (6) the fact that amortization is required as of each June 30 only.

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SECURITIES **19464** (Cont. 1)
(Revised 5/1987)

The following journal entries illustrate the prescribed procedure for stated rate of interest securities only.

1. Securities are purchased:

Debit	Credit		
1320		Accured Interest Receivable	a/
2012		Investment in Securities	b/
2013		Premium on Securities	c/
	1120	Agency Trust Fund Cash	d/
	2014	Discount on Securities	e/

a/	Amount Of Interest Accured On Securities At Date Of Purchase.
b/	Face Value Of Securities Having A Par Value.
c/	Amount That Purchase Price Exceeds The Sum Of Face Value And Accured Interest Purchased.
d/	Amount Paid For Securities
e/	Amount That The Sum Of Face Value And Accured Interest Purchased Exceeds Purchase Price.

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SECURITIES **19464** (Cont. 2)
(Revised 5/1987)

2. Interest payments are received:

Debit	**Credit**		
1120		Agency Trust Fund Cash	a/
	1314	Accounts Receivable-Operating Revenue	b/
	1320	Accured Interest Receivable	c/
	5530	Fund Balance-Unappropriated	d/

a/	Amount of cash received.
b/	Amount of interest received that had been accrued at the previous June 30.
c/	Amount of interest received that had accrued at the date of purchase.
d/	Amount of interest received that had not been received at the previous June 30.

3. Par value of maturing securities is received:

Debit	**Credit**		
1120		Agency Trust Fund Cash	a/
	1314	Accounts Receivable-Operating Revenue	b/
	2011	Investment in Securities at Cost	c/
	5530	Fund Balance-Unappropriated	d/

a/	Amount of cash received.
b/	Amount of interest accrued at the previous June 30 on the maturing securities.
c/	Cost of “no stated rate of interest” securities sold.
d/	a- (c+d). This account would be debited if c+d exceeded a.

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SECURITIES **19464** (Cont. 3)
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4. Interest is accrued at June 30:

Debit	**Credit**		
1314		Accounts Receivable-Operating Revenue	a/
	5530	Fund Balance-Unappropriated	a/

a/	Amount of interest accrued at June 30 at the purchase yield rate.