

## SECTION 23 -- INVESTMENT TRANSACTIONS

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## Summary of Changes

Includes material formerly in section 11.5.

**23.1 When can funds be invested?**

You can invest funds when provisions of law authorize you to invest funds in securities to earn interest income. Generally, the authorization is for investments in *U.S. securities*, which consist of public debt securities issued by the Treasury Department and securities issued by other Federal Government agencies. U.S. securities are the equivalent of cash for budget purposes. Treat investment in these securities as a change in the mix of assets held, rather than as a purchase of assets. Subsections 23.2 and 23.3 below describe specific transactions that you need to record in the SF 133.

In exceptional cases, the authorization may be for investment in securities issued by a non-Federal entity, such as a private company, local government, or Government-sponsored enterprise, like Fannie Mae. Subsection 23.4 describes how you should treat investments in non-U. S. securities.

**23.2 How do I treat principal of investments in U.S. securities?**

When you invest funds in a U.S. security, treat the principal transaction as an exchange of assets.

- Reduce cash balances by the purchase price.
- Increase holdings of U.S. securities by the par (face or nominal) value of the security acquired.
- Do not change the levels of unobligated and obligated balances of budgetary resources as a result of the principal transaction.
- Report amounts invested, without distinction, as part of the balances reported on apportionment and reporting forms.
- Do not record an obligation or outlay.

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When you sell or redeem a U.S. security, treat the principal transaction as follows:

- Decrease holdings of U.S. securities by the par (face or nominal) value of the security.
- Increase cash balances by the par value of the security.
- Do not change the levels of unobligated and obligated balances of budgetary resources.
- Do not record an obligation or outlay.

### 23.3 How do I treat discounts, premiums, and interest on investments in U.S. securities?

Discounts, premiums, and interest determine the yield on principal invested in U.S. securities. In general, record these transactions as revenue or adjustments to revenue.

For *special and trust funds*, record interest, earned discounts, and premiums as increases and decreases, as appropriate, in receipts. These adjustments to receipts, in turn, have the following impact:

When the receipts are...	They affect...
Subject to annual appropriation	The amount of receipts available for appropriation
Permanently appropriated	The amount of budget authority becoming available in the year

On the SF 133:

- Report budget authority only.
- Do not report interest, earned discounts, or premiums. (See OMB Circular No. A-11 for instructions on recording of receipts for these transactions.)

For *revolving funds* (including trust revolving funds), record these transactions as increases or decreases in earned reimbursements on the SF 133. Combine and record interest, earned discounts, and premiums on a net basis as interest on investments.

Each of the transactions listed below provides instructions for both (1) special and trust funds, and (2) revolving funds.

- *Purchase discount*. When a security is purchased for an amount less than the par value. Purchase discounts are not realized until a security matures or is sold. This requires special treatment. Record the difference as a negative adjustment to par value. See Exhibit 23A.
  - ▶ *Special and trust funds*: Show the net amount (that is, minus the unrealized discount) as unobligated balances, end of year. When that security is redeemed or sold, record the earned discount as a positive amount in the receipt account for interest in the year of the maturity or sale. If the realized discount is automatically appropriated, this will increase the amount of receipts that may be appropriated and included on line 1A of the SF 133. See Exhibit 23B.
  - ▶ *Revolving funds*: Net the amount of the unrealized discount against the par value of the investment. Include this on line 9 of the SF 133. When that security is redeemed or sold, remove the negative adjustment to unobligated balances and include the discount realized on line 3A1 of the SF 133 "Spending authority from offsetting collection: Earned: Collected." See Exhibit 23C.

- *Purchase premium*: When a security is purchased for an amount greater than the par value. Record the difference as a negative adjustment to earnings.
  - ▶ *Special and trust funds*: Record a purchase premium as a negative amount in the fund's interest receipt account at the time of purchase. This will decrease the amount of receipts that may be appropriated and included on line 1A of the SF 133.
  - ▶ *Revolving funds*: Include the amount greater than the par value as a negative amount on line 3A1 of the SF 133, "Spending authority from offsetting collection: Earned: Collected." See Exhibit 23D.
  
- *Sales discount*. When a security is sold for an amount less than the par value.
  - ▶ *Special and trust funds*: If the difference between the sales price and the purchase price is:
    - ▶ A gain, record a sales discount as a positive amount in the fund's interest receipt account at the time of sale.
    - ▶ A loss, record a sales discount as a negative amount in the fund's interest receipt account at the time of sale.

This affects the amount of receipts that may be appropriated and included on line 1A of the SF 133.
  - ▶ *Revolving funds*: On line 3A1 of the SF 133, "Spending authority from offsetting collection: Earned: Collected," if the difference between the sales price and the purchase price is:
    - ▶ A gain, include a sales discount as a positive amount.
    - ▶ A loss, include a sales discount as a negative amount.
  
- *Sales premium*. When a security is sold for an amount greater than the par value.
  - ▶ *Special and trust funds*: If the difference between the sales price and the purchase price is:
    - ▶ A gain, record a sales premium as a positive amount in the fund's interest receipt account at the time of sale.
    - ▶ A loss, record a sales premium as a negative amount in the fund's interest receipt account at the time of sale.

This affects the amount of receipts that may be appropriated and included on line 1A of the SF 133.
  - ▶ *Revolving funds*: On line 3A1 of the SF 133, "Spending authority from offsetting collections: Earned: Collected," if the difference between the sales price and the purchase price is:
    - ▶ A gain, include a sales premium as a positive amount.
    - ▶ A loss, include a sales premium as a negative amount.
  
- *Interest*. Record the nominal or stated amount of interest received or anticipated during the year as a positive amount.

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- ▶ *Special and trust funds*: Record the interest as a positive amount in the fund's receipt subaccount for "Interest and earnings on investments." This increases the amount that may be appropriated and reported. When they are appropriated, include these amounts on line 1A of the SF 133.
- ▶ *Revolving funds*: Record the interest as a positive adjustment and include the net effect on line 3A1 of the SF 133, "Spending authority from offsetting collections: Earned: Collected."
- *Accrued interest purchase*. When the former owner is paid for the amount of interest that has accrued to the owner but will be received by the fund. Record the amount as a negative adjustment to earnings.
  - ▶ *Special and trust funds*: Record the interest paid as a negative amount in the fund's receipt subaccount for "Interest and earnings on investments."
  - ▶ *Revolving funds*: Record the interest paid as a negative adjustment and include the net effect on line 3A1 of the SF 133, "Spending authority from offsetting collections: Earned: Collected."

**23.4 How do I treat investments in securities issued by non-Federal entities?**

Treat investment in non-U.S. securities (equity or debt securities) as the purchase of an asset. You must record an obligation and an outlay for the purchase in an amount equal to the purchase price. You cannot incur an obligation unless a law has provided budget authority for the purpose.

When it is received, record interest on investments in non-U. S. securities as a collection, in the amount received.

For investments from an *appropriation or revolving fund account* (including a trust revolving fund account), record interest as a reimbursement on the SF 133.

For investments from a *special or trust fund account*, record interest in a receipt account for interest from non-Federal sources. These receipts, in turn, have the following impact:

When the receipts are...	They affect...
Subject to annual appropriation	The amount of receipts available for appropriation
Permanently appropriated	The amount of budget authority becoming available in the year

Only report the budget authority on the SF 133.

When it is received, record the proceeds from the sale or redemption of a non-U.S. security as a collection, in the amount received. As with interest, record the proceeds as an offsetting collection credited to the account or as a receipt, depending on the type of fund from which the investment is made.

These investments may involve other transactions, such as premiums or discounts. Be sure to consult your OMB representative if you have questions.

**U.S. Government Security Purchased at a Discount  
Special, Trust, and Revolving Funds**

**Illustration: An account with a cash balance of \$1,500 invests  
in a \$1,000 (par value) U.S. Government security at a 10% discount.**

SF 133 REPORT ON BUDGET EXECUTION		Period ended 9/30/CY
AGENCY: Department of Government BUREAU: Bureau of Central Services	APPROPRIATION OR FUND TITLE AND SYMBOL 80X1309 Research and development	
<b>BUDGETARY RESOURCES</b>		
2. Unobligated balance A. Brought forward October 1.....	1,500	The beginning balance is made up of \$1,500 in cash.
<hr/> 7. Total budgetary resources.....		
<b>STATUS OF BUDGETARY RESOURCES</b>		
8. Obligations incurred:	←	No obligation is recorded because the principal transaction is treated as an exchange of assets.
9. Unobligated balance: A. Apportioned: 1. Balance, currently available.....	1,500	As a result of the investment: ♦ Cash..... \$600 ♦ U.S. Government securities (at par)..... \$1,000 ♦ Unrealized discounts... - \$100 Net balances \$1,500
<hr/> 11. Total status of budgetary resources.....		
<b>RELATIONSHIP OF OBLIGATIONS TO OUTLAYS</b>		
15. Outlays: A. Disbursements (+)..... B. Collections (-).....	←	No outlay is recorded because the principal transaction is treated as an exchange of assets.

_____ (Authorized Officer)	_____ (Date)	(Preparer: Name) _____ (Address) _____ (Phone number) _____
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**U.S. Government Security in Exhibit 23A Sold or Redeemed at Par  
Special or Trust Funds**

**Illustration: A special or trust fund sells the security at par value and receives cash,  
and the realized discount is automatically appropriated.**

SF 133 REPORT ON BUDGET EXECUTION		Period ended 9/30/CY
AGENCY: Department of Government	APPROPRIATION OR FUND TITLE AND SYMBOL	
BUREAU: Bureau of Central Services	80X1309 Research and development	
<b>BUDGETARY RESOURCES</b>		
1. Budget Authority		
A. Appropriation... P.L. 99-456.....	100	When appropriated (together with other receipts), count the discount realized as budget authority on line 1A and reflect it in the balances on line 9C below.
		As a result of the investment: ♦ Cash..... \$600 ♦ U.S. Government securities (at par)..... \$1,000 ♦ Unrealized discounts... - \$100 Net balances \$1,500
2. Unobligated balance		
A. Brought forward October 1.....	1,500	
<hr/>		
7. Total budgetary resources.....	1,600	
<b>STATUS OF BUDGETARY RESOURCES</b>		
9. Unobligated balance:		
A. Apportioned:		
1. Balance, currently available.....	1,600	
<hr/>		
11. Total status of budgetary resources.....	1,600	
<b>RELATIONSHIP OF OBLIGATIONS TO OUTLAYS</b>		
_____ (Authorized Officer)                      (Date)		(Preparer: Name) _____ (Address) _____ (Phone number) _____

### U.S. Government Security in Exhibit 23A Sold or Redeemed at Par Revolving Fund

**Illustration:** This is identical to the circumstances in Exhibit 23B, except that a revolving fund is involved.  
This means that the discount realized is authorized to be credited and used without further appropriation action.

SF 133 REPORT ON BUDGET EXECUTION		Period ended 9/30/CY
AGENCY: Department of Government	APPROPRIATION OR FUND TITLE AND SYMBOL	
BUREAU: Bureau of Central Services	80X1309 Research and development	
<b>BUDGETARY RESOURCES</b>		
2. Unobligated balance		
A. Brought forward October 1.....	1,500	
3. Spending authority from offsetting collections (gross)		
A. Earned:		
1. Collected.....	100	When the discount is realized, record it on this line.
7. Total budgetary resources.....	1,600	
<b>STATUS OF BUDGETARY RESOURCES</b>		
9. Unobligated balance:		
A. Apportioned:		
1. Balance, currently available.....	1,600	
11. Total status of budgetary resources.....	1,600	
<b>RELATIONSHIP OF OBLIGATIONS TO OUTLAYS</b>		
15. Outlays:		
A. Disbursements (+).....		
B. Collections (-).....	-100	Record the amount as an offset to outlays.
_____ (Authorized Officer)	_____ (Date)	(Preparer: Name) _____ (Address) _____ (Phone number) _____

**U. S. Government Security in Exhibit 23A Purchased at a Premium  
Revolving Fund**

**Illustration: A revolving fund with a \$1,500 balance in cash invests  
and pays a \$100 premium for a U.S. security with par value of \$1,000.**

SF 133 REPORT ON BUDGET EXECUTION		Period ended 9/30/CY
AGENCY: Department of Government	APPROPRIATION OR FUND TITLE AND SYMBOL	
BUREAU: Bureau of Central Services	80X1309 Research and development	
<b>BUDGETARY RESOURCES</b>		
1. Budget Authority		
A. Appropriation... P.L. 99-456.....		
		Include reference to law(s) providing budget authority.
2. Unobligated balance		
A. Brought forward October 1.....	1,500	Beginning balance consists of: ◆ Cash..... \$1,500
3. Spending authority from offsetting collections (gross)		
A. Earned:		
1. Collected.....	-100	Record the amount greater than par as a negative amount on line 3A.
<b>7. Total budgetary resources.....</b>	<b>1,400</b>	
<b>STATUS OF BUDGETARY RESOURCES</b>		
9. Unobligated balance:		
A. Apportioned:		
1. Balance, currently available.....	1,400	The ending balance consists of \$1,000 for the U.S. securities at par, and \$400 in cash (the \$1,500 on line 2A minus the \$1,100 paid to purchase the security).
<b>11. Total status of budgetary resources.....</b>	<b>1,400</b>	
<b>RELATIONSHIP OF OBLIGATIONS TO OUTLAYS</b>		
_____	_____	(Preparer: Name) _____
(Authorized Officer)	(Date)	(Address) _____
		(Phone number) _____