

SECTION 113—INVESTMENT TRANSACTIONS

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113.1 How do I record investment in securities, disinvestment, and earnings?(a) *Overview.*

You may only invest funds in securities if you are authorized to do so by law. Authorizing laws usually specify investment in Federal securities; they rarely authorize investment in non-Federal securities (see the definitions below). The budget treatment of investment in non-Federal securities, described in subsection (c), differs from that of Federal securities, described in subsection (d).

The guidance in this section regarding purchase premiums and discounts doesn't apply to the Treasury Department's purchases of marketable Treasury securities from the public prior to their maturity (often referred to as "debt buybacks"). The budget records buyback premiums and discounts as means of financing a surplus or deficit, rather than as outlays or offsetting collections or receipts. The buyback premium or discount is the difference between the purchase price of a security and its book value. The book value can be expected to differ from the par value (face value) of the security. (See Chapter 24, "Budget System and Concepts and Glossary," pages 457–458, of the *Analytical Perspectives* volume of the 2001 budget for an explanation of the reason for this treatment.)

(b) *Special terms for investment defined.*

- (1) *Accrued interest purchase* means payments to the seller of a security, when a security is purchased, for interest that has accrued to the seller but that will be paid to the purchaser.
- (2) *Amortization* means to record a portion of any purchase discount or purchase premium in each reporting period over the life of a security, or it means the amount so recorded.
- (3) *Book value* means the *par value* of a security minus the amount of any unamortized discounts or plus the amount of any unamortized premiums.

- (4) *Earnings* refer collectively to some or all of these components: interest, accrued interest purchases, the amortization of purchase premiums and discounts, and sales gains and losses.
- (5) *Federal securities* consist of securities issued by Federal agencies, including nonmarketable par value Treasury securities, market-based Treasury securities, marketable Treasury securities, and securities issued by other Federal agencies. This includes investments in Federal securities through the secondary market by Federal agencies. (Compare this to *non-Federal securities*.)
- (6) *Interest* means the nominal interest or stated amount of interest received on a security.
- (7) *Marketable Treasury securities*, including Treasury bills, notes, and bonds, are types of securities that Treasury initially issues by sale to the marketplace and that can be bought and sold on securities exchange markets.
- (8) *Market-based Treasury securities* are special series debt securities that the U.S. Treasury issues to Federal entities without statutorily determined interest rates. These securities are not offered to the market place and cannot be bought and sold on exchange markets, but Treasury sets their terms (prices and interest rates) to mirror the terms of marketable Treasury securities. Because they mirror market terms, the purchase price may reflect a premium or discount.
- (9) *Net value*, for the purpose of budget schedules, means the par value of a security reduced by the amount of any purchase discount on a cash basis. This definition differs from the definition of "Treasury securities, net" as reported in balance sheets under section [86.2](#) (see *Differences between amounts recorded in budget schedules and financial statements* in subsection (d)).
- (10) *Nonmarketable par value Treasury securities* are special series debt securities that the U.S. Treasury issues to federal entities at par value. These securities are not offered to the market place and cannot be bought and sold on exchange markets. As required by the authorizing laws, Treasury sets the interest rate on such securities taking into consideration current market yields on outstanding marketable Treasury securities of specified maturity. Because these securities are sold at par value, there is no purchase premium or discount.
- (11) *Non-Federal securities* consist of securities issued by a non-Federal entity, including State and local governments, private corporations, and Government-sponsored enterprises, regardless of whether the securities are federally guaranteed. This includes investments by Federal agencies in money market as well as mutual funds, even if the money market or mutual fund's assets consist entirely of Federal securities.
- (12) *Par value* is the amount of principal a security pays at maturity. It is the amount printed on the face of a Treasury security, which is why it is sometimes referred to as the face value, or the equivalent book-entry amount.
- (13) *Purchase discount* means the excess of a security's par value over its purchase price.
- (14) *Purchase premium* means the excess of a security's purchase price over its par value.
- (15) *Sales gain* means the excess of the sales price over the purchase price of the security.
- (16) *Sales loss* means the excess of the purchase price over the sales price at the time of the sale.

(c) *Non-Federal securities*

The budget treats an investment in a non-Federal security (equity or debt security) as a purchase of an asset, recording an obligation and an outlay in an amount equal to the purchase price in the year of the purchase. You cannot incur such an obligation unless budget authority (or unobligated balances of budget authority) is available for the purpose. If a law clearly requires such investment without requiring further action by Congress, we will generally construe that law as providing budget authority for the purpose.

Investment in non-Federal securities consumes budgetary resources, unlike investment in Federal securities. The purchase of non-Federal securities using unobligated balances reduces the balances. The balance doesn't include the value of non-Federal securities because the funds have been spent for the purchase of the assets.

When such securities are sold or redeemed at maturity, the budget records the proceeds as offsetting collections or receipts, which adds to the balances of the account.

You record interest and other earnings on such investments as described for earnings on Federal securities in the next subsection, except that you must account for such earnings separately from earnings on investments in Federal securities. You record earnings credited to a general fund appropriation account or revolving fund account as offsetting collections on line 8840, Non-Federal sources, of the program and financing statement. You record earnings credited to a special or trust fund account as proprietary receipts in a separate receipt account for this purpose.

The Treasury Financial Manual (TFM) provides guidance to agencies for the accounting and reporting of cash not deposited in a Treasury General Account and investments in non-Federal securities. It specifically provides guidance on cash and investments held outside of the U.S. Treasury as they relate to budgetary funds and non-budgetary funds under the Federal Government's custodial responsibility. An electronic version of the TFM chapter can be found at:

<http://www.fms.treas.gov/tfm/vol1/v1p2c340.pdf>.

In addition to the Treasury guidance, please contact your OMB representative to establish the appropriate receipt accounts, where necessary, to properly report the non-Federal investment activity. Receipt accounts may include, but are not limited to the following:

- Interest and dividends on non-Federal securities;
- Realized gains on non-Federal securities; and
- Proceeds from non-Federal securities not immediately reinvested.

(d) *Federal securities.*

Because Federal securities are the equivalent of cash for budget purposes, we treat investment in them as a change in the mix of assets held, rather than as a purchase of assets. The following bullets describe the treatment in general terms, and the following table explains how to record specific transactions in the budget. The purchase, sale, or redemption of an asset, or the earnings in a year, may combine several transactions.

- **Principal.** The investment reduces the cash balances by the purchase price and increases balances of Federal securities. How you report balances of Federal securities depends on which budget schedule you are working with.
 - ▶ *Special and trust fund receipts schedule (schedule N).* This schedule doesn't divide the unavailable balances into cash and Federal securities. It presents the balances as a single amount (unless the balances are divided for other reasons). The amount equals the uninvested

cash balance, plus the *net value* (as defined in subsection (b)) of Federal securities held. MAX generates schedule N automatically. (See section [86.4](#).)

- ▶ *Program and financing schedule (schedule P)*. This schedule doesn't divide balances (unobligated or obligated balances) into cash and Federal securities. It presents the balances as a single amount (unless the balances are divided for other reasons). The amount equals the uninvested cash balance, plus the *net value* (as defined in subsection (b)) of Federal securities held. Enter the end of year unobligated and obligated balances in MAX as you would normally. In addition, you must enter memorandum entries for total investments at *par value* at the start and end of each year. (See section [82.3](#).)
- ▶ *Status of funds schedule (schedule J)*. We require this schedule for certain accounts listed by agency in section 86.5. For unexpended balances at the start of the year and at the end of the year, the schedule presents separate amounts for the cash balance, the balance of Federal securities at *par value*, and unrealized purchase discounts. The MAX database generates schedule J automatically, except that it does not divide balances into amounts for cash, Federal securities at par value, or unrealized purchase discounts. You must enter these amounts. (See section [86.3](#).)
- **Earnings**. You record all earnings as net interest. Some components may be positive (such as interest and realized purchase discounts) and others negative (such as an accrued interest purchases and purchase premiums). Record each component as an increase or decrease in the net interest for the year in which the transaction occurs. For investments from a general fund appropriation account or revolving fund account (including a trust revolving fund account), record interest as an offsetting collection credited to the account (line 8820 Interest on Federal securities) of the P&F schedule. For investments from a special or trust fund account (non-revolving), record interest in a receipt account for interest (usually one ending with the suffix .20). The Status of Funds schedule, if one is required for the account, records earnings on lines that correspond to the entries for offsetting collections in the P&F schedule or the receipts credited to receipt accounts, as appropriate.

We may specify an alternative treatment for certain accounts where these rules may result in significant distortions of amounts presented in the budget.

The following table lists the transactions associated with investments in Federal securities in the first column and explains how to record them in the budget schedules in columns 2 through 4. Please note these features of the table:

- The second column contains instructions for recording transactions in the P&F schedule. The instructions for recording principal transactions apply to all accounts investing or disinvesting in securities. The instructions for recording earnings apply only to investments from general fund appropriation accounts or revolving fund accounts (including trust revolving funds).
- The third column contains instructions for recording earnings in special and trust fund (except trust revolving fund) receipt accounts for interest.
- The fourth column contains instructions for recording transactions—both principal transactions and earnings transactions—in the Status of Funds schedule required for certain accounts listed in section 86.3.
- Although the instructions on balances specify end of year balances, they apply equally to start of year balances, because end of year balances are carried forward and become the start of year balances for the next year. MAX automatically generates the start of year balances in the

Unavailable Collections schedule (MAX schedule N), the P&F schedule (MAX schedule P), and the Status of Funds schedule (MAX schedule J), except that you must break out the amounts for cash, Federal securities at par value, and unrealized purchase discounts in the Status of Funds schedule.

- A negative sign "(-)" at the end of a stub label means that you normally report negative amounts on this line. A direction to increase the amount reported means you should report a larger negative amount, and a direction to decrease the amount means you should report a smaller negative amount. The absence of a sign means you normally report positive amounts on this line. It is possible for negative earnings (such as a sales loss) for an account for a year to produce a positive amount for offsetting collections, or a negative amount for receipts, if the amounts reported for other transactions during the year are not sufficient to offset the negative earnings. (No signs appear in the stub labels printed in the budget.)

If the transaction is...	In the P&F schedule...	Or, in the special or trust fund receipt account for interest (usually suffix .20) ...	And, in the Status of Funds schedule...
(1) Principal, upon investment.	Increase the amount reported on line 9202, "Total investments, end of year; Federal securities: Par value," by the par value in the purchase year.	Not applicable.	Decrease the amount reported on line 8700, "Uninvested balance (net), end of year," by the purchase price in the purchase year. Increase the amount reported on line 8701, "Invested balance, end of year," by the par value in the purchase year.
(2) Purchase discount—the excess of a security’s par value over the purchase price.	Not applicable.	Not applicable.	In the year of the purchase, increase the amount reported on line 8700, "Uninvested balance (net), end of year," by the discount amount. When the security matures: (1) Decrease the amount reported on line 8700, "Uninvested balance (net), end of year," by the amount of the purchase discount; and (2) increase the amount reported on the line corresponding to the offsetting collection or receipt, as appropriate, by the amount of the purchase discount.
(3) Purchase premium—the excess of a security’s purchase price over its par value.	Decrease the amount reported on line 8820, "Interest on Federal securities (-)," by the premium amount in the year of the purchase.	Decrease the amount reported as interest by the premium amount in the year of the purchase.	Decrease the amount reported on the line corresponding to the offsetting collection or receipt, as appropriate, by the amount of the purchase

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If the transaction is...	In the P&F schedule...	Or, in the special or trust fund receipt account for interest (usually suffix .20) ...	And, in the Status of Funds schedule...
			premium in the year of the purchase.
(4) Accrued interest purchase—a payment to the seller of a security, when a security is purchased, for interest that has accrued to the seller but that will be paid to the purchaser.	Decrease the amount reported on line 8820, "Interest on Federal securities (-)," by the amount of the accrued interest purchase in the year of purchase.	Decrease the amount reported as interest by the amount of the accrued interest Purchase in the year of the purchase.	Decrease the amount reported on the line corresponding to the offsetting collection or receipt, as appropriate, by the amount of the accrued interest purchase in the year of purchase.
(5) Interest—the nominal or stated amount of interest received.	Increase the amount reported on line 8820 "Interest on Federal securities (-)," by the amount of interest received each year.	Increase the amount reported for interest by the amount of interest received each year.	Increase the amount reported on the line corresponding to the offsetting collection or receipt, as appropriate, by the amount of interest received each year.
(6) Principal, upon redemption at maturity.	Decrease the amount reported on line 9202, "Total investments, end of year; Federal securities: Par value," by the par value in the year of redemption.	Not applicable.	Increase the amount reported on line 8700, "Uninvested balance (net), end of year," by the par value in the year of redemption. Decrease the amount reported on line 8701, "Invested balance, end of year" by the par value in the year of redemption.
(7) Principal, upon sale before maturity.	Decrease the amount reported on line 9202, "Total investments, end of year; Federal securities: Par value," by the par value in the year of sale.	Not applicable.	In the year of the sale: Increase the amount reported on line 8700, "Uninvested balance (net), end of year" by the sales price. Decrease the amount reported on line 8701, "Invested balance, end of year" by the par value. Decrease the amount reported on line 8700, "Uninvested balance (net), end of year," if the security was purchased at a discount.
(8) Sales gain—the excess of the sales price over the purchase price.	Increase the amount reported on line 8820, "Interest on Federal securities (-)," by the amount of the gain in the	Increase the amount reported for interest by the amount of the gain in the year of the sale.	Increase the amount reported on the line corresponding to the offsetting collection or receipt, as appropriate, by

If the transaction is...	In the P&F schedule...	Or, in the special or trust fund receipt account for interest (usually suffix .20) ...	And, in the Status of Funds schedule...
	year of the sale.		the amount of the gain in the year of the sale.
(9) Sales loss—the excess of the purchase price over the sales price.	Decrease the amount reported on line 8820 "Interest on Federal securities (–)," by the amount of the loss in the year of the sale.	Decrease the amount reported for interest by the amount of the loss in the year of the sale.	Decrease the amount reported on the line corresponding to the offsetting collection or receipt, as appropriate, by the amount of the loss in the year of the sale.

Differences between amounts recorded in budget schedules and financial statements.

- Purchase discounts. Budget schedules record them when the security matures. In most cases, financial statements amortize them over the term of the security.
- Purchase premiums. Budget schedules record them at purchase. In most cases, financial statements amortize them over the term of the security.
- Net value. For budget schedules, the term means the par value of a security minus the amount of any purchase discount on a cash basis. Don't confuse it with the term Treasury securities, net used in financial statements, which means the par value of a security minus the amount of any unamortized discounts or plus the amount of any unamortized premiums.
- Signs. Earnings reported as offsetting collections in the program and financing schedule carry the opposite sign from income reported in financial statements. In the program and financing statement, increases in income are reported as negative amounts and decreases are reported as positive amounts.

Differences between amounts recorded by Treasury and the budget. You will encounter differences between Treasury records and the budget if a law authorizes you to invest special or trust funds in Federal securities but requires appropriations acts to determine the amount of receipts available to incur obligations. Treasury treats the authority to invest the receipts as an appropriation, recording the receipts as appropriated in the year received and subsequently as unexpended balances of appropriations (combined unobligated and obligated balances). Since such appropriations do not provide budget authority, do not record budget authority in the program and financing schedule. The MAX database will report these amounts, along with the other amounts reported as unavailable collections, in the special schedule required under section [86.4](#) (without separate identification for the invested portion of the balances).

113.2 How do I treat an investment in a Federal security other than a zero coupon bond on an SF 133?

If you purchase a Federal security *at a discount*, the total balances on the SF 133 should not change. See exhibit 113A for all accounts. See section 130 for a discussion of the SF 133 Report on Budget Execution and Budgetary Resources.

If you purchase a Federal security *at a premium*:

- For a general fund appropriation account or a revolving fund (including a trust revolving fund), you reduce the collections on line 3D1a by the premium, i.e., the amount greater than par. See exhibit 113B.
- For a special or trust fund account (excluding a trust revolving fund), normally there will be no change on the SF 133 because the reduction will be in the special or trust fund receipt account.

113.3 How do I treat the redemption of a Federal security other than a zero coupon bond on an SF 133?

If the purchase was at a *discount* and if the redemption is at *par*:

- For a general fund appropriation account or a revolving fund (including a trust revolving fund), you show the discount realized on line 3D1a. See exhibit 113C.
- For a special or trust fund account, you will show the discount realized when the amount is appropriated out of the special or trust fund receipt account. See exhibit 113D.

113.4 How do I treat investments in securities issued by non-Federal entities on an SF 133?

Treat investment in non-Federal 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.

113.5 How do I treat an investment in a zero coupon bond on an SF 133?

If you purchase a zero coupon bond *at a discount*, the total balances on the SF 133 should change. At the time the bond is purchased, record an amount equal to the purchase price (par value minus purchase discount) as precluded from obligation. As the discount is amortized and recorded as earnings, record the earnings as precluded from obligation. See [appendix F](#) and [section 82.3](#) as well as Appendix F for treatment of investments in zero coupon bonds.

113.6 How do I treat the redemption of a zero coupon bond on an SF 133?

When the bond matures or is redeemed, all amounts previously precluded from obligation become available for obligation.

Investment in Federal Securities at a Discount All Accounts

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

SF 133 REPORT ON BUDGET EXECUTION AND BUDGETARY RESOURCES		Period ended 9/30/CY
AGENCY: Department of Government	APPROPRIATION OR FUND TITLE AND SYMBOL	
BUREAU: Bureau of Central Services	80X1309 Research and development	
BUDGETARY RESOURCES		
1. Unobligated balance:		
A. Brought forward, October 1 (+ or -).....	1,500	The beginning balance is made up of \$1,500 in cash.
<hr/>		
7. Total budgetary resources.....	1,500	
STATUS OF BUDGETARY RESOURCES		
8. Obligations incurred:		No obligation is recorded because the principal transaction is treated as a change in the mix of assets.
9. Unobligated balance:		
A. Apportioned:		
1. Balance, currently available.....	1,500	As a result of the investment: o Cash..... \$600 o Federal securities (at par)..... \$1,000 o Unrealized discounts... - \$100 Net balances \$1,500
<hr/>		
11. Total status of budgetary resources.....	1,500	
CHANGE IN OBLIGATED BALANCES		
NET OUTLAYS		
19. Net outlays:		
A. Gross outlays (+)		No gross outlays are recorded because the principal transaction is treated as a change in the mix of assets.
B. Offsetting collections (-).....		

(Authorized Officer)	(Date)	(Preparer: Name)
		(Address)
		(Phone number)

**Investment in Federal Securities at a Premium
General Fund Appropriation or Revolving Fund Accounts**

**Illustration: An account with a \$1,500 balance in cash invests
and pays a \$100 premium for a Federal security with par value of \$1,000.**

SF 133 REPORT ON BUDGET EXECUTION AND BUDGETARY RESOURCES		Period ended 9/30/CY
AGENCY: Department of Government	APPROPRIATION OR FUND TITLE AND SYMBOL	
BUREAU: Bureau of Central Services	80X1309 Research and development	
BUDGETARY RESOURCES		
1. Unobligated balance:		
A. Brought forward, October 1 (+ or -).....	1,500	Beginning balance consists of: ◆ Cash..... \$1,500
3. Budget Authority:		
A. Appropriation:		
1. Actual.....		Identify in a footnote, the law(s) providing budget authority.
D. Spending authority from offsetting collections (gross):		
1. Earned:		
a. Collected.....	-100	Record the amount greater than par as a negative amount on line 3D1a.
7. Total budgetary resources.....	1,400	
STATUS OF BUDGETARY RESOURCES		
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).
11. Total status of budgetary resources.....	1,400	
CHANGE IN OBLIGATED BALANCES		
NET OUTLAYS		
19. Net outlays:		
A. Gross outlays (+)		
B. Offsetting collections (-).....	100	Record the amount as an offset to outlays.
NOTE: Line 3A1, P.L. 1XX-123		
_____ (Authorized Officer)	_____ (Date)	(Preparer: Name) _____ (Address) _____ (Phone number) _____

Federal Security Purchased at a Discount and Sold or Redeemed at Par General Fund Appropriation or Revolving Fund Accounts

Illustration: This account redeems the security at par value and receives cash.
This means that the discount realized is authorized to be credited and used without further appropriation action.

SF 133 REPORT ON BUDGET EXECUTION AND BUDGETARY RESOURCES			Period ended 9/30/CY
AGENCY: Department of Government	APPROPRIATION OR FUND TITLE AND SYMBOL		
BUREAU: Bureau of Central Services	80X1309 Research and development		
BUDGETARY RESOURCES			
1. Unobligated balance:			
A. Brought forward, October 1 (+ or -).....	1,500		
3. Budget Authority:			
D. Spending authority from offsetting collections (gross):			
1. Earned:			
a. Collected.....	100		When the cash for the discount is collected, record it on this line.
7. Total budgetary resources.....	1,600		
STATUS OF BUDGETARY RESOURCES			
9. Unobligated balance:			
A. Apportioned:			
1. Balance, currently available.....	1,600		
11. Total status of budgetary resources.....	1,600		
CHANGE IN OBLIGATED BALANCE			
NET OUTLAYS			
19. Outlays:			
A. Gross outlays (+).....			
B. Offsetting collections (-).....	-100		Record the amount as an offset to outlays.
<div style="display: flex; justify-content: space-between;"> <div style="width: 45%;"> <p>_____ (Authorized Officer) (Date)</p> </div> <div style="width: 45%;"> <p>(Preparer: Name) _____ (Address) _____ (Phone number) _____</p> </div> </div>			

