

## Methods for Handling Cash in Lieu for Fractional Shares

Corporate actions can tend to be complex transactions with many pieces of information. In almost every case, you are going to have a situation where the resulting company has fractional shares due to the transaction. It is standard practice to convert those shares to cash. For most corporate actions, the cash in lieu price comes down several days after the exchange, merger, split or spin-off. Because of the delay between the transactions, there is usually a period of time when you have to either accept unreconciled data or enter transactions to be modified later. There are three methods for handling cash in lieu for fractional shares:

- ♦ Create Sells for \$0.00 – with this method, you’ll create sells for \$0.00 to reconcile the shares, and then edit the sell transactions once you get the cash in lieu price.
- ♦ Wait for cash in lieu price – this method involves waiting to enter the transactions in the wizard until you have all the data.
- ♦ Post interface transactions – with this method, you will post the interface transactions to reconcile all positions, and then enter the transactions with the correct information once you get the cash in lieu price.

This document guides you through making the best choice for your firm.



### Note

Securities with a recent corporate action may appear on the Cost Basis Reconciliation report, even after running a corporate action wizard. The broker typically does not update the corporate action information on their systems until several days after the action has been posted, so the cost basis information between PortfolioCenter and the custodian will be out of sync until the broker updates their systems.

## Comparing the Methods

There are three main methods for handling Cash in Lieu for Fractional shares. While the preferred method is to create sells with a zero gross proceeds to be edited when you get the price, you might be more comfortable waiting for the transactions or posting the interface transactions, and then entering the wizard transactions later. The table below gives you a summary of each method’s pros and cons.

Method	Pros	Cons
Creating Sells to Edit Later	<ul style="list-style-type: none"><li>♦ This is the recommended method.</li><li>♦ All the transactions are generated.</li><li>♦ The account’s share quantity reconciles with the custodian until the journals for the cash in lieu hit the account</li></ul>	<ul style="list-style-type: none"><li>♦ More steps than the other options</li><li>♦ You have to edit transactions</li></ul>
Waiting for Cash in Lieu Price	<ul style="list-style-type: none"><li>♦ You only have to enter the information once.</li></ul>	<ul style="list-style-type: none"><li>♦ The positions do not reconcile for a few days</li><li>♦ You have to calculate the Cash in Lieu price from the journal transactions</li></ul>

Method	Pros	Cons
Post Interface Transactions until you get Cash in Lieu transactions	<ul style="list-style-type: none"> <li>The positions reconcile during the period between the corporate action and the cash in lieu.</li> </ul>	<ul style="list-style-type: none"> <li>You must perform multiple steps.</li> <li>You have to calculate the cash in lieu price from the journal transactions</li> </ul>

## Step-by-Step: Creating Sells to Edit Later

This method means you can leave the cash in lieu price blank to create sells for \$0.00. Afterward, you to edit the transaction after you get the correct price.

- Follow the appropriate directions for the corporate action. See our [Corporate Actions Center](#).

If you do not find instructions for the corporate action you need, you can also find instructions in the corporate action resource center.

- The Conversion price for cash in lieu of fractional shares field is on the second page of both Spin-Off and Merger/Exchange wizards. In the example on the right, we are looking at the Merger/Exchange wizard.

In the cash in lieu for fractional shares field, leave the default value of 0.00, and then click Next.

- Post all transactions in the list, including

On the day the journals appear in the interface, run the error report

- On the interfaces tab, click the name of the interface.

- From the menu bar, select **Tools | Error Report**

- Check the box for the date the journals appear in the interface, and then click **OK**.

- Print the report.

Transaction Errors							
Account Number	Trade Date	Trade Activity	Symbol	Quantity	Principal Amount	Money ID	Error Message
File Date: 09/30/2008							
999-0202	09/30/2008	Journal		0.000	13.21	CASH	This trade may impact tax lot accounting and
999-0203	09/30/2008	Journal		0.000	13.21	STMXX	This trade may impact tax lot accounting and
999-0205	09/30/2008	Journal		0.000	13.21	MMF	This trade may impact tax lot accounting and
999-0210	09/30/2008	Journal		0.000	13.21	CASH	This trade may impact tax lot accounting and
999-0302	09/30/2008	Journal		0.000	13.21	STMXX	This trade may impact tax lot accounting and
999-0312	09/30/2008	Journal		0.000	13.21	MMF	This trade may impact tax lot accounting and

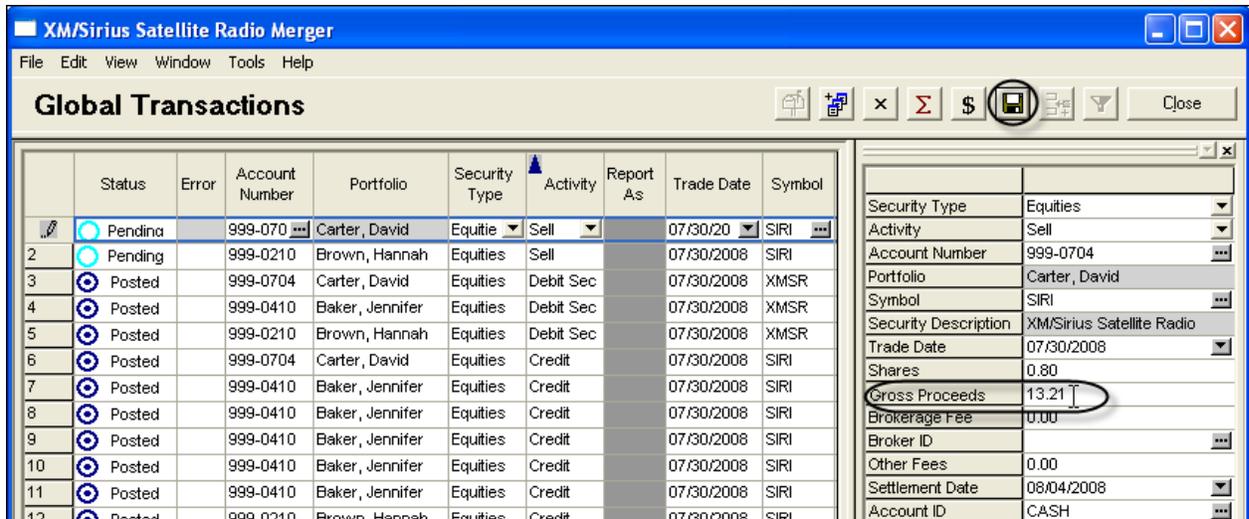


### On the Web

The Interface Error Report has many uses and can help your daily posting. For more information and detailed instructions for running the report, see [Using the Interface Error Report](#).

- Minimize the transaction file details
- Click the Transaction Writer tab and open the list you created for the corporate action.
- Click the Activity column to sort all transactions by activity.

- 7 Select all Sell transactions.
- 8 From the menu bar, select **Edit | Unpost Transaction**. All sells should now appear as Pending transactions.
- 9 Using the error report you printed above, enter the dollar amounts of all the journals into the Gross Proceeds field of sells for the appropriate accounts, similar to the example below.



- 10 Click the Save button to save the changes.
- 11 Repeat steps 8 and 9 above for all sell transactions.
- 12 Select all sell transactions
- 13 From the menu bar, select **Edit | Post Transaction**. All sells should now appear as posted transactions.
- 14 Close the transaction list.
- 15 Maximize the transaction file details.
- 16 Sort the transactions by activity.
- 17 Select all Journal transactions
- 18 From the menu bar, select **Edit | Block Transaction**
- 19 Close the details and post the file as normal.

## Waiting for Cash in Lieu Price

One method is to block all interface transactions, but wait until you get the journals to figure out the cash in lieu price.

In this scenario, you'll still use the transaction writer to generate the credit and debit transactions, but only after you get the cash in lieu price.

	Status	Account Number	Portfolio	Security Type	Activity	Trade Date	Description
1	Blocked	999-0202	Brown, Holl	Cash and	Journal	09/30/2008	CASH
2	Blocked	999-0203	Harper, Sall	Cash and	Journal	09/30/2008	Stone Money Mar
3	Blocked	999-0205	White, Mark	Cash and	Journal	09/30/2008	Schwab Money
4	Blocked	999-0210	Brown, Han	Cash and	Journal	09/30/2008	CASH
5	Blocked	999-0302	Porter,	Cash and	Journal	09/30/2008	Stone Money Mar
6	Blocked	999-0312	Phillips, Chri	Cash and	Journal	09/30/2008	Schwab Money

Security Type	Cash and Money Fun
Activity	Journal
Account Number	999-0202
Portfolio	Brown, Holly
Account ID	CASH
Journal Date	09/30/2008
Journal Amount	13.21
Trade Status	Blocked
Origination	Schwab
Interface Account #	999-0202
Interface File Date	09/30/2008
Notes	SE :CL :CASH IN
Error Message	



### On the Web

Sometimes, the cash in lieu price can be embedded in the transactions you receive in your interface. For more information and examples of these transactions, see [Identifying Corporate Actions in Interface Transactions](#).

## Post Interface Transactions Until You Get the Cash in Lieu Prices

In this scenario, you will post the interface transactions and then cancel them and use the transaction wizards once you get the cash in lieu prices.

When you receive the cash in lieu journal transactions, block those transactions, and then unpost or cancel the credit and debit transactions you originally posted from the interface. Lastly, use the transaction wizard to enter the correct transactions.

	Status	Account Number	Portfolio	Security Type	Activity	Trade Date
1	Posted	999-0202	Brown, Holl	Equities	Credit Secur	09/27/2008
2	Posted	999-0203	H		Edit Transaction	Ctrl+E
3	Posted	999-0205	v		Save Changes	Ctrl+S
4	Posted	999-0208	S		Cancel Changes	Escape
5	Posted	999-0210	E		Post Transaction	Ctrl+P
6	Posted	999-0214	C		Unpost Transaction	Ctrl+U
7	Posted	999-0302	F		Block Transaction	
8	Posted	999-0306	Z		Unblock Transaction	
9	Posted	999-0306	Z			