

# Recording Dividend Reinvestment Plan (DRP) Share Transactions in Quicken

## Background

This paper discusses how to record Dividend Reinvestment Plans (DRP) share transactions in Quicken in Quicken Personal Plus or Quicken Home & Business.

## Versions

This paper was written using Quicken Home and Business 2008. The same procedures apply to Quicken Personal Plus 2008, and the same principals apply to earlier versions.

## Dividend Reinvestment Plans (DRP)

A DRP involves the company in which you hold shares giving you additional shares in the company instead of paying you the dividend. The shares issued are normally at a small discount to the market price and are issued without brokerage.

## Example

Coca-Cola Amatil (CCL) declared a fully franked dividend of \$0.155 per share with a record date of 24 August 2007 and a payment date of 2 October 2007. Shares under the DRP were allotted at \$9.01 per share.

From my example in the separate paper "Setting up Quicken for Tracking Shares", my holding of CCL shares is 670 shares and my Cash Balance Brought Forward is \$5.33

COCA COLA AMATIL (CCL) SHARES									
<b>Initial Purchase</b>									
Date	No	Cost	Trade	Brokerage	Total				
Jan-06	625	\$ 8.00	\$5,000.00	\$ 33.28	\$5,033.28				
<b>Dividend Reinvestment Plan (DRP)</b>									
Date	No	Div Rate	Div	cash b/f	reinvest	drp cost	shares	Value	cash c/f
Apr-06	625	\$ 0.175	\$ 109.38	\$ -	\$ 109.38	\$ 6.75	16	\$ 108.00	\$ 1.38
Oct-06	641	\$ 0.145	\$ 92.95	\$ 1.38	\$ 94.33	\$ 6.18	15	\$ 92.70	\$ 1.63
Apr-07	656	\$ 0.180	\$ 118.08	\$ 1.63	\$ 119.71	\$ 8.17	14	\$ 114.38	\$ 5.33
<b>Total under DRP</b>							<b>45</b>	<b>\$ 315.08</b>	
<b>Plus Initial Purchase</b>							<b>625</b>	<b>\$ 5,033.28</b>	
<b>Cost Basis 30/6/07</b>							<b>670</b>	<b>\$ 5,348.36</b>	

## Cash Balances Brought Forward & Carried Forward

Usually, the value of shares allotted under the DRP will be slightly less than the amount of Dividend payable. Most companies will carry this forward to the next DRP. To account for the transaction properly, you will need to set up a separate asset account to hold the value of these amounts brought forward and carried forward.

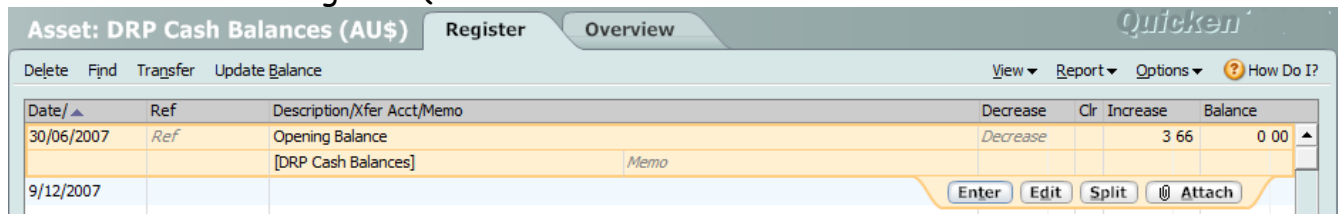
(Note: Not required for Method #1 detailed below).

## Setting Up A DRP Cash Balances Account

From our last DRP statement, we have a DRP cash balance of \$5.33 carried forward to the next DRP. To cater for the DRP Cash Balance, we need to set up a new Account (recommended type = Asset) called DRP Cash Balances.

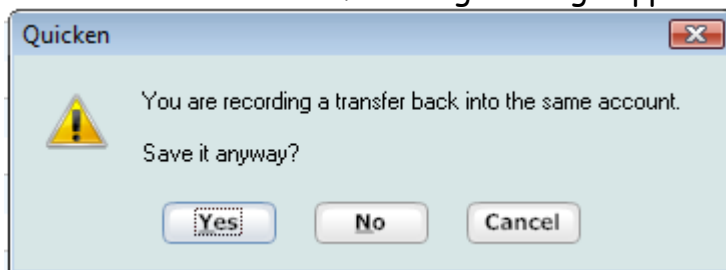
I just use the one account for all DRPs, although some people prefer to have an account set up for each shareholding (eg DRP Cash Balances - CCL).

The balance can be set up as a 30/6/07 balance when the account is created, or it can be entered via the register (Ctrl-A > double-click on *Account Name*).



Date/▲	Ref	Description/Xfer Acct/Memo	Decrease	Clr	Increase	Balance
30/06/2007	Ref	Opening Balance	Decrease		3.66	0.00
9/12/2007		[DRP Cash Balances] Memo				

Select "Yes" when the following message appears.



## Transaction Summary

So our transaction is as follows (this will all be on your DRP Statement):

Dividend : 670 shares @ \$0.155 = \$103.85

Franking Credit :  $\$103.85 \div 0.7 \times 0.3 = \$44.51$

Cash Balance brought forward: \$5.33

Amount available to reinvest:  $103.85$  (Dividend) +  $\$5.33$  (Cash b/f) =  $\$109.18$

Shares Allotted:  $12$  ( $\$109.18 \div \$9.01$  allotment price =  $12.1176 \gg 12$  rounded down)

Amount Applied to DRP =  $12$  shares  $\times$   $\$9.01 = \$108.12$

Cash Balance Carried Forward =  $\$103.85$  (Div) +  $\$5.33$  (B/f) -  $\$108.12$  (Applied) =  $\$1.06$

## Recording the Transaction

There are 2 ways of doing this: the easy way, and the correct way.

The first method ignores the Cash Carried Forward and Bought forward, and simply buys the shares allotted under the DRP for the amount paid as the dividend.

The second method accounts for the Cash Brought forward and carried forward, and is necessarily more complex, but it gives a more accurate picture.

### METHOD 1 - THE EASY BUT SLIGHTLY INACCURATE WAY

This is an easy 1 step method BUT it incorrectly records the costs basis of the shares. In the above example the cost per share will be  $\$103.85 \div 12 \text{ shares} = \$8.654167$ .

To enter the transaction, go to the Account List (Ctrl - A), then double-click on the Investment Account (eg E\*Trade Investments). Select "Enter Transactions" at the top of the register, then select "Reinvest - Income Reinvested" from the Drop-Down list.

Reinvest - Income Reinvested

Enter transaction: Reinvest - Income Reinvested Enter the reinvestment of income. Use for reinvested interest, dividends, or capital gains distributions.

**Reinvest - Income Reinvested:**

Transaction date: 2/10/2007

Account: E\*Trade Investments

Memo: CCL DRP \$0.155 F/Franked 12 Shares Allotted

Security name: CCL Coca Cola Amatil

	Amount	Shares
Unfranked Dividend:		
Franked Dividend:	103.85	12
Interest:		
Imputation Credit:	44.51	
Fund/Trust:		
Price per share:	8.654167	
Total:	103.85	12

Buttons: Cancel, Clear, Help, Enter/New, Enter/Done

Price per share:	8.654167	
<hr/>		
Total:	103.85	12

Note the figures at the bottom of the page. The price per share is not an entered figure but a calculated figure. The total line should equal the dividend paid and the number of shares issued respectively.

## METHOD 2 - THE MORE COMPLEX BUT ACCURATE WAY

This process involves 4 steps instead of 1.

### Step 1 - Transfer the Cash Brought Forward into the Investment Account

The first step is to transfer our Cash Balance Brought Forward from our DRP Cash Balances Account to our Investment Register.

To enter the transaction, go to the Account List (Ctrl - A), then double-click on the Investment Account (eg E\*Trade Investments). Select "Enter Transactions" at the top of the register, then select "Cash Transferred Into Account" from the Drop-Down list.

**Cash Transferred into Account**

Enter transaction: Cash Transferred into Account Enter the transfer of cash into this account.

**Cash Transferred into Account:**

Transaction date: 2/10/2007

Account: E\*Trade Investments Amount to transfer: 5.33

Transfer account: [DRP Cash Balances]

Memo: CCL DRP Cash Balance B/Fwd Description:

Buttons: Cancel, Clear, Help, Enter/New, Enter/Done

The transaction looks like this in the Investment Register. Note that the balance of the account is now \$5.33.

Date ▲	Action	Security	Description	Inv Amt	Cash Amt	Cash Bal
2/10/2007	XIn		[DRP Cash Balances]		+5.33	5.33

## Step 2 - Enter the Dividend

To enter the transaction, go to the Account List (Ctrl - A), then double-click on the Investment Account (eg E\*Trade Investments). Select "Enter Transactions" at the top of the register, then select "Record an Income Event" from the Drop-Down list.

Enter the details of the dividend as follows. Note that the transfer account is left blank as we are leaving the dividend in the investment account to purchase the shares.

Record an Income Event

Enter transaction: Record an Income Event Record an Income Event - Dividend Imputation.

**Record an Income Event:**

Transaction date: 2/10/2007 Security name: CCL Coca Cola Amatil

Account: E\*Trade Investments Unfranked Dividend: [ ]

Transfer account: [ ] TFN Amounts Deducted: [ ]

Memo: CCL Interim Div \$0.155 per share fully franked. Franked Dividend: 103.85

Imputation Credit: 44.51

Interest/Coupon: [ ]

Category for Miscellaneous: Requires 'Misc' Amt Fund/Trust Distribution: [ ]

Miscellaneous: [ ]

Total proceeds: 103.85

Cancel Clear Help Enter/New Enter/Done

The transaction looks like this in the Investment Register. Note the balance of the account, now equal to our Amount Available to Reinvest.

Date ▲	Action	Security	Description	Inv Amt	Cash Amt	Cash Bal
2/10/2007	Div	CCL Coca Co...			+103.85	109.18
2/10/2007	MiscIncX	CCL Coca Co...	Imputation CCL Coca Cola Amatil AU\$44.51		Transfer	109.18

### Step 3 - Enter the Share Purchase

To enter the transaction, go to the Account List (Ctrl - A), then double-click on the Investment Account (eg E\*Trade Investments). Select "Enter Transactions" at the top of the register, then select "Buy - Shares Bought" from the Drop-Down list. Enter the details of the purchase as follows.

Buy - Shares Bought

Enter transaction: Buy - Shares Bought Enter the purchase of shares of a security (subtract the cost from my cash balance).

**Buy - Shares Bought:**

Transaction date: 2/10/2007 Security name: CCL Coca Cola Amatil

Account: E\*Trade Investments Number of shares: 12

Price paid: 9.01 per share

Memo: CCL DRP Allotment 12 shares @ \$9.01

Commission: 0.00

GST on Commission: 0.00

Non-claimable: 0.00

Claimable: 0.00

Stamp Duty: 0.00

Total cost: 108.12

Use cash for this transaction:

From this account's cash balance

From [ ]

Currency exchange rate:

Exchange rate on 2/10/2007=1.00000

Set rate for this transaction 1.00000

Buttons: Cancel, Clear, Help, Enter/New, Enter/Done

Note that we are funding the purchase from the Investment Accounts cash balance (the \$109.18 from Step 2).

Use cash for this transaction:

From this account's cash balance

From [ ]

The transaction looks like this in the Investment Register. Note the balance of the account, now equal to our Cash Balance Carried Forward.

Date ▲	Action	Security	Description	Inv Amt	Cash Amt	Cash Bal
2/10/2007	Bought	CCL Coca Co...	12 shares of CCL Coca Cola Amatil @ AU\$9.01	+108.12	-108.12	1.06

#### Step 4 - Transfer the Cash Carried Forward to the DRP Cash Balances Account

The last step is to transfer our Cash Balance Carried Forward from our Investment Register to our DRP Cash Balances Account.

To enter the transaction, go to the Account List (Ctrl - A), then double-click on the Investment Account (eg E\*Trade Investments). Select "Enter Transactions" at the top of the register, then select "Cash Transferred out of Account" from the Drop-Down list.

Cash Transferred out of Account

Enter transaction: Cash Transferred out of Account Enter the transfer of cash out of this account.

**Cash Transferred out of Account:**

Transaction date: 2/10/2007

Account: E\*Trade Investments Amount to transfer: 1.06

Transfer account: [DRP Cash Balances]

Memo: CCL DRP Cash Balance C/Fwd Description:

Cancel Clear Help Enter/New Enter/Done

The

The Investment Register for the 4 transactions now looks like this. Note the \$0.00 balance.

2/10/2007	XIn		[DRP Cash Balances]	5.33	+5.33	5.33
		CCL DRP Cas...	[DRP Cash Balances]			Enter Edit Delete Attach
2/10/2007	Div	CCL Coca Co...			+103.85	109.18
2/10/2007	MiscIncX	CCL Coca Co...	Imputation CCL Coca Cola Amatil AU\$44.51		Transfer	109.18
2/10/2007	Bought	CCL Coca Co...	12 shares of CCL Coca Cola Amatil @ AU\$9.01	+108.12	-108.12	1.06
2/10/2007	XOut		[DRP Cash Balances]		-1.06	0.00

You should also check the DRP Cash Balances accounts. The register looks like this:

Asset: DRP Cash Balances (AU\$)		Register	Overview	Quicken			
Date/▲	Ref	Payee/Category/Memo	Decrease	Clr	Increase	Balance	
30/06/2007		Opening Balance [DRP Cash Balances]			5 33	5 33	
2/10/2007		[E*Trade Investments] CCL DRP Cash Bal C/Fwd			1 06	6 39	
2/10/2007		[E*Trade Investments] CCL DRP Cash Bal B/Fwd	5 33			1 06	

NOTE THAT THE INCREASE (STEP 4) APPEARS IN THE REGISTER ABOVE THE DECREASE (STEP 2). This is just how quicken works.

### Checking the Results

Now, run some reports to check the recording of the DRP allotment and income.

First, check the balance of the shares for CCL via Investing > Security Detail View > Double-click on the security (CCL in this case). Check that the total shares held accord with your records

Holdings	
Shares Held	682
Market Value	6,813.18
Cost Basis	5,456.48
Gain	1,356.70
% Gain	24.86%

... and that the transaction history shows the DRP allotment as shares bought:

2/10/2007	E*Trade Investments	Bought	12
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Finally, run an Investing Income report (Reports > Investing > Investment Income) to check recording of the dividend.

Investment Income	
Date range:	Custom dates ▼
Subtotal by:	Don't subtotal ▼
2/10/2007 through 2/10/2007 (in Australian Dollars)	
Category Description	2/10/2007-2/10/2007
<b>INCOME</b>	
_DivInc	
_DivIncFranked	103.85
_ImpInc	44.51
TOTAL _DivInc	148.36
<b>TOTAL INCOME</b>	<b>148.36</b>
<b>EXPENSES</b>	
Uncategorised	0.00
<b>TOTAL EXPENSES</b>	<b>0.00</b>
<b>TRANSFERS</b>	
TO Imputation Credit	-44.51
<b>TOTAL TRANSFERS</b>	<b>-44.51</b>
<b>OVERALL TOTAL</b>	<b>103.85</b>

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