

Quicken - Recording Toll Holdings (TOL) In Specie Demerger Dividend of Virgin Blue (VBA) Shares

Aim

My aim is show how the TOL In Specie Dividend of VBA Shares are recorded in Quicken.

Versions

This paper was written using Quicken 2008.

Background

Toll Holdings (TOL) issued to its shareholders 1 Virgin Blue (VBA) share for every TOL share held on the record date of 23 Jul 08. Shares were distributed on 22 Aug 08.

According to the TOL press release:

"Under the separation Toll shareholders will receive one Virgin Blue share for each Toll ordinary share held. The dividend will be a demerger dividend for income tax purposes and accordingly will not be treated as assessable income and will not be franked. Ordinary shareholders will however be required to allocate the cost base of their current Toll shareholding between Toll and Virgin Blue based on the relative market value of Toll shares and Virgin Blue shares."

Process

1. Determine the cost basis of your existing TOL shares;
2. Calculate the cost basis of the new VBA shares at 10.12% of the cost basis of your TOL shares - as per this document from the TOL website <http://www.toll.com.au/media/2008/657.l.rc.in%20specie%20VWAP.270808.pdf>
3. Process the amount from Step 2 as a Return of Capital in Quicken.
4. Process a Buy in Quicken for the issued number of shares with a total cost of the amount calculated in Step 2.
5. Check that the cost basis of VBA equals 10.12% of the initial cost basis in step 1, and the cost basis of TOL equals 89.88% of the initial cost basis in step 1.

Example

Assume we initially purchased 1000 TOL shares @ \$7.25 per share on 2nd June 2008. Transaction costs are \$30.25 plus \$3.03 GST. Assuming we are not registered for GST, the total cost basis is $\$7250 + \$33.28 = \$7283.28$. Note: If you were registered for GST, the \$3.03 GST would be excluded from the cost basis.

Step 1 - Determine the Cost Basis of TOL shares

The Security View in Quicken confirms the cost basis:

Holdings	
Shares Held	1,000
Market Value	7,250.00
Cost Basis	7,283.28

Step 2 - Calculate the Cost Basis of VBA Shares

The cost basis of the VBA shares is therefore 10.12% of this value:

- $\$7,283.28 \times 10.12\% = \737.07

Step 3 - Process Return of Capital from TOL in Quicken

Return of Capital

Enter transaction: Return of Capital

Enter the return of capital (as from a managed fund or mortgage-backed security).

Return of Capital:

Transaction date: 22/08/2008

Security name: TOL Toll Group

Account: E*Trade Investments

Amount: 737.07

Transfer account:

Market value:

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Step 4 - Process Buy of VBA in Quicken

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: 22/08/2008

Security name: VBA Virgin Blue

Account: E*Trade Investments

Number of shares: 1,000

Price paid: 0.73707 per share

Commission: 0.00

GST on Commission: 0.00

Non-claimable: 0.00

Claimable: 0.00

Stamp Duty: 0.00

Total cost: 737.07

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Use cash for this transaction

From this account's cash balance

From

Exchange rate on 22/08/2008=1.00000

Set rate for this transaction 1.00000

Enter the number of shares and VBA cost basis in Total Cost. The price paid per share is automatically calculated. Ensure that "From this account's cash balance" is selected.

Step 5 - Check the Cash Basis of TOL and VBA Shares.

TOL should equal the initial Cost Basis (\$7283.28) less the VBA Cost Basis (\$737.07) = \$6,546.21.

VBA Cost Basis

Holdings	
Shares Held	1,000
Market Value	737.07
Cost Basis	737.07

TOL Cost Basis

Holdings	
Shares Held	1,000
Market Value	7,250.00
Cost Basis	6,546.21

You should also check the Investment Register to ensure that the balance is nil.

22/08/2008	RtrnCap	TOL Toll Group		+737.07	+737.07	737.07
22/08/2008	Bought	VBA Virgin Blue	1,000 shares of VBA Virgin Blue @ AU\$0.73707	+737.07	-737.07	0.00



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