

Accounting for an SMA as a single asset in BGL Simple Fund

This document describes how to account for an SMA's assets collectively in BGL Simple Fund, as though they are a single accounting asset.

The advantages of doing this

- It is simpler and more efficient than having to account for every transaction within the SMA.
- It minimises confusion and risk of error where the fund directly holds some of the same securities that are held within the SMA.
- Units will always equal 1, making it easier to record market value at end of period.

The impacts of doing this

- In the statement of financial position, the SMA will be classified as a managed investment (rather than its constituent components of cash, managed investments, shares, units, etc.).
- In the operating statement, income and realised capital gains from SMA assets will be classified as trust income (rather than their constituent components of interest, trust distributions, dividends, taxable & non-taxable capital gains, etc.).
- In the investment reports, acquisitions and disposals of assets within the SMA will not be individually recognised, and the unrealised gains report may understate or overstate unrealised gains or losses (due to the exclusion of cost base and reduced cost base impacts of non-assessable amounts, and differences between accounting gains/losses and corresponding capital gains/losses).
- The net market value of the SMA will be reported as an Australian managed investment in the Assets and Liabilities section of the Annual Return (rather than its constituent components of cash, debt securities, listed shares, listed trusts, etc.).

This document covers

- [Establishing the SMA as a single accounting asset](#)
- [Maintaining the SMA as a single accounting asset](#)
- [Closing an SMA that has been treated as a single accounting asset](#)

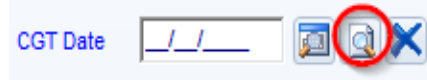
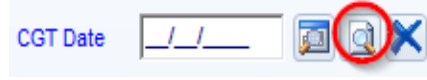
Establishing the SMA as a single accounting asset

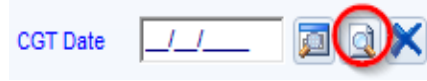
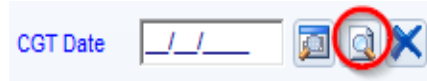
Set up the BGL Simple Fund general ledger account for the SMA	1 To create a BGL security for the SMA, go to Global Listings > Securities , and, using the new security function [Alt+N], enter the SMA's details.	As each SMA is unique, it is highly recommended that you use the SMA portfolio ID for the ASX code of the security.
	2 Add the BGL security to the fund's chart of accounts.	Go to Chart of Accounts , and, using the new investment function [Alt+I], select the Investment Type 'Managed Investments (Australian)' , and then locate and double-click on the BGL security that you created in the above step. Before saving, ensure that Subject to CGT? is not ticked.
For a new SMA, which you choose to treat as a single accounting asset from its commencement		
Initial investment in newly established SMA – if in specie	1 Using the transaction type 'Journal - Cash', post a debit entry to the 747/SMA sub-account for the cost base of the asset being transferred in specie to the SMA.	Ensure that: <ul style="list-style-type: none"> • Date is the date of the in specie transfer • Units are set to 1.
	2 Using the transaction type 'Journal - Cash', post a credit entry to the 491 account for the cost base of the asset being transferred in specie to the SMA.	
	3 Using the Disposals function, process the disposal of the asset being transferred in specie to the SMA.	Ensure that the disposal proceeds equal the cost base. Note that: <ul style="list-style-type: none"> • If there are multiple parcels of the asset being transferred in specie to the SMA, you will probably need to edit any automatically generated 235/XXX journal entries, and change the Account to the relevant 236/XXX sub-account. The balance of the relevant 236/XXX sub-account should then be \$nil. • You must ensure that the SMA has been notified that the in specie transfer involved no change of beneficial ownership, and that the SMA has correctly recorded the cost base of each tax parcel of the asset that was transferred in specie.
Initial investment in newly established SMA – if cash	1 Using the transaction type 'Bank Statements', post the debit entry to the 747/SMA sub-account.	Ensure that: <ul style="list-style-type: none"> • Date is the date of the in specie transfer • Units are set to 1.

For an existing SMA, where underlying assets have previously been treated as multiple accounting assets in BGL

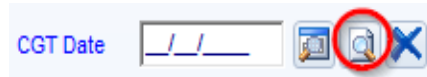
Existing non-cash assets	1 Using the transaction type 'Journal - Cash', post a debit entry to the 747/SMA sub-account for the total cost bases of all the non-cash assets that are to be treated collectively as a single accounting asset.	Ensure that: <ul style="list-style-type: none"> • Date is the first day of the accounting period in which you choose to start treating the existing multiple SMA assets as a single accounting asset. • Units are set to 1.
	2 Using the transaction type 'Journal - Cash', post a credit entry to the 491 account for the total cost bases of all the non-cash assets that are to be treated collectively as a single accounting asset.	
	3 Using the Disposals function, process the disposal of all non-cash assets that are to be treated collectively as a single accounting asset.	Ensure that the disposal proceeds equal the cost base of the relevant asset. Note that: <ul style="list-style-type: none"> • If there are multiple parcels of the asset, you will probably need to edit any automatically generated 235/XXX journal entries, and change the Account to the relevant 236/XXX sub-account. The balance of the relevant 236/XXX sub-account should then be \$nil.
Existing cash assets	1 Using the transaction type 'Bank Statements', for each existing BGL SMA bank account, post a debit entry to the 747/SMA sub-account.	Ensure that: <ul style="list-style-type: none"> • Date is the first day of the accounting period in which you choose to start treating the existing multiple SMA assets as a single accounting asset. • Amount equals the closing balance from the previous accounting period.

Maintaining the SMA as a single accounting asset

Transfers to the SMA (subsequent to the initial investment) – if in specie	1 Using the transaction type 'Journal - Cash', post a debit entry to the 747/SMA sub-account for the total cost base of each asset being transferred in specie to the SMA.	Ensure that Units are set to 1, and the date of the initial SMA investment is entered in the CGT Date field.  Hint: click on the preview icon beside the CGT Date field to select the date of the initial SMA investment
	2 Using the transaction type 'Journal - Cash', post a credit entry to the 491 account for the total cost base of each asset being transferred in specie to the SMA.	
	3 Using the Disposals function, process a disposal for each asset being transferred in specie to the SMA.	Ensure that the disposal proceeds equal the total cost base. Note that: <ul style="list-style-type: none"> • If there are multiple parcels of the asset being transferred in specie to the SMA, you will probably need to edit any automatically generated 235/XXX journal entries, and change the Account to the relevant 236/XXX sub-account. The balance of the relevant 236/XXX sub-account should then be \$nil. • You must ensure that the SMA has been notified that the in specie transfer involved no change of beneficial ownership, and that the SMA has correctly recorded the cost base of each tax parcel of the asset that was transferred in specie.
Transfers to the SMA (subsequent to the initial investment) – if cash	1 Using the transaction type 'Bank Statements', post each debit entry to the 747/SMA sub-account.	Ensure that Units are set to 1, and the date of the initial SMA investment is entered in the CGT Date field.  Hint: click on the preview icon beside the CGT Date field to select the date of the initial SMA investment

SMA revenue	<p>1 Using the transaction type 'Journal - Cash', post a debit entry to the 747/SMA sub-account for the value of the SMA <i>accounting</i> revenue.</p>	<p>Ensure that Units are set to 1, and the date of the initial SMA investment is entered in the CGT Date field.</p> <p></p> <p>Hint: click on the preview icon beside the CGT Date field to select the date of the initial SMA investment</p>
	<p>2 Using the transaction type 'Journal - Cash', post a credit entry to the 238/SMA sub-account for the value of the SMA <i>accounting</i> revenue.</p>	<p>Use the SMA tax reports to enter tax components of <i>accounting</i> revenue, ensuring that you differentiate indexed gains, discount gains, other gains, and concessional gains.</p> <p>When determining the value of <i>accounting</i> revenue and the values to enter in the tax component fields, you should take note of the SMA report settings and your BGL Simple Fund settings to correctly determine whether the values are (or should be) stated gross or net of ABN/TFN not-quoted withholding taxes and/or foreign taxes.</p> <p>If you used the transaction type 'Dividend Reinvestment' to simultaneously create the above entries, you will need to edit the resulting 747/SMA entry and re-enter the date of the initial SMA investment in the CGT Date field, as this will not have been recognised by BGL in the first instance.</p> <p></p> <p>Hint: click on the preview icon beside the CGT Date field to select the date of the initial SMA investment.</p>
SMA expenses	<p>1 Using the transaction type 'Journal - Cash', post a debit entry to the 375/SMA sub-account (or other relevant account) for the value of the SMA expenses.</p>	
	<p>2 Using the transaction type 'Journal - Cash', post a credit entry to the 998 account for the value of the SMA expenses.</p>	
	<p>3 Using the Additional Functions tool [Alt+B], process a Return of Capital on the 747/SMA sub-account for the value of the SMA expenses.</p>	

SMA realised capital gains	1 Using the transaction type 'Journal - Cash', post a debit entry to the 747/SMA sub-account for the gross gain of all SMA CGT assets which realised a gain (for CGT purposes) upon disposal.	<p>Gross gains are disclosed in the 'Gross gain' column of the Realised CGT report. Ensure that Units are set to 1, and the date of the initial investment is entered in the CGT Date field.</p> <p>CGT Date </p> <p>Hint: click on the preview icon beside the CGT Date field to select the date of the initial SMA investment</p>
	2 Using the transaction type 'Journal - Cash', post a credit entry to the 238/SMA sub-account for the gross gain of all SMA CGT assets which realised a gain (for CGT purposes) upon disposal.	<p>Gross gains are disclosed in the 'Gross gain' column of the Realised CGT report. Ensure that you use the tax component fields to differentiate indexed gains, discount gains, other gains, and concessional gains. If the sum of these CGT gains differs from the gross gains, ensure that the difference (positive or negative) is entered in the Tax Exempt field.</p> <p>Note that, if you used the transaction type 'Dividend Reinvestment' to simultaneously create the above entries, you will need to edit the resulting 747/SMA entry and re-enter the date of the initial SMA investment in the CGT Date field, as this will not have been recognised by BGL in the first instance.</p> <p>CGT Date </p> <p>Hint: click on the preview icon beside the CGT Date field to select the date of the initial SMA investment</p>
SMA realised capital losses	1 Using the transaction type 'Journal - Cash', post a debit entry to the 235/SMA sub-account for the losses of all SMA CGT assets which realised a loss (for CGT purposes) upon disposal.	<p>Losses are disclosed in the 'Losses' column of the Realised CGT report.</p>
	2 Using the transaction type 'Journal - Cash', post a credit entry to the 998 account for the total losses of all SMA CGT assets which realised a loss (for CGT purposes) upon disposal.	
	3 Using the Additional Functions tool [Alt+B], process a Return of Capital on the 747/SMA sub-account for the total losses of all SMA CGT assets which realised a loss (for CGT purposes) upon disposal.	

Partial withdrawals from the SMA – if in specie	1 Change the accounting period (if necessary). Go to Fund Details > Reporting > Accounting Period	<p>Take note of the Financial Year and Current Period start dates.</p> <p>If these dates are earlier than the CGT acquisition date of the earliest tax parcel of the asset being transferred in specie from the SMA, then you can skip this step; otherwise, overwrite the Financial Year and Current Period start dates with the CGT acquisition date of the earliest tax parcel, and then Save. Note that you will later return to these fields to reinstate the start dates that you noted before the change.</p>
	2 Using the transaction type 'Journal - Cash', post a \$nil entry to the relevant investment sub-account for each tax parcel of the asset being transferred.	<p>Ensure that the Date and Units fields of each journal entry match the CGT acquisition date and units of the corresponding tax parcel.</p> <p>Click OK when the fund allocation entry warning appears.</p> <p>Note that, prior to posting these journals, you should have already backed-up the data and printed all required reports for all earlier accounting periods.</p>
	3 Reinstate the original accounting period (if necessary).	<p>If you did not alter the Accounting Period Start dates in the first step, you can skip this step.</p> <p>Otherwise, go to Fund Details > Reporting > Accounting Period, and overwrite the Financial Year and Current Period start dates with those you noted earlier, and then Save.</p>
	4 Using the transaction type 'Journal - Cash', post a debit entry to the relevant investment sub-account for each tax parcel of the asset being transferred.	<p>Ensure that the Date is the date of the in specie transfer, the Units equal the units in the corresponding tax parcel, the Amount equals the cost base of the corresponding tax parcel, and the CGT Date equals the CGT acquisition date of the corresponding tax parcel.</p> <div data-bbox="1160 1021 1585 1098">  </div> <p>Hint: click on the preview icon beside the CGT Date field to select the date of the relevant tax parcel.</p> <p>Click OK when the CGT Date field warning appears.</p>
	5 Using the transaction type 'Journal - Cash', post a credit entry to the 998 account for the total cost base of each asset being transferred.	<p>Ensure that the Date is the date of the in specie transfer.</p>
	6 Using the Additional Functions tool [Alt+B], process a Return of Capital on the 747/SMA sub-account for the total cost base of each asset being transferred.	

Partial withdrawals from the SMA – if cash	1 Using the transaction type 'Bank Statements', post each credit entry to the 998 account.	
	2 Using the Additional Functions tool [Alt+B], process a Return of Capital on the 747/SMA sub-account for the value of each SMA cash withdrawal.	
SMA market value	1 Update the market value. Go to Global Listings > Securities and double click the BGL security for the relevant SMA.	<p>Edit Price Date and Price fields to reflect the SMA market value for a particular date.</p> <p>Note that, by following the above procedures, the units for the 747/SMA sub-account should always be equal to 1; therefore, the price of the security should always be equal to the SMA balance.</p>

Closing an SMA that has been treated as a single accounting asset

Full (final) withdrawal from the SMA – if in specie	The final full withdrawal from an SMA will always be cash, because SMAs have a minimum 2% cash requirement at all times.	If closure of the SMA happens to involve the in specie transfer of assets from the SMA, follow the instructions for Partial withdrawals from the SMA – if in specie .
Full (final) withdrawal from the SMA – if cash	1 Using the journal type 'Bank Statements', post the credit entry to the 491 account.	
	2 To review the 747/SMA investment sub-account details in the chart of accounts, go to Chart of Accounts , and double click on the 747/SMA investment sub-account.	Ensure that the Subject to CGT field is not ticked, and Save .
	3 Using the Disposals function, process the disposal of all units (of which there should be only 1) in the 747/SMA sub-account.	Click Yes when the warning appears regarding the use of the disposal screen for assets not subject to CGT. Note that, while BGL will generate a non-taxable gain (due to tax deferred adjustments to the cost base of the 747/SMA investment sub-account), this will be cancelled out by the write-back of tax deferred to the 238/SMA investment income sub-account.