

Accounting Bulletin #1998-02

Subject: Reporting Standards for Investment Gains and Losses

Effective Beginning Fiscal Year 1997-98

This correspondence provides guidance on accounting and financial reporting standards for investment gains and losses, both realized and unrealized. This guidance is in accordance with GASB Statement No. 31.

The Governmental Accounting Standards Board (GASB) recently issued Statement No. 31 which is effective beginning with the 1997-98 fiscal year. This new governmental accounting standard requires all investment income, including changes in the fair value of investments (increases and decreases), to be recognized as revenue in the operating statement.

The Statement also states that an entity may disclose realized gains and losses in the notes to the financial statements. However, when extraordinary gains or losses are reported on the operating statement, governmental accounting standards require that an explanation of the event giving rise to the extraordinary gain or loss be reported in the notes to the financial statements.

Schools experiencing gains or losses in the fair value of investments should make the following entry for the 1997-98 fiscal year to account for the change in investments on the 1997-98 fiscal year Annual Financial Report (AFR):

6510 Interest on investments/checking accounts	XXX	
0110 Investments		XXX

(To report changes in fair value of investments)

Prior to the issuance of GASB Statement No. 31, this account was generally used by proprietary funds only.

All school business officials should use revenue account 6530, instead of revenue account 6510, to account for gains and losses in the fair value of investments. The entry for this transaction should be:

6530 Gains or Losses on Sale of Investments	XXX	
0110 Investments		XXX

Questions regarding this bulletin may be directed to the School Finance staff within the Office of Comptroller Operations at Ra-Schlfm@pa.gov