

Foreign Investments

Marketable securities often comprise the majority of assets tracked with Financial Navigator. Effectively using all the capabilities in this area can be critical for your meaningful use of Financial Navigator.

This document consists of 6 parts:

- Working with Investment Accounts
- Complex Investment Transactions
- Gifts of Securities
- Bonds
- Foreign Investments (this document)
- Retirement Plans

Foreign Investments and Margin Accounts

Although Financial Navigator cannot handle multiple currencies, the following procedures can record the United States dollar equivalent for foreign currencies.

In the following example an investor (John Doe) took a position in a Japanese mutual fund, purchasing the shares in Japanese yen. At the same time the investor hedged the currency rate risk by buying the investment in a Japanese yen margin account.

It is advisable to prepare working papers to check the accuracy of transactions before they are entered. For this example, a set of reports was prepared on a spreadsheet to verify the overall values. This analysis also shows the investment and exchange gains and losses experienced by the investor. This analysis is not required for Financial Navigator, but it is helpful to understand the investment and to create the transactions that are entered into FN.

You can benefit from the material in this guide without loading the Japanese margin account spreadsheet onto your computer. However, if you want to look at parts of the spreadsheet or an overview of the analysis, you need a copy of those files and load them onto your computer. You can obtain a copy of the spreadsheet from:

- **FNI Web Site** — You may download the Excel spreadsheet from the FNI web site at www.finnav.com.
- **Order from FNI** — You may order a diskette containing these files from Financial Navigator Int'l. You will receive the diskette via U. S. mail. There is a nominal fee for the shipping and handling.

To enter the transactions shown on the spreadsheets:

1. In the Chart of Accounts, insert the following accounts in the appropriate categories:
 - Brokerage Account category — **JAPAN MARGIN/JPN**
 - Mutual Funds category — **JAPAN PORTFOLIO/JPN**
 - Interest Exp-Investments category — **INVESTMENT INTEREST/JPN**
2. Go to Transaction Activity for the JAPAN MARGIN/JPN account. Accept **0** (no balance) as the starting balance.
3. Record the purchase of 3,535 shares of the Japan Portfolio Mutual Fund on August 15, 2000 through the JAPAN MARGIN/JPN account with the following entry:

Note: By consolidating the brokerage and margin account, a single entry for the purchase of the fund shares establishes the margin balance.

4. Select **Investments | Enter Prices to Update Securities**. Enter a valuation date of **Aug 29 00**.
5. Go to the screen for the JAPAN PORTFOLIO/JPN account. Change the price per share to **\$210.273**. The screen appears as follows:

Asset and Liability Info

Asset: JAPAN PORTFOLIO/JPN (244)

Starting Balance Jan 1 00 .00
 Aug Balance: 741,024.60

1 Price Per Share..	210.275	
2 Valuation Date..	Aug 29 00	
3 Check Number.....	0	
4 Dividend/Sh\$.00	
5 Date Acquired..	Aug 15 00	
6 Cost Basis.\$	741,024.60	Per Share.. 209.625
7 Tax Basis.\$	741,024.60	Per Share.. 209.625
8 Number of Shares..	3535	
9 Date Sold.....		Gain .00
0 Proceeds...\$.00	

Sym,#: JPNFX
 Format: Common/Preferred Stocks

Prev Balances... Print
 Calculator Next Budgets... OK Cancel Help

6. In the JAPAN MARGIN/JPN account, record the August 29 sale of 2,355 shares with the following entry:

Multiple Distribution

ID	Date	Payee / Payor	Account	Memo	Status	Debit
Dr	08/29/00	Brokers Intl	*** Multiple Distribution		Clr	499,565.32

Date Sold: Aug 29 00 Quantity Sold: 2355 Tax Basis: Tax Basis 493,667.02

	Account	Memo	Debit	Credit
1	JAPAN PORTFOLIO/JPN			495,192.92
2	CAPITAL GAINS-SHORT TERM			5,898.30
3	UNREALIZED GAINS OR LOSSES		1,525.90	
4				
5				

Account Info
 ASSET: JAPAN PORTFOLIO/JPN (244) Sym: JPNFX
 Activity: Aug 245,831.68 Bal: 245,831.68 Qty: 1,180 Acquired: Aug 15 00
 Tax Basis: 247,357.58 Sold:

OK Cancel Help Insert Bal Net Bal Dist To Credit .00

Note: The entry to record the sale is for \$499,565.32. (\$495,192.92 realized from the sale of the fund and the \$4,372.40 realized exchange gain on loan repayment).

- Record interest payments of \$3,374.78 on September 30, 2000 and \$6,391.97 on December 29, 2000 from the margin account (charge to INVESTMENT INTEREST/JPN). The transactions appear as follows:

Transaction Activity - Dewey & Vera Goode - 2000 - E:\FN\SAMPLE00NRC\

File Edit View Tools Options Help

Enter Change Reconcile Checks Prev Next Find Del Trans MD C of A

Reports Help Close

Function

Action: Enter Transactions Category: Savings/Money Market Apply

Month: September Account: JAPAN MARGIN/JPN (243)

ID	Date	Payee / Pavor	Account	Memo	Status	Debit	Credit	Balance
Cr	09/30/00	Brokers Intl	INVESTMENT INTEREST/J		Clr		3,374.78	-244,834.06
Cr	09/30/00				Clr			

Expense Account (245)
Actual Sep: 3,374.78
Year-to-date: 3,374.78

Month
Activity: -3,374.78
Balance: -244,834.06

Transaction Activity - Dewey & Vera Goode - 2000 - E:\FN\SAMPLE00NRC\

File Edit View Tools Options Help

Enter Change Reconcile Checks Prev Next Find Del Trans MD C of A

Reports Help Close

Function

Action: Enter Transactions Category: Savings/Money Market Apply

Month: December Account: JAPAN MARGIN/JPN (243)

ID	Date	Payee / Pavor	Account	Memo	Status	Debit	Credit	Balance
Cr	12/29/00	Brokers Intl	INVESTMENT INTEREST/JPN		Clr		6,391.97	-251,226.03
Cr	12/29/00				Clr			

Expense Account (245)
Actual Sep: 3,374.78
Year-to-date: 3,374.78

Month
Activity: -6,391.97
Balance: -251,226.03

Note: The balance in the brokerage account remains at (\$251,226.03), the historic dollar value.

- Select **Investments | Enter Prices to Update Securities**. Enter a valuation date of **Aug 29 00**.
- Go to the screen for the JAPAN PORTFOLIO/JPN account. Change the price per share to **\$221.19**. The screen appears as follows:

Enter Prices to Update Securities [X]

Asset: JAPAN PORTFOLIO/JPN (244)

Starting Balance Jan 1 00 .00
 Aug Balance: 261,004.20

1	Price Per Share..	221.19	Prev Price 221.19
2	Valuation Date..	Aug 29 00	
3	Check Number.....	0	
4	Dividend/Sh\$.00	
5	Date Acquired...	Aug 15 00	
6	Cost Basis.\$	247,357.58	Per Share.. 209.625
7	Tax Basis..\$	247,357.58	Per Share.. 209.625
8	Number of Shares..	1180	
9	Date Sold.....		Gain 13,646.62
0	Proceeds...\$.00	

Sym.#: JPNFX
 Format: Common/Preferred Stocks

Prev Automatic Print
 List Next A/L Info... OK Cancel Help

10. Go to the Asset and Liability Info screen for the JAPAN MARGIN/JPN account. First change the Format Type **Marketable Investments (11)**.

11. Change the following information:

- Price Per Unit — **-1**
- Cost and Tax Basis — **-251,226.03**
- Number of Units — **236,599.09**

The completed screen appears as follows:

Asset and Liability Info		
Asset: JAPAN MARGIN/JPN (243)		
Starting Balance Jan 1 00		.00
Dec Balance:		-246,365.84
1 Price Per Unit...		
2 Valuation Date..		Dec 29 00
3 Miscellaneous.....		0
4 Income/Unit\$.00
5 Date Acquired...		
6 Cost Basis.\$		-251,226.03
	Per Unit...	-1.0618
7 Tax Basis..\$		-251,226.03
	Per Unit...	-1.0618
8 Number of Units...		236599.09
9 Date Sold.....		
	Gain	4,860.19
0 Proceeds...\$.00
Sym.#:		
Format:	Marketable Investments	
<input type="button" value="Prev"/> <input type="button" value="Balances..."/> <input type="button" value="Print"/>		
<input type="button" value="Calculator"/> <input type="button" value="Next"/> <input type="button" value="Budgets..."/> <input type="button" value="OK"/> <input type="button" value="Cancel"/> <input type="button" value="Help"/>		

12. Review the **Investment Portfolio Report** using the Account Qualifier **JPN**. The report agrees with the spreadsheets!

Note: *The balance in the Transaction Entry grid for the broker/ margin account is the historic balance, but the balance at the bottom of the grid will be the latest-posted market value. To run an accurate cash-flow report, it will be necessary to change the Format Type to: **Bank Account (2)**. An alternative method of entry would be to enter the unrealized currency gain or loss in the Transaction Entry grid. However, this method would cause the exchange difference to appear on the cash-flow statement.*

While such transactions are unusual, this illustrates the flexibility of Financial Navigator in recording complicated transactions.

Excel's XIRR Function - Evaluating an Investment's Return

When evaluating an investment's return, Excel's Internal Rate of Return allows the annual internal rate of return to be calculated for a series of periodic cash flows. However, cash flows from an investment are rarely periodic.

Built in to Excel is the **XIRR** function that calculates the internal rate of return for a schedule of cash flows that is not periodic. To use this function, the Analysis ToolPak add-in macro must be installed (Select **Tools | Options | Analysis ToolPak**). If the Toolpak does not appear in the Add-in Menu, then it should be installed from the Excel program disks.

This is an excellent method of evaluating investments. However, as investments are held for long periods and are composed of more cash flows, building the spreadsheet becomes more cumbersome. Where an investor has limited investment management needs, using Excel can avoid the expense of having to master additional software!

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