

Quicken – Recording Babcock & Brown (BBI) Recapitalisation

Aim

The aim of this paper is show how to handle the BBI Babcock & Brown Infrastructure Group recapitalization and transition to PIH Prime Infrastructure Holdings Group shares. Thank you to Don from Melbourne for suggesting this topic.

Versions

This paper was written using Quicken 2010. Procedures apply to most versions.

Background

Shares in BBI were suspended from quotation on 9/11/09. The subsequent recapitalization saw a drastic dilution of shareholder value. Boiled down to the basics, shareholders got:

- A 15000:1 Capital Reduction in shares at record date of 16/12/09. So 15,000 BBI shares were converted into 1 BBI. These were then converted to PIH shares valued at \$5.08
- A \$0.04 capital distribution.

Processing in Quicken

This process could normally be done in Quicken, via a Return of Capital and a Stock Split, however Quicken can only handle a 1000:1 split, not the 15000:1 required here.

For the purposes of this exercise, I am assuming that the original purchase was 30000 shares @ \$1 each plus \$38.50 transaction costs = \$30038.50

Step 1 - Determine the Cost Basis of the Shares

Determine the cost basis of the shares via Reports > Investing > Cost Basis or from the Security Detail View.

Holdings	
Shares Held	30,000
Market Value	30,000.00
Cost Basis	30,038.50
Gain	-38.50
% Gain	-0.13%

Step 2 - Process the Return of Capital

\$0.04 per share multiplied by 30000 = \$1200.

Return of Capital

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

Return of Capital:

Transaction date: Security name:

Account: Amount:

Transfer account: Market value: (if different from cost basis - optional)

Memo:

Check the Cost Basis. It should be now \$30,038.50 less \$1,200.00 = \$28,838.50

Holdings	
Shares Held	30,000
Market Value	30,000.00
Cost Basis	28,838.50
Gain	1,161.50
% Gain	4.03%

Step 3 - Sell the Shares.

The total value of this transaction will depend on whether you are entitled to claim a capital loss. If you are, then the total value will be the number of new shares multiplied by \$5.08. In this example $2 \times \$5.08 = \10.16 .

Edit Sell - Shares Sold

Enter transaction: Enter the sale of shares of a security (add the proceeds to my cash balance).

Sell - Shares Sold:

Transaction date: Security name:

Account: Sell all shares in this account

Number of shares: Price received: per share

Memo:

Commission: GST on Commission: Non-claimable: Claimable: Stamp Duty:

Record proceeds? To this account's cash balance To:

Specify Lots...

Total sale: Currency exchange rate: Exchange rate on 7/12/2009=1.00000 Set rate for this transaction

IMPORTANT - select Record Proceeds to this accounts cash balance.

If you are not able to claim a capital loss at this stage, then the Total Value is set at the cost basis of the current holding after the return of capital - \$28838.50. In the above example, I am claiming a capital loss.

Step 4 - Buy the PIH Shares

For clarity, I have skipped the BBIDA phase and have just assumed that there was a direct transition from BBI to PIH shares. (You could do this as BBIDA and then do a Corporate Name Change to PIH.)

The screenshot shows the 'Buy - Shares Bought' dialog box with the following fields and values:

- Enter transaction: Buy - Shares Bought
- Transaction date: 7/12/2009
- Account: Reckon Tools E*Trade
- Memo: BBI Split 15000:1 > PIH
- Security name: PIH Prime Infrastructure Holdings
- Number of shares: 2
- Price paid: 5.08 per share
- Commission: 0.00
- GST on Commission: 0.00
- Non-claimable: 0.00
- Claimable: 0.00
- Stamp Duty: 0.00
- Total cost: 10.16
- Currency exchange rate: Exchange rate on 7/12/2009=1.00000

Under the 'Use cash for this transaction' section, the 'From this account's cash balance' radio button is selected and highlighted with a red arrow.

IMPORTANT - select "Use cash for this transaction > From this account's cash balance.

Lastly, check the Security Holding to ensure you have your 2 shares and your Bank Account to ensure you have the \$1200. And where did the other \$28,800 of your original investment go? A good question....

-- End --