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Banking accountancy of transaction titles operations

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ABSTRACT. In a banking society's activity those operations made with titles are frequent and among them the operations with transaction titles takes a very important place. The specific of transaction titles operations consist in the fact that they are bought to be transacted in the shortest time possible, on a liquid market, at an accessible price for the third ones. So these transaction titles operations are made by banking societies with the aim to obtain a favourable difference between the purchase price and the selling price with effects on the efficiency and on the financial results obtained from these operations. The specific of these operations is reflected also in the modality of making evident in accountancy of these operations.

An important section of operations made by banking societies are those referring to titles. Titles represent value registrations on materials or not, but they give the ownerproperty rights or debt. Titles of a bank portofolio are classified based on several criteria, depending on the type of the titles, type of the incomes that they generate and the bank's intention regarding the duration of possession titles when they are bought. In classifying titles depending on the bank's intention regarding the duration of their possession when they are bought, here can be included the transaction titles.

Transaction titles are those titles with a fixed income (obligations, public effects and other assimilated values and titles with a fixed income) as well as those with a variable income (actions and other titles with a variable income) which are bought by the bank with the intention to sell them quickly, usually in less than six months. To be classified as transaction titles they have to accomplish, simultaneously, the following three conditions:

- to be transacted in the shortest time possible, before the settling day, usually in less than six months;
- to be transacted in any moment on a liquid market;
- titles market price to be systematically accessible to third parts.

Periodically banks analyse the transaction titles portofolio and **re-classifies** the titles in possession, in very case, in placement titles or instruments titles, the invert re-classifying being impossible.

Transaction titles **evaluation** when entering the patrimony it's made at the acquisition value, made by the buying price including the acquisition expenses and calculated interests for the past period in the case of fixed income transaction titles. Must be mentioned the fact that the bonuses or transactions titles afferent de-quotations with fixed income are not registered in the accountancy, being included in the buying price.

Periodically transaction titles must be re-evaluate, this operation being at the market price. The favourable differences are registered on incomes and those unfavourable on expenses.

Transaction titles cession is made at the selling price, differences between the registering price in the accountancy and the selling price (cession) being registered. Depending on influence, on incomes (favourable differences) or on expenses (unfavourable differences).

At the inventory, transaction titles are evaluated at the market price the most recent day from the inventory.

The operations accountancy evidence with transaction titles is kept by the help of the account **302 "Transaction Titles"** structured as follows:

A	302 - Transaction Titles
A	3021 - Transaction Titles
A	30211 - Public effects and assimilated values
A	30212 - Obligations and other fixed income titles
A	30213 - Actions and other variable income titles
A	3025 - Titles given with loan
A	30251 - Public effects and assimilated values
A	30252 - Obligations and other fixed income titles
A	30253 - Actions and other variable income titles
A	30254 - Attached debts
A	3026 - Titles taken with loan
A	30261 - Public effects and assimilated values
A	30262 - Obligations and other fixed income titles
A	30263 - Actions and other variable income titles
P	3027 - Debts regarding titles
P	30271 - Debts regarding titles taken with loan
P	30272 - Other debts regarding titles
P	30277 - Attached debts

Titles accounts (3021 "Transaction titles", 3025 "Titles given with loan", 3026 "Titles taken with loan" are accounts of *active*, they debit with acquisition titles (3021), titles given with loan (3025) or titles taken with loan (3026), by case, and it's credited with selling of titles (3021) or their restitution (3025, 3026). The debit sold reflects the value of transaction titles given with loan (3025) and transaction titles taken with loan (3026).

In the following lines are presented as examples, accountancy registrations of some transaction titles operations made by a banking society:

- The registration of transaction titles acquisition, at the value of 5.500.000 lei:

3021	=	111	5.500.000
"Transaction Titles "		"Current account at the National Bank of Romania"	

- The registration of favourable rate the result of revaluating titles, as a sum of 200.000 lei:

3021	=	7032	200000
"Transaction Titles"		"Incomes from transaction titles"	

- The registration of unfavourable rate of difference result of revaluating titles, as a sum

of 45.000 lei:

<u>6032</u>	=	<u>3021</u>	45.000
"Losses at transaction titles"		"Transaction titles"	

- The registration of selling transaction titles through exchange societies in the value of 1.000.000 lei, whose selling price is 950.000 lei, resulting an unfavourable difference of 50.000 lei:

<u>%</u>	=	<u>3021</u>	<u>1.000.000</u>
333		"Transaction titles"	950.000
"The accounts of the exchange societies"			
6032			50.000
"Losses from transaction titles"			

- The registration of regrouping transaction titles having a value of 2.500.000 lei as: 1.200.000 lei in investments titles and 1.300.000 lei in placement titles:

<u>%</u>	=	<u>3021</u>	<u>2.500.000</u>
3031		"Transaction titles"	1.300.000
"Placement Titles"			
3041			1.200.000
"Invetsment titles"			

- The registration of transaction titles given with loan having a value of 1.500.000 lei:

<u>3025</u>	=	<u>3021</u>	1.500.000
"Titles given with loan"		"Transaction titles"	

- The registration of favourable difference of 25.000 lei result of revaluating titles ginev with loan:

<u>3025</u>	=	<u>7032</u>	25.000
"Titles given with loan"		Incomes from transaction titles"	

- The interest from transaction titles given with loan will be registered as a sum of 63.000 lei:

<u>30257</u>	=	<u>7037</u>	63.000
"Attached debts"		"Various incomes from operations with titles"	

- The registration of received interest afferent to given with loan transaction titles:

111 "Current account at National Bank of Romania"	=	30257 "Attached debts"	63.000
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- The registration of received interest afferent to transaction titles given with loan :

3021 "Transaction Titles"	=	3025 "Titles given with loan"	1.525.000
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- The registration of transaction titles taken with loan, having a value of 3.000.000 lei:

3026 "Titles taken with loan"	=	30271 "Debts regarding titles taken with loan"	3.000.000
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- The revaluating transaction titles taken with loan is registered, as a result of rising market price, with the sum of 250.000 lei:

3026 "Titles taken with loan"	=	30271 "Debts regarding titles taken with loan"	250.000
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- The registration of interest payments afferent to transaction titles taken with loan, in the sum of 25.100 lei:

6037 "Various expenses regarding titles operations"	=	30277 "Attached debts"	25.100
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- The registration of interest payments afferent to transaction titles taken with loan:

30277 "Attached debts"	=	111 "Current account at National Bank of Romania"	25.100
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- The registration of transaction titles restitution taken with loan:

30271 "Debts regarding titles taken with loan"	=	3026 "Titles taken with loan"	3.250.000
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Bibliography:

1. Troacă V., Contabilitate bancară, Editura „Universitaria” Craiova, 2008.
2. * * * Accountancy regulations in accordance with European directives applicable to credit institutions approved by Order no.5/22.12.2005 of the governor of the National Bank of Romania, modified and completed by Order of the National Bank of Romania no.24/21.12.