

1961

# Recommended System of Account Classifications for Small Business Investment Companies, revised January 1, 1961

United States. Small Business Administration. Investment Division

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**Recommended System of  
Account Classifications  
for  
Small Business Investment  
Companies**



**Revised January 1, 1961**

**Investment Division  
Small Business Administration  
Washington 25, D. C.**

SMALL BUSINESS ADMINISTRATION  
Washington 25, D. C.

FOREWORD

1. This system of account classifications for small business investment companies is adaptable to manual or machine accounting procedures employing the double-entry method, and is otherwise designed to meet the specific needs of companies licensed in accordance with the provisions of the Small Business Investment Act of 1958, as amended. Financial data accumulated in the manner best facilitated by this accounting system are required for the preparation of the annual, semiannual, and interim financial reports on SBA Form 468, including financial statements, to be furnished by licensed companies pursuant to the Act and related regulations. Adoption of this system of account classifications is recommended, so that licensed companies may not only have the utmost benefit in meeting report requirements, but will secure the management and cost advantages accruing from a uniform system of accounts and reports.

2. It is urged that account classifications in use by companies licensed prior to issuance of this revised system be converted to the classifications recommended herein as soon as practicable. If a small business investment company considers that it needs one or more additional accounts, it will be to the company's advantage to submit a detailed description of the proposed account(s), before they are established, for the approval of the Small Business Administration. This will provide assurance that the data to be obtained therefrom can be incorporated in the company's reports in a manner suited to the requirements of this Agency. Completeness and uniformity of record-keeping also will be promoted to best serve the needs of licensees and add to their potentialities for successful operation.

3. Subdivisions of any account in this system of account classifications may be kept in the general ledger without the approval of the Small Business Administration, provided that such subaccounts do not impair the integrity of the accounts set forth in the recommended system. The titles of all such subaccounts are to refer by number and title to the accounts of which they are subdivisions. Use of a decimal system is suggested for extending the account numbers to identify such subaccounts.

4. The account classification system provides for two-digit number designations for major categories under which accounts are listed, and three-digit number designations for individual general ledger accounts. The first two digits of an individual

account number refer to the major category under which the account is classified and the third digit identifies the specific account. Digits from zero through nine are used to identify specific accounts. For example, the first deposit bank account established will be designated "100" and the second "101." It will be noted that some categories encompass individual accounts in sufficient number to require assignment of more than one two-digit number to identify the category. For example, "Cash on Hand and in Banks" has been assigned category numbers "10," "11," and "12."


5. It is contemplated that books of account will be maintained on an accrual basis and, at least at the end of each month, all transactions and accruals applicable to the month, as nearly as may be ascertained, will be entered in the books. In this way financial statements may be prepared at the close of each month for the guidance of officers and directors. Each small business investment company is expected to adopt a uniform fiscal year, beginning April 1 and ending March 31, and to close its books annually at March 31.

6. It is very important that complete and accurate records of all contingent and nominal assets and liabilities be maintained. This is especially true with respect to outstanding commitments to finance small business concerns through loans to them or the acquisition of their equity securities, and to make funds available to other lending institutions through deferred participations. A section providing for the maintenance of appropriate memorandum records is included herein. The records for contingent assets are identified by the numbers CA-1 through CA-4 and those for contingent liabilities by the numbers CL-6 through CL-9. The records for nominal assets are identified by the numbers NA-10 through NA-14 and those for nominal liabilities by the numbers NL-16 through NL-19. The record provided for options on the capital stock of the small business investment company is designated OCS-1.

7. It is expected that each small business investment company, in order to comply with the Act and related regulations, will keep its books of account, and all other books, records, and memoranda which support in any way the entries in its books of account, in such manner as to be able readily to furnish full information on any item included in any account. The books and records referred to herein include not only accounting records in a limited technical sense, but all other records, such as minute books, capital stock records, reports, correspondence, and memoranda which may be useful in developing the history of, or facts regarding, any transaction.

8. Nothing contained in this system of account classifications can or is intended to authorize or approve any operation or action by a licensee, or any other, not authorized or approved by the Small Business Investment Act of 1958, as amended, or any regulation issued thereunder.

9. This system of account classifications has been prepared by the Investment Administration Division of the Small Business Administration with the advice of a committee of independent certified public accountants. Requests for approvals of accounts, and any inquiries or comments relating to accounting matters concerning small business investment companies should be directed to the Investment Administration Division, Small Business Administration, Washington 25, D. C.



Larry D. Gilbertson  
General Counsel



Duncan H. Read  
Deputy Administrator  
Investment Division

January 27, 1961

GENERAL LEDGER

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| 100 - 299              | Asset accounts                           | 1           |
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| CL-6 - CL-9   | Contingent liabilities     | 100 |
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| 140 - Notes receivable   | 4           |
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| 154 - Accounts receivable for compensation on<br>participations sold                                     | 5           |
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| 160 - Accrued interest receivable  | 7           |
| 17 - <u>Loans to Small Business Concerns</u>   |             |
| 170 - Loans (Section 305)  | 8           |
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| 194 - Capital stock of SBCs with stock purchase<br>warrants or options                                   | 17          |
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| 200 - Assets acquired in liquidation of loans and debt securities   | 20          |
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| 23 - <u>Furniture and Equipment</u>   |             |
| 230 - Furniture and equipment   | 24          |
| 24 - <u>Corporate Premises Owned</u>  |             |
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| <hr style="width: 20%; margin-left: 0;"/> (Type and class)  |             |
| 255 - Amounts due from directors, officers, and employees   | 27          |
| 256 - Organization costs  | 27          |
| 257 - Other assets  | 28          |



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| 302 - Debenture payable, subordinated, issued to SBA  | 29          |
| 31 - <u>Notes and Other Obligations Payable to Other<br/>than SBA for Funds Borrowed</u>                                      |             |
| 310 - Loans sold with recourse  | 30          |
| 312 - Convertible debt securities sold with<br>recourse   | 31          |
| 313 - Debt securities with stock purchase warrants<br>or options sold with recourse   | 32          |
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| 318 - Debentures payable, subordinated, issued to<br>other than SBA   | 34          |
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MEMORANDUM RECORDS

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| CA-1 - Documentary items in process of collection           | 100         |
| CA-2 - Other contingent assets                              | 100         |
| <u>Contingent Liabilities</u>                               |             |
| CL-6 - Commitments outstanding                              | 100         |
| CL-7 - Other contingent liabilities                         | 100         |
| <u>Nominal Assets</u>                                       |             |
| NA-10 - Stock purchase warrants or options on stock of SBCs | 101         |
| <u>Nominal Liabilities</u>                                  |             |
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| <u>Options on Company's Stock</u>                           |             |
| OCS-1 - Options on company's stock                          | 102         |



ASSET ACCOUNTS

100-102 - Deposits in \_\_\_\_\_ bank

These accounts will represent funds on demand deposit in banks, other than closed banks.

Debit:

- (a) With amount of funds deposited.

Credit:

- (a) With amount of funds withdrawn, and charges made by bank for such items as dishonored checks, transfer of funds by wire, collection, exchange, etc.

118 - Cash items in process of collection

This account will represent the amount of cash items placed with banks for collection.

Debit:

- (a) With amount of such items placed with banks for collection.

Credit:

- (a) With amount of items collected.
- (b) With amount of uncollected items returned or withdrawn.

120 - Petty cash fund

This account will represent the imprest petty cash fund maintained for the purpose of making small disbursements.

Debit:

- (a) With amount placed in the fund when established.
- (b) With amount of increase in the fund.

Credit:

- (a) With amount of decrease in the fund.

Note: The petty cash fund may be reimbursed and expenditures recorded as often as circumstances require, but must be reimbursed at the close of the company's fiscal year. Checks to replenish the fund will be drawn on a general fund bank account and include "petty cash" as a payee. Debits totaling the amount of this replenishment should be made concurrently to the appropriate accounts.

130 - United States Government obligations, direct and fully guaranteed

This account will represent the cost of temporary investments made from general cash funds in direct obligations of the United States Government and obligations guaranteed as to principal and interest by the United States Government. When United States Savings Bonds redeemable at par value on maturity are purchased at less than face value, the increase in redemption value may be periodically charged to this account with concurrent credit to account No. 510 - Interest on U. S. Government securities.

Debit:

- (a) With cost of such securities acquired.
- (b) With increase in redemption value of United States Savings Bonds.

Credit:

- (a) With redemption value of United States Savings Bonds redeemed.
- (b) With cost of such securities sold or disposed of otherwise.

Note: Increase in value over cost of United States Treasury bills, which are issued at a discount and are non-interest bearing, will not be reflected in this account but will be debited at the end of each month to account No. 160 - Accrued interest receivable, with concurrent credit to account No. 510 - Interest on U. S. Government securities.

(See accounts Nos. 570 and 700)

140 - Notes receivable

This account will represent the unpaid balance of miscellaneous notes receivable. Notes representing amounts due from debtors on sale of assets acquired in liquidation of loans and debt securities will be reflected in account No. 210.

Debit:

- (a) With amount of such miscellaneous notes received.

Credit:

- (a) With amount collected on principal of such miscellaneous notes.
- (b) With unpaid principal balance written off or disposed of otherwise.

(See account No. 390)

150 - Accounts receivable

This account will represent the amount due on open account for advisory, consulting, appraisal, financial, and miscellaneous services rendered, declared dividends receivable on capital stock of small business concerns, amounts receivable representing sharings in the income of small business concerns, and other current receivables for which no specific accounts have been provided.

Debit:

- (a) With amount due the company.

Credit:

- (a) With amount collected.
- (b) With amount written off or disposed of otherwise.

(See account No. 390)

154 - Accounts receivable for compensation on participations sold

This account, on the books of the "initiating" company, will represent the amount of accrued compensation receivable for services rendered to "participating" companies, such as banks, small business investment companies, and other lending institutions, on their participations in loans (Section 305), debt securities (Section 304), assets acquired in liquidation of loans and debt securities, and amounts due from debtors on sale of assets acquired in liquidation of loans and debt securities of the "initiating" company.

Debit:

- (a) With amount of accrued compensation for such services rendered.

Credit:

- (a) With amount of such accrued compensation collected.
- (b) With amount of such accrued compensation written off or disposed of otherwise.

(See accounts Nos. 390 and 530)

155 - Accounts receivable for commitment fees on deferred participations and financing commitments

This account, on the books of the "participating" company, will represent the amount of accrued commitment fees receivable for making funds available on a deferred basis to "initiating" companies, such as banks, small business investment companies, and other lending institutions, in connection with their financing of, or commitments to finance, small business concerns.

In addition, an "initiating" company will use this account to record the amount of accrued commitment fees receivable for making funds available on a deferred basis on commitments to finance small business concerns.

Debit:

- (a) With amount of such accrued fees.

Credit:

- (a) With amount of such accrued fees collected.
- (b) With amount of such accrued fees written off or disposed of otherwise.

Note: A deferred participation is defined as a commitment under a participation agreement whereby the "participating" company will make funds available on a deferred basis to the "initiating" company in connection with the latter's financing of, or commitment to finance, a small business concern.

(See accounts Nos. 390 and 500)

160 - Accrued interest receivable

This account will represent the amount of interest accrued on loans to and debt securities of small business concerns, United States Government obligations, direct and fully guaranteed, notes receivable, sales contracts, and other interest-bearing amounts due from debtors, including funds placed in escrow pending the closing of financing.

On the books of the "initiating" company, the full amount of interest accrued on loans (Section 305) and debt securities (Section 304) participated in by others will be reflected in this account pending collection from borrowers, or other disposition thereof (account No. 352 will be credited with amount due "participating" companies).

On the books of the "participating" company, interest accrued on the amount of the company's participation in loans and debt securities of others will be reflected in this account pending receipt of payment from the "initiating" company, or other disposition thereof.

Debit:

- (a) With amount of accrued interest purchased, at date loans or debt securities are acquired.
- (b) At the end of each month, with amount of interest accrued on all items covered by this account on that date.
- (c) With amount of interest accrued during the month on such items disposed of during the month.

Credit:

- (a) With amount of interest payments received.
- (b) With amount of accrued interest transferred to assets acquired in liquidation of loans and debt securities.
- (c) Upon disposition of loans or debt securities, with amount of accrued interest thereon included in this account.
- (d) With amount of accrued interest written off or disposed of otherwise.

Note: At the option of the company, interest payments received in cash from debtors prior to the interest maturity date may be credited to account No. 376 - Advance interest payments, until the maturity date.

170 - Loans (Section 305)

This account will represent the unpaid principal balance of loans made to small business concerns pursuant to Section 305 of the Small Business Investment Act of 1958, as amended.

Debit:

- (a) With face amount of direct loans.
- (b) On the books of the "initiating" company, with the total face amount of the loan made to borrower by both the "initiating" company and the "participating" company (account No. 330 will be credited with the amount provided by the "participating" company).
- (c) On the books of the "participating" company, with amount of participations in loans of others.
- (d) With unpaid principal balance of loans represented by renewal notes accepted or notes taken in substitution for those held.
- (e) With reversal of prior credits when checks received representing repayments are dishonored, etc.

Credit:

- (a) With amount collected on principal of direct loans.
- (b) On the books of the "initiating" company, with the full amount collected on principal of loans participated in by others.
- (c) On the books of the "participating" company, with amount by which participations in loans of others are reduced by repayments, etc.
- (d) With unpaid principal balance of loans represented by notes renewed or for which other notes have been substituted.
- (e) With amount transferred to assets acquired in liquidation of loans and debt securities.
- (f) With unpaid principal balance of loans written off or disposed of otherwise.



170 - (Continued)

Note 1: It is assumed that in all loan participation arrangements the "initiating" company will service the loans.

Note 2: It is recommended that individual loan ledger cards or sheets be maintained for all loans. Such ledger cards or sheets should contain the detailed information needed for account No. 330 - Participations of other lending institutions in loans.

(See accounts Nos. 310, 382, and 392)

179 - Funds in escrow pending closing of financing

This account will represent the amount of funds placed in escrow pending the closing of financing for small business concerns.

Debit:

(a) With amount of funds placed in escrow.

Credit:

(a) With amount of funds withdrawn from escrow.

180 - Convertible debt securities (Section 304)

This account will represent the unpaid principal balance of small business concerns' convertible debt securities acquired by the company pursuant to Section 304 of the Small Business Investment Act of 1958, as amended.

Debit:

- (a) With face amount of such convertible debt securities acquired.
- (b) On the books of the "initiating" company, with total face amount of the convertible debt securities (account No. 331 will be credited with the portion representing the investment of the "participating" company).
- (c) On the books of the "participating" company, with amount of participations in purchases by others of convertible debt securities.
- (d) With reversal of prior credits when checks received representing repayments are dishonored, etc.

Credit:

- (a) With principal amount of such convertible debt securities paid in full.
- (b) On the books of the "initiating" company, with full amount collected on principal through payments amortizing such convertible debt securities and on partial calls of such securities.
- (c) On the books of the "participating" company, with amount by which participations in purchases by others of convertible debt securities are reduced by repayments, etc.
- (d) With unpaid principal balance of such convertible debt securities or portions thereof converted into capital stock.
- (e) With unpaid principal balance of such convertible debt securities which have been divested of stock rights through the expiration of the conversion privilege.
- (f) With unpaid principal balance of such convertible debt securities transferred to assets acquired in liquidation of loans and debt securities.

- (g) With unpaid principal balance of such convertible debt securities written off or disposed of otherwise.

Note 1: It is assumed that in all arrangements for participation in the purchase of convertible debt securities the "initiating" company will service the financing.

Note 2: It is recommended that individual ledger cards or sheets be maintained for all convertible debt securities. Such ledger cards or sheets should contain the detailed information needed for account No. 331 - Participations of other lending institutions in debt securities.

(See accounts Nos. 188, 312, 384, and 393)

184 - Debt securities with stock purchase warrants or options  
(Section 304)

This account will represent the unpaid principal balance of small business concerns' debt securities with attached stock purchase warrants or options acquired by the company pursuant to Section 304 of the Small Business Investment Act of 1958, as amended.

Debit:

- (a) With face amount of such debt securities with stock purchase warrants or options acquired, without allocating any of the amount to the nondetachable or detachable stock purchase warrants or options.
- (b) On the books of the "initiating" company, with total face amount of the debt securities with stock purchase warrants or options (account No. 331 will be credited with the portion representing the investment of the "participating" company).
- (c) On the books of the "participating" company, with amount of participations in purchases by others of debt securities with stock purchase warrants or options.
- (d) With reversal of prior credits when checks received representing repayments are dishonored, etc.

Credit:

- (a) With principal amount of such debt securities with stock purchase warrants or options paid in full.
- (b) On the books of the "initiating" company, with full amount collected on principal through payments amortizing such debt securities with stock purchase warrants or options and on partial calls of such securities.
- (c) On the books of the "participating" company, with amount by which participations in purchases by others of debt securities with stock purchase warrants or options are reduced by repayments, etc.
- (d) With unpaid principal balance of such debt securities with stock purchase warrants or options which have been divested of stock rights through either (1) the exercise or the expiration of rights conveyed by nondetachable or detachable stock purchase warrants or options, or (2) the detachment of detachable stock purchase warrants or options.

- (e) With unpaid principal balance of such debt securities with stock purchase warrants or options transferred to assets acquired in liquidation of loans and debt securities.
- (f) With unpaid principal balance of such debt securities with stock purchase warrants or options written off or disposed of otherwise.

Note 1: It is assumed that in all arrangements for participation in the purchase of debt securities with stock purchase warrants or options the "initiating" company will service the financing.

Note 2: It is recommended that individual ledger cards or sheets be maintained for all debt securities with stock purchase warrants or options. Such ledger cards or sheets should contain the detailed information needed for account No. 331 - Participations of other lending institutions in debt securities.

(See accounts Nos. 188, 313, 384, and 393, and memorandum record No. NA-10)

188 - Debt securities divested of stock rights (Section 304)

This account will represent the unpaid principal balance of small business concerns' debt securities which have been divested of stock rights through (1) the expiration of the conversion privilege of convertible debt securities, (2) the exercise or the expiration of rights conveyed by nondetachable or detachable stock purchase warrants or options of debt securities, or (3) the detachment of detachable stock purchase warrants or options, obtained in connection with the acquisition of debt securities pursuant to Section 304 of the Small Business Investment Act of 1958, as amended.

Debit:

- (a) With unpaid principal balance of debt securities divested of stock rights through (1) the expiration of the conversion privilege, (2) the exercise or the expiration of rights conveyed by nondetachable or detachable stock purchase warrants or options, or (3) the detachment of detachable stock purchase warrants or options.
- (b) On the books of the "initiating" company, with total unpaid principal balance of the debt securities divested of stock rights (account No. 331 will be credited with the portion representing the investment of the "participating" company).
- (c) On the books of the "participating" company, with amount of participations in purchases by others of debt securities which have subsequently been divested of stock rights.
- (d) With reversal of prior credits when checks received representing repayments are dishonored, etc.

Credit:

- (a) With principal amount of such debt securities divested of stock rights paid in full.
- (b) On the books of the "initiating" company, with full amount collected on principal through payments amortizing such debt securities divested of stock rights and on partial calls of such securities.
- (c) On the books of the "participating" company, with amount by which participations in purchases by others of debt securities which have subsequently been divested of stock rights are reduced by repayments, etc.

- (d) With unpaid principal balance of such debt securities divested of stock rights transferred to assets acquired in liquidation of loans and debt securities.
- (e) With unpaid principal balance of such debt securities divested of stock rights written off or disposed of otherwise.

Note 1: It is assumed that in all arrangements for participation in the purchase of debt securities the initiating company will service the financing.

Note 2: It is recommended that individual ledger cards or sheets be maintained for all debt securities which have been divested of stock rights. Such ledger cards or sheets should contain the detailed information needed for account No. 331 - Participations of other lending institutions in debt securities.

(See accounts Nos. 180, 184, 314, 384, and 393)

190 - Convertible capital stock of SBCs

This account will represent the value at cost of small business concerns' convertible capital stock acquired by the company pursuant to Section 304 of the Small Business Investment Act of 1958, as amended.

Debit:

- (a) With cost of such convertible capital stock acquired.

Credit:

- (a) With cost of such convertible capital stock converted to another class of capital stock.
- (b) With cost of such convertible capital stock in connection with which the conversion privilege has expired.
- (c) With cost of such convertible capital stock written off or disposed of otherwise.

(See accounts Nos. 198 and 394)



194 - Capital stock of SBCs with stock purchase warrants or options

This account will represent the value at cost of small business concerns' capital stock with attached stock purchase warrants or options acquired by the company pursuant to Section 304 of the Small Business Investment Act of 1958, as amended.

Debit:

- (a) With cost of such capital stock of SBCs with stock purchase warrants or options acquired, without allocating any of the cost to the nondetachable or detachable stock purchase warrants or options.

Credit:

- (a) With cost of such capital stock of SBCs with stock purchase warrants or options which has been divested of stock purchase rights through either (1) the exercise or the expiration of rights conveyed by nondetachable or detachable stock purchase warrants or options, or (2) the detachment of detachable stock purchase warrants or options.
- (b) With cost of such capital stock of SBCs with stock purchase warrants or options written off or disposed of otherwise.

(See accounts Nos. 198 and 394, and memorandum record No. NA-10)

198 - Capital stock of SBCs - other

This account will represent the value at cost of small business concerns' capital stock acquired by the company without conversion privileges or stock purchase warrants or options, or existing on the books as the result of (1) the expiration of the conversion privilege of convertible capital stock of SBCs, (2) the exercise or the expiration of rights conveyed by nondetachable or detachable stock purchase warrants or options, or (3) the detachment of detachable stock purchase warrants or options, obtained in connection with the acquisition of capital stock of small business concerns pursuant to Section 304 of the Small Business Investment Act of 1958, as amended.

Debit:

- (a) With cost of such capital stock of SBCs - other acquired through (1) purchase, (2) conversion of convertible debt securities or convertible capital stock of SBCs, or (3) exercise of rights conveyed by stock purchase warrants or options issued by small business concerns in connection with their debt securities or capital stock acquired by the company.
- (b) With cost of such capital stock of SBCs - other resulting from (1) the expiration of the conversion privilege of convertible capital stock of SBCs, (2) the expiration of rights conveyed by nondetachable or detachable stock purchase warrants or options, or (3) the detachment of detachable stock purchase warrants or options, obtained in connection with the acquisition of capital stock of small business concerns.

Credit:

- (a) With cost of such capital stock of SBCs - other written off or disposed of otherwise.

Note 1: In acquisitions of capital stock through exercise of rights conveyed by stock purchase warrants or options issued by small business concerns in connection with their debt securities or capital stock previously acquired by the company, the amount of the expenditure made by the company in the current acquisition of the capital stock will be considered the cost value of the stock, without consideration of the nominal or other value of the stock purchase rights surrendered.

Note 2: In conversions of convertible debt securities of small business concerns into capital stock, or in conversions of convertible capital stock of SBCs into another class of capital stock, the value at cost of the particular convertible debt security or convertible capital stock may be considered the cost value of the capital stock received in the conversion for the purpose of recording the transaction in this account. In such event, any unearned discount or fees relating to any debt securities converted may be eliminated in clearing the debt securities account of the converted instruments. If it is preferred to value the acquired stock at the unpaid principal balance of any debt securities surrendered therefor, it may be appropriate to consider any related unearned discount or fees as earned as of the date of completion of the conversion.

(See accounts Nos. 190, 194, 384, and 394)

200 - Assets acquired in liquidation of loans and debt securities

This account will represent the company's investment in assets acquired by foreclosure, or otherwise, in liquidation of loans (Section 305) and debt securities (Section 304). Judgments, sheriffs' certificates (including property acquired subject to redemption), etc., will be reflected in this account.

The investment in property at the date of acquisition by the company should be determined by the Board of Directors on the most suitable of the following bases, but not to exceed the total amount of the related loan or debt security involved: (1) Bid-in price of the property; (2) agreed consideration for the property; (3) fair appraised value of the property. Any remaining indebtedness will be written off unless the company expects further liquidation of the debt from other sources. Insofar as practicable, investment values will be determined for each individual asset, or unit, at the time such assets are recorded in this account, and when an asset is sold only an amount equal to the investment of such asset will be credited to this account.

The company's investment in judgments should be recorded at the face amount of the judgment. When the company acquires the underlying security to the related loan or debt security outright or subject to redemption, the investment in the property should be determined in accordance with the bases set forth in the second paragraph.

Debit:

- (a) With amount of the company's investment in the property at the time of acquisition.
- (b) With amount of the company's investment in the property at the date of judgment, sheriffs' certificate, etc.
- (c) On the books of the "participating" company, with amount of participation in assets acquired in liquidation of loans and debt securities of others.

Credit:

- (a) With proceeds of partial sale of property.
- (b) With amount of the company's investment at date of sale, or other disposition of property.
- (c) With amount written off.

Note 1: Collateral notes receivable acquired in the liquidation of loans and debt securities will be reflected in this account; but notes receivable that are subsequently accepted in connection with the disposition of assets acquired in the liquidation of loans and debt securities will be included in account No. 210 - Amounts due from debtors on sale of assets acquired in liquidation of loans and debt securities.

Note 2: The full amount of assets acquired in liquidation of loans and debt securities participated in by other lending institutions will be included in this account on the books of the "initiating" company.

Note 3: It is recommended that subsidiary records be maintained in sufficient detail to disclose for report and tax purposes all transactions affecting assets acquired in liquidation of loans and debt securities.

(See accounts Nos. 170, 180, 184, 188, 332, and 395)

210 - Amounts due from debtors on sale of assets acquired in liquidation of loans and debt securities

This account will represent the unpaid balance of accounts receivable, notes receivable, sales contracts, purchase money mortgages, and similar evidences of indebtedness to the company arising from the sale of assets acquired in liquidation of loans (Section 305) and debt securities (Section 304).

Debit:

- (a) With amount of such receivables.
- (b) On the books of the "participating" company, with amount of participations in amounts due from debtors on sale of assets acquired in liquidation of loans and debt securities of other lending institutions.

Credit:

- (a) With amount collected on principal of such receivables.
- (b) With amount transferred to assets acquired in liquidation of loans and debt securities.
- (c) With unpaid principal balance written off or disposed of otherwise.

Note 1: The full amounts due from debtors on sale of assets acquired in liquidation of loans and debt securities participated in by other lending institutions will be included in this account on the books of the "initiating" company.

Note 2: It is recommended that subsidiary records be maintained in sufficient detail to disclose for report and tax purposes all transactions affecting amounts due from debtors on sale of assets acquired in liquidation of loans and debt securities.

(See accounts Nos. 334 and 396)

220 - Prepaid expenses

This account will represent the unexpired or unconsumed portion of expenses expressly applicable to future periods for which no specific accounts have been provided. Such expenses should be amortized over the appropriate period.

Debit:

- (a) With amount of prepaid or deferred expenses.

Credit:

- (a) At the end of each month, with the proportional amount of such expenses applicable to the current month.

Note: Subsidiary records should be maintained to identify the items reflected in this account and to facilitate their monthly amortization.

224 - Unamortized discount on debentures payable

This account will represent the amount of the unamortized balance of discount on unmatured outstanding debentures payable sold by the company for a sum less than par.

Debit:

- (a) With amount of discount on such debentures at the time of sale.

Credit:

- (a) At the end of each month, with the monthly amount necessary to amortize the discount over the life of such debentures.
- (b) With the unamortized portion of discount applicable to such debentures purchased and retired prior to maturity.
- (c) When such debentures mature during the month, with amount of discount applicable to the portion of the month the debentures were outstanding.

(See accounts Nos. 560, 680, and 690)

230 - Furniture and equipment

This account will represent the cost of furniture, fixtures and equipment, including automobiles, owned by the company. The cost of freight, drayage, cartage, express, etc., in connection with the purchase of such items of furniture and equipment, will be included in this account.

Debit:

- (a) With cost of such assets purchased.

Credit:

- (a) With cost of such assets at the time of sale or other disposition.

Note: An inventory record should be maintained for all such assets and each item should be tagged or numbered to facilitate ready identification.

(See account No. 397)



240 - Corporate premises owned - land

This account will represent the actual cost of acquisition of the land used as the site of the company's office quarters. The account also will include the actual cost of any improvements, such as street, sidewalk and other benefits, applicable to the land.

Debit:

- (a) With actual cost of acquisition of the land.
- (b) With actual cost of any improvement to the land.

Credit:

- (a) With the acquisition cost of the land, plus the cost of improvements made thereto, when the land is sold or disposed of otherwise.

241 - Corporate premises owned - building

This account will represent the actual cost of acquisition of the building used as the company's office quarters. The account also will include the actual cost of any improvements applicable to the building.

Debit:

- (a) With actual cost of acquisition of the building.
- (b) With actual cost of any improvement to the building.

Credit:

- (a) With the acquisition cost of the building, plus the cost of improvements made thereto, when the building is sold or disposed of otherwise.

(See account No. 398)

242 - Leasehold improvements

This account will represent the actual cost of improvements to leased property used as the company's office quarters. The amount of this account will be amortized over the life of the lease or the life of the improvements, whichever is the shorter.

Debit:

- (a) With actual cost of improvements to leasehold.

Credit:

- (a) At the end of each month, with the monthly amount necessary to amortize the cost of leasehold improvements.

250-254 - Capital stock subscriptions receivable -  
(Type and class)

These accounts will represent the total unpaid balances of capital stock subscriptions receivable from subscribers of the company's authorized capital stock. A separate subscriptions receivable account should be provided for each type and class of capital stock.

Debit:

- (a) With amount of such capital stock subscriptions received.

Credit:

- (a) With amount collected on such capital stock subscriptions.
- (b) With amount of such capital stock subscriptions cancelled or disposed of otherwise.

(See accounts Nos. 410-414)

255 - Amounts due from directors, officers, and employees

This account will represent the unpaid balance of amounts advanced to directors, officers, and employees.

Debit:

- (a) With amount of such advances made.

Credit:

- (a) With amount collected on such advances.
- (b) With amount transferred to appropriate expense classification upon proper authorization.
- (c) With amount written off or disposed of otherwise.

(See account No. 709)

256 - Organization costs

This account will represent the amount of legal fees, promotional expense, stock certificate costs, underwriters' fees and commissions, incorporation fees, taxes, and other related costs incurred in organizing the company.

Debit:

- (a) With amount of such costs incurred.

Credit:

- (a) At the end of each month, with the monthly amount necessary to amortize the organization costs in accordance with Treasury regulations.

(See account No. 672)

257 - Other assets

This account will represent the amount of assets of the company not specifically provided for in other accounts, including recoverable amounts advanced for the protection and preservation of the company's investments.

Debit:

- (a) With amount of the company's investment in such assets.

Credit:

- (a) With amount of such assets sold or disposed of otherwise.

(See account No. 709)

LIABILITY AND VALUATION RESERVE ACCOUNTS

300 - Notes payable to SBA

This account will represent the unpaid principal balance of notes payable for funds borrowed from the Small Business Administration.

Debit:

- (a) With amount of principal payments made on such notes.

Credit:

- (a) With amount of funds borrowed.

302 - Debenture payable, subordinated, issued to SBA

This account will represent the unpaid principal balance of funds received by the company under its subordinated debenture bond payable issued to the Small Business Administration for funds borrowed pursuant to Section 302(a) of the Small Business Investment Act of 1958, as amended.

Debit:

- (a) With amount of principal payments made on such debenture.

Credit:

- (a) With amount of funds received under such debenture.

Note: For the purposes enumerated in Section 302(a) of the Small Business Investment Act of 1958, as amended, the debenture recorded in this account shall be deemed a part of capital and surplus of small business investment companies.

310 - Loans sold with recourse

This account will represent the unpaid principal balance of loans outstanding to small business concerns which have been sold to individuals, banks, insurance companies, or other financial institutions with recourse upon the company in the event of default.

Debit:

- (a) With amount collected on such loans as reported to the company by the purchaser.
- (b) With unpaid principal balance of such loans repurchased.

Credit:

- (a) With unpaid principal balance of such loans sold.

Note: This account is contra to account No. 170 - Loans (Section 305). For balance sheet purposes account No. 310 will be deducted from account No. 170.

312 - Convertible debt securities sold with recourse

This account will represent the unpaid principal balance of unmatured convertible debt securities, issued by small business concerns to the company, which are sold to individuals, banks, insurance companies, or other financial institutions with recourse upon the company in the event of default.

Debit:

- (a) With principal balance of such convertible debt securities paid on maturity as reported to the company by the purchaser.
- (b) With unpaid principal balance of such convertible debt securities repurchased.

Credit:

- (a) With unpaid principal balance of such convertible debt securities sold with recourse.

Note: This account is contra to account No. 180 - Convertible debt securities (Section 304). For balance sheet purposes account No. 312 will be deducted from account No. 180.

313 - Debt securities with stock purchase warrants or options  
sold with recourse

This account will represent the unpaid principal balance of unmatured debt securities with attached stock purchase warrants or options, issued by small business concerns to the company, which are sold to individuals, banks, insurance companies, or other financial institutions with recourse upon the company in the event of default.

Debit:

- (a) With principal balance of such debt securities with stock purchase warrants or options paid on maturity as reported to the company by the purchaser.
- (b) With unpaid principal balance of such debt securities with stock purchase warrants or options repurchased.

Credit:

- (a) With unpaid principal balance of such debt securities with stock purchase warrants or options sold with recourse.

Note: This account is contra to account No. 184 - Debt securities with stock purchase warrants or options (Section 304). For balance sheet purposes account No. 313 will be deducted from account No. 184.



314 - Debt securities divested of stock rights sold with recourse

This account will represent the unpaid principal balance of of small business concerns' unmatured debt securities divested of stock rights which are sold to individuals, banks, insurance companies, or other financial institutions with recourse upon the company in the event of default.

Debit:

- (a) With principal balance of such debt securities divested of stock rights paid on maturity as reported to the company by the purchaser.
- (b) With unpaid principal balance of such debt securities divested of stock rights repurchased.

Credit:

- (a) With unpaid principal balance of such debt securities divested of stock rights sold with recourse.

Note: This account is contra to account No. 188 - Debt securities divested of stock rights (Section 304). For balance sheet purposes account No. 314 will be deducted from account No. 188.

315 - Notes payable to other than SBA

This account will represent the unpaid principal balance of notes payable for funds borrowed from other than the Small Business Administration.

Debit:

- (a) With amount of principal payments made on such notes.

Credit:

- (a) With amount of funds borrowed.

316 - Debentures payable, unsubordinated

This account will represent the par value of the company's unsubordinated debenture bonds payable which are issued for funds borrowed.

Debit:

- (a) With the par value of such debentures retired upon maturity.
- (b) With the par value of such debentures purchased and retired by the company before maturity.

Credit:

- (a) With the par value of such debentures issued for funds borrowed.

318 - Debentures payable, subordinated, issued to other than SBA

This account will represent the par value of the company's subordinated debenture bonds payable which are issued to other than the Small Business Administration for funds borrowed.

Debit:

- (a) With the par value of such debentures retired upon maturity.
- (b) With the par value of such debentures purchased and retired by the company before maturity.

Credit:

- (a) With the par value of such debentures issued to other than the Small Business Administration for funds borrowed.

319 - Mortgages payable

This account will represent the unpaid principal balance of mortgages payable for funds borrowed on corporate premises or other real estate owned by the company. Purchase money mortgages, conditional sales contracts, or similar documentary evidence of indebtedness given by the company in the acquisition of real property will be included in this account.

Debit:

- (a) With amount of principal payments made on such indebtedness.

Credit:

- (a) With amount of funds borrowed.

320 - Notes payable - other

This account will represent the unpaid principal balance of notes payable in evidence of amounts owed by the company other than for funds borrowed. Notes payable, conditional sales contracts, and liens for the acquisition of furniture, fixtures, equipment, and automobiles will be included in this account.

Debit:

- (a) With amount of principal payments made on such notes.

Credit:

- (a) With amount of unpaid principal of such notes executed.

330 - Participations of other lending institutions in loans

This account will be used only by the "initiating" company and will represent the outstanding balance of participations by other lending institutions in loans (Section 305).

The total unpaid balances of loans in which other lending institutions participate will be carried in account No. 170 by the "initiating" company for accounting convenience. The balance of this account will not be treated as a liability on the balance sheet but as an offset to the asset account.

Debit:

- (a) With amount of reductions of such participations.

Credit:

- (a) With amount of participations of other lending institutions in loans.

Note 1: A participation is defined as an undivided interest shared with one or more other lending institutions in a note, debenture bond, or other instrument evidencing a loan to, or equity financing of, a small business concern.

Note 2: Appropriate subsidiary records should be maintained for all loan participations of other lending institutions reflected in this account as indicated in Note 2 of account No. 170.

(See account No. 530)

331 - Participations of other lending institutions in debt securities

This account will be used only by the "initiating" company and will represent the outstanding balance of participations by other lending institutions in debt securities (Section 304).

The total unpaid balances of convertible debt securities, debt securities with stock purchase warrants or options, and debt securities divested of stock rights, in which other lending institutions participate, will be carried by the initiating company in accounts Nos. 180, 184, and 188, respectively, for accounting convenience. The balance of this account will not be treated as a liability on the balance sheet but as an offset to the related asset accounts.

Debit:

- (a) With amount of reductions of such participations.

Credit:

- (a) With amount of participations of other lending institutions in debt securities.

Note 1: A participation is defined as an undivided interest shared with one or more other lending institutions in a note, debenture bond, or other instrument evidencing a loan to, or equity financing of, a small business concern.

Note 2: Appropriate subsidiary records should be maintained for all participations of other lending institutions in debt securities as indicated in Note 2 of accounts Nos. 180, 184, and 188.

(See account No. 530)

332 - Participations in assets acquired in liquidation of loans and debt securities

This account will be used only by the "initiating" company and will represent the outstanding balance of participations by other lending institutions in assets acquired in liquidation of loans (Section 305) and debt securities (Section 304). The total amount of such assets will be carried in account No. 200 by the "initiating" company for accounting convenience. The balance of this account will not be treated as a liability on the balance sheet but as an offset to the asset account.

Debit:

- (a) With amount of reductions of such participations.

Credit:

- (a) With amount of participations of other lending institutions in assets acquired in liquidation of loans and debt securities.

Note: Appropriate subsidiary records should be maintained for all participations of other lending institutions in assets acquired in liquidation of loans and debt securities reflected in this account as indicated in Note 3 of account No. 200.

(See account No. 530)

334 - Participations in amounts due from debtors on sale of assets  
acquired in liquidation of loans and debt securities

This account will be used only by the "initiating" company and will represent the outstanding balance of participations by other lending institutions in amounts due from debtors on sale of assets acquired in liquidation of loans (Section 305) and debt securities (Section 304). The total unpaid balance of such amounts due will be carried in account No. 210 by the "initiating" company for accounting convenience. The balance of this account will not be treated as a liability on the balance sheet but as an offset to the asset account.

Debit:

- (a) With amount of reductions of such participations.

Credit:

- (a) With amount of participations of other lending institutions in amounts due from debtors on sale of assets acquired in liquidation of loans and debt securities.

Note: Appropriate subsidiary records should be maintained for all participations of other lending institutions in amounts due from debtors on sale of assets acquired in liquidation of loans and debt securities reflected in this account as indicated in Note 2 of account No. 210.

(See account No. 530)

340 - Accounts payable for compensation on participations purchased

This account, on the books of the "participating" company, will represent the amount of accrued compensation payable for services rendered to it on its participations in loans, debt securities, assets acquired in liquidation of loans (Section 305) and debt securities (Section 304), and amounts due from debtors on sale of assets acquired in liquidation of loans (Section 305) and debt securities (Section 304) of the "initiating" company.

Debit:

- (a) With amount of such accrued compensation paid or disposed of otherwise.

Credit:

- (a) With amount of such accrued compensation.

(See account No. 630)

342 - Accounts payable for commitment fees on deferred participations

This account, on the books of the "initiating" company, will represent the amount of accrued commitment fees payable for having funds made available on a deferred basis by "participating" companies such as banks, small business investment companies, and other lending institutions in connection with the financing of, or commitments to finance, small business concerns.

Debit:

- (a) With amount of such accrued fees paid.

Credit:

- (a) With amount of such accrued fees.

Note: A deferred participation is defined as a commitment under a participation agreement whereby the "participating" company will make funds available on a deferred basis to the "initiating" company in connection with the latter's financing of, or commitment to finance, a small business concern.

(See account No. 600)



344 - Accounts payable - other

This account will represent amounts payable on open account for which other specific accounts have not been provided.

Debit:

- (a) With amount of such indebtedness paid, or disposed of otherwise.

Credit:

- (a) With amount of such indebtedness incurred.

350 - Accrued interest payable

This account will represent the amount of liability for interest accrued on the company's notes, mortgages and debentures payable, and on loans (Section 305) and debt securities (Section 304) of small business concerns sold with recourse upon the company in the event of default. The account also will include accrued interest payable on other interest-bearing obligations of the company except accrued interest payable provided for in account No. 352.

Debit:

- (a) With amount of such interest paid or disposed of otherwise.

Credit:

- (a) At the end of each month, with amount of interest accrued on all interest-bearing obligations covered by this account on that date.
- (b) With amount of interest accrued during the month on such obligations paid in full or disposed of otherwise during the month.

352 - Accrued interest payable on participations of other lending institutions in loans, debt securities, and amounts due from debtors

This account will be used only by the "initiating" company and will represent the accrued interest receivable due "participating" companies, such as other small business investment companies, banks, etc., on their participations in loans, debt securities, and amounts due from debtors on sale of assets acquired in liquidation of loans (Section 305) and debt securities (Section 304).

The total accrued unpaid interest receivable on loans, debt securities, and amounts due from debtors on sale of assets acquired in liquidation of loans and debt securities in which other lending institutions participate will be carried in account No. 160 by the "initiating" company for accounting convenience. The balance of this account will not be treated as a liability on the balance sheet but as an offset to the asset account.

Debit:

- (a) With amount of such interest paid or disposed of otherwise.

Credit:

- (a) With amount due "participating" companies representing their portion of accrued interest receivable on participations in loans, debt securities, and amounts due from debtors.

354 - Estimated Federal income taxes accrued

This account will represent the balance of estimated Federal income taxes accrued which have not been remitted to the Internal Revenue Service.

Debit:

- (a) With amount of such taxes paid.

Credit:

- (a) With amount of such taxes accrued during the month.

(See account No. 720)

356 - Estimated State income taxes accrued

This account will represent the balance of estimated State income taxes accrued which have not been remitted to the appropriate collector of such taxes.

Debit:

- (a) With amount of such taxes paid.

Credit:

- (a) With amount of such taxes accrued during the month.

(See account No. 725)

358 - Other accrued expenses

This account will represent the amount of the company's liability as of the end of the month for accrued expenses, such as salaries, the company's portion of social security taxes, and other accrued expenses not provided for in other accounts.

Debit:

- (a) With amount of such expenses paid or disposed of otherwise.

Credit:

- (a) With amount of such expenses accrued during the month.

Note: Increases or decreases in the liability for accrued expenses, through accruals or adjustments, will be offset by increases or decreases, respectively, in the appropriate expense accounts.

360-362 - Dividends payable on \_\_\_\_\_ capital stock  
(Type and class)

These accounts will represent the company's liability for dividends, other than stock dividends, declared by the company's Board of Directors on the respective types and classes of capital stock issued and outstanding. A separate account should be used to reflect the dividends payable for each type and class of capital stock outstanding.

Debit:

- (a) With amount of such dividends paid.

Credit:

- (a) With amount of such dividends declared payable by the company's Board of Directors.

365-367 - Stock dividends payable on \_\_\_\_\_ capital  
stock (Type and class)

These accounts will represent the amounts of capital stock dividends declared payable by the company's Board of Directors on the respective types and classes of capital stock issued and outstanding. A separate account should be used to reflect the stock dividends payable with respect to each type and class of capital stock outstanding.

Debit:

- (a) With amount of such stock dividends issued (contra credit will be made to accounts Nos. 405-409).

Credit:

- (a) With amount of such stock dividends declared payable by the company's Board of Directors (contra debit will be made to account No. 420 or No. 425, as appropriate).

Note: A stock dividend payable is not considered a liability, since the use of assets is not required. In instances when a statement of financial condition is prepared between the dates of declaration and payment, the stock dividend payable should be reflected in the capital stock and surplus section as an addition to the capital stock.

370 - Federal taxes withheld

This account will represent the amount of Federal income and social security taxes withheld from employees' salaries which have not been remitted to the Internal Revenue Service.

Debit:

- (a) With amount of such taxes remitted to Internal Revenue Service.

Credit:

- (a) With amount of such taxes withheld.

372 - State and city taxes withheld

This account will represent the amount of State income and city taxes withheld from employees' salaries which have not been remitted to the appropriate collector of such taxes.

Debit:

- (a) With amount of such taxes remitted.

Credit:

- (a) With amount of such taxes withheld.

374 - Unapplied receipts

This account will represent the amount of funds received by the company which have not been applied to loans (Section 305), debt securities (Section 304), interest receivable, etc. The account will be used only in instances when the funds received cannot be applied promptly.

Debit:

- (a) With amount of such funds applied or disposed of otherwise.

Credit:

- (a) With amount of funds received which cannot be applied promptly.

376 - Advance interest payments

This account will represent the amount of interest collected through cash payments by debtors on interest-bearing items prior to the interest maturity date.

Debit:

- (a) On the interest maturity date with amount of such interest heretofore credited to this account as an advance payment.

Credit:

- (a) With amount of interest received prior to the interest maturity date.

378 - Miscellaneous trust receipts

This account will represent the liability of the company for funds withheld or received in trust, for which no specific account is provided, including earnest money deposits, and funds withheld from employees' salaries for the purchase of United States Savings Bonds, payment of group life insurance premiums, payment of pension fund contributions, etc.

Debit:

- (a) With amount of such funds disbursed or disposed of otherwise.

Credit:

- (a) With amount of such funds withheld or received.

380 - Unamortized premium on debentures payable

This account will represent the amount of the unamortized balance of premium on unmatured outstanding debentures payable sold by the company for a sum in excess of par.

Debit:

- (a) At the end of each month, with the monthly amount necessary to amortize the premium over the life of such debentures.
- (b) With the unamortized portion of premium applicable to such debentures purchased and retired prior to maturity.
- (c) When such debentures mature during the month, with the amount of premium applicable to the portion of the month the debentures were outstanding.

Credit:

- (a) With the amount of premium on such debentures at the time of sale.

(See accounts Nos. 550, 560, and 690)



382 - Unearned discount, fees, and other charges on loans  
(Section 305)

This account will represent the amount of unearned discount, fees, and other charges included in the face amount of loans made to small business concerns pursuant to Section 305 of the Small Business Investment Act of 1958, as amended, and which is withheld from disbursements to such small business concerns.

The total unpaid balances of the face amount of loans (including participations bought or sold) will be carried in account No. 170. The balance of this account will not be treated as a liability on the balance sheet but as an offset to the asset account.

Debit:

- (a) With amount of unearned discount, fees, and other charges included in the face amount of direct loans, but withheld from disbursements to debtor small business concerns, which becomes earned through collection, passage of time, or sale of loans.
- (b) On the books of the "initiating" company, with amount earned of that portion of unearned discount, fees, and other charges included in the face amount of loans, but withheld from disbursements to debtor small business concerns, which is retained by the "initiating" company in connection with loans participated in by other lending institutions (the amount to be recorded becomes earned through collection, passage of time, or sale of loans).
- (c) On the books of the "participating" company, with amount earned of that portion of unearned discount, fees, and other charges included in the face amount of loans, but withheld from disbursements to debtor small business concerns, which is assigned to the "participating" company in connection with its participations in loans of other lending institutions.
- (d) With amount of unearned discount, fees, and other charges included in the face amount of loans, but withheld from disbursements to debtor small business concerns, which is rebated to borrowers upon early repayment of loans, or is closed into the asset account upon liquidation of loans at less than full amount.

Credit:

- (a) With amount of unearned discount, fees, and other charges included in the face amount of direct loans but withheld from disbursements to debtor small business concerns.
- (b) On the books of the "initiating" company, with that portion of unearned discount, fees, and other charges included in the face amount of loans, but withheld from disbursements to debtor small business concerns, which is retained by the "initiating" company in connection with loans participated in by other lending institutions.
- (c) On the books of the "participating" company, with that portion of unearned discount, fees, and other charges included in the face amount of loans, but withheld from disbursements to debtor small business concerns, which is assigned to the "participating" company in connection with its participations in loans of other lending institutions.

Note 1: A participation is defined as an undivided interest shared with one or more other lending institutions in a note, debenture bond, or other instrument evidencing a loan to, or equity financing of, a small business concern.

Note 2: Unearned discount in this account will be transferred to account No. 512 - Interest on loans, as it becomes earned, and unearned fees and other charges will be transferred to account No. 536 - Miscellaneous fees, under similar circumstances.

Note 3: Any discount, fees, and other charges considered earned immediately upon closing of loans will be recorded in the appropriate income accounts at once without first being entered in this account.

Note 4: Appropriate subsidiary records should be maintained for all unearned amounts included in this account to permit identification of such amounts with the particular loans to which they relate.

384 - Unearned discount, fees, and other charges on debt securities  
(Section 304)

This account will represent the amount of unearned discount, fees, and other charges included in the face amount of small business concerns' debt securities acquired pursuant to Section 304 of the Small Business Investment Act of 1958, as amended, and which is withheld from disbursements to such small business concerns.

The total unpaid balances of the face amount of debt securities (including participations bought or sold) will be carried in accounts Nos. 180, 184, and 188, as appropriate. The balance of this account will not be treated as a liability on the balance sheet but as an offset to the asset accounts.

Debit:

- (a) With amount of unearned discount, fees, and other charges included in the face amount of debt securities, but withheld from disbursements to debtor small business concerns, which becomes earned through collection, passage of time, or sale of debt securities.
- (b) On the books of the "initiating" company, with amount earned of that portion of unearned discount, fees, and other charges included in the face amount of debt securities, but withheld from disbursements to debtor small business concerns, which is retained by the "initiating" company in connection with purchases of debt securities participated in by other lending institutions (the amount to be recorded becomes earned through collection, passage of time, or sale of debt securities).
- (c) On the books of the "participating" company, with amount earned of that portion of unearned discount, fees, and other charges included in the face amount of debt securities, but withheld from disbursements to debtor small business concerns, which is assigned to the "participating" company in connection with its participations in purchases by other lending institutions of debt securities.
- (d) With amount of unearned discount, fees, and other charges included in the face amount of debt securities, but withheld from disbursements to debtor small business concerns, which is rebated to borrowers upon early repayment of debt securities, or is closed into the asset account upon liquidation of debt securities at less than full amount.

Credit:

- (a) With amount of unearned discount, fees, and other charges included in the face amount of debt securities acquired but withheld from disbursements to debtor small business concerns.
- (b) On the books of the "initiating" company, with that portion of unearned discount, fees, and other charges included in the face amount of debt securities, but withheld from disbursements to debtor small business concerns, which is retained by the "initiating" company in connection with purchases of debt securities participated in by other lending institutions.
- (c) On the books of the "participating" company, with that portion of unearned discount, fees, and other charges included in the face amount of debt securities, but withheld from disbursements to debtor small business concerns, which is assigned to the "participating" company in connection with its participations in purchases by other lending institutions of debt securities.

Note 1: A participation is defined as an undivided interest shared with one or more other lending institutions in a note, debenture bond, or other instrument evidencing a loan to, or equity financing of, a small business concern.

Note 2: Unearned discount in this account will be transferred to account No. 516 - Interest on debt securities, as it becomes earned, and unearned fees and other charges will be transferred to account No. 536 - Miscellaneous fees, under similar circumstances.

Note 3: Any discount, fees, and other charges considered earned immediately upon closing of financing through purchase of debt securities will be recorded in the appropriate income accounts at once without first being entered in this account.

Note 4: Appropriate subsidiary records should be maintained for all unearned amounts included in this account to permit identification of such amounts with the specific debt security accounts and the particular debt securities in such accounts to which they relate.

386 - Other liabilities

This account will represent the amount of liabilities of the company not specifically provided for in other accounts.

Debit:

- (a) With amount of such liabilities paid or disposed of otherwise.

Credit:

- (a) With amount of such liabilities incurred.

390 - Allowance for uncollectible notes and accounts receivable

This account will represent the valuation reserve provided for estimated losses on notes and accounts receivable and should be maintained in an amount not less than a conservative estimate of probable losses on notes and accounts receivable. The valuation reserve will be adjusted upward as conditions make advisable, and may be adjusted downward if circumstances justify or occasion demands, in order to reflect the true value of the company's notes and accounts receivable.

Debit:

- (a) With amount of decreases in such reserve.
- (b) With amount of notes and accounts receivable written off.

Credit:

- (a) With amount of such reserve established.
- (b) With amount of increases in such reserve.
- (c) With amount of recoveries on notes and accounts receivable written off.

391 - Allowance for uncollectible interest receivable

This account will represent the valuation reserve provided for estimated losses of accrued interest receivable, and should be maintained in an amount not less than a conservative estimate of probable losses. This valuation reserve should be adjusted as occasion demands, so that this account will reflect the best available estimate of probable losses of accrued interest receivable.

Debit:

- (a) With amount of decreases in such reserve.
- (b) With amount of accrued interest receivable written off.

Credit:

- (a) With amount of such reserve established.
- (b) With amount of increases in such reserve.
- (c) With amount of recoveries of accrued interest receivable written off.

Note: In instances when a loan to, or debt security of, a small business concern or an amount due from debtors on sale of assets acquired in liquidation of loans and debt securities is participated in by other lending institutions, the valuation reserve on the books of the "initiating" company should not exceed the total accrued interest receivable, less the amount of such interest due other lending institutions on their participations as reflected in account No. 352.

392 - Allowance for uncollectible loans (Section 305)

This account will represent the valuation reserve provided for estimated losses on loans (Section 305) and should be maintained in an amount not less than a conservative estimate of probable losses. This valuation reserve will be adjusted upward as conditions make advisable, and may be adjusted downward if circumstances justify or occasion demands, in order to reflect the true value of the company's loans to small business concerns.

Debit:

- (a) With amount of decreases in such reserve.
- (b) With amount of such loans written off.

Credit:

- (a) With amount of such reserve established.
- (b) With amount of increases in such reserve.
- (c) With amount of recoveries on such loans written off.

393 - Allowance for losses on debt securities (Section 304)

This account will represent the valuation reserve provided for estimated losses on convertible debt securities, debt securities with attached stock purchase warrants or options, and debt securities divested of stock rights (all such securities Section 304) and should be maintained in an amount not less than a conservative estimate of probable losses. This valuation reserve will be adjusted as occasion demands, so that this account will reflect the best available estimate of probable losses on debt securities of small business concerns.

Debit:

- (a) With amount of decreases in such reserve.
- (b) With amount of reserve established in this account for debt securities which are sold or disposed of otherwise (contra credit will be made to account No. 673).

Credit:

- (a) With amount of such reserve established.
- (b) With amount of increases in such reserve.

Note: When debt securities of small business concerns are sold by the company or disposed of otherwise, the appropriate asset account will be credited for the related cost value carried therein, and an additional credit will be made to account No. 572 if a gain is realized, or a concurrent debit will be made to account No. 702 if a loss is sustained.

(See accounts Nos. 180, 184, 188, 572, 673, and 702)



394 - Allowance for losses on capital stock of SBCs

This account will represent the valuation reserve provided for estimated losses on convertible capital stock of SBCs, capital stock of SBCs with attached stock purchase warrants or options, and capital stock of SBCs - other owned by the company, and should be maintained in an amount not less than a conservative estimate of probable losses. This valuation reserve will be adjusted as occasion demands, so that this account will reflect the best available estimate of probable losses on capital stock of SBCs.

Debit:

- (a) With amount of decreases in such reserve.
- (b) With amount of reserve established in this account for capital stock which is sold or disposed of otherwise (contra credit will be made to account No. 674).

Credit:

- (a) With amount of such reserve established.
- (b) With amount of increases in such reserve.

Note: When capital stock of SBCs is sold by the company or disposed of otherwise, the appropriate asset account will be credited for the related cost value carried therein, and an additional credit will be made to account No. 576 if a gain is realized, or a concurrent debit will be made to account No. 706 if a loss is sustained.

(See accounts Nos. 190, 194, 198, 576, 674, and 706)

395 - Allowance for losses on assets acquired in liquidation of loans and debt securities

This account will represent the valuation reserve provided for estimated losses on assets acquired in liquidation of loans (Section 305) and debt securities (Section 304), and should be maintained in an amount not less than a conservative estimate of probable losses. This valuation reserve will be adjusted as occasion demands, so that this account will reflect the best available estimate of probable losses on assets acquired in liquidation of loans and debt securities.

Debit:

- (a) With amount of decreases in such reserve.
- (b) With amount of reserve established in this account for assets acquired in liquidation of loans and debt securities which are sold or disposed of otherwise (contra credit will be made to account No. 675).

Credit:

- (a) With amount of such reserve established.
- (b) With amount of increases in such reserve.

Note: When assets acquired in liquidation of loans and debt securities are sold by the company or disposed of otherwise, account No. 200 will be credited for the related investment carried therein, and an additional credit will be made to account No. 578 if a gain is realized, or a concurrent debit will be made to account No. 708 if a loss is sustained.

(See accounts Nos. 200, 578, 675, and 708)

396 - Allowance for uncollectible amounts due from debtors on sale of assets acquired in liquidation of loans and debt securities

This account will represent the valuation reserve provided for estimated losses of amounts due from debtors on sale of assets acquired in liquidation of loans (Section 305) and debt securities (Section 304), and should be maintained in an amount not less than a conservative estimate of probable losses. This valuation reserve will be adjusted upward as conditions make advisable, and may be adjusted downward if circumstances justify or occasion demands, in order to reflect the true value of such amounts due from debtors on the company's books.

Debit:

- (a) With amount of decreases in such reserve.
- (b) With amount due from debtors on sale of assets acquired in liquidation of loans and debt securities written off.

Credit:

- (a) With amount of such reserve established.
- (b) With amount of increases in such reserve.
- (c) With amount of recoveries on such items written off.

(See accounts Nos. 210 and 669)

397 - Accumulated depreciation on furniture and equipment

This account will represent the valuation reserve provided for depreciation of furniture, fixtures, and equipment including automobiles owned by the company. This account should be maintained in an amount not less than a conservative estimate of the expired service life of such assets while owned by the company.

Debit:

- (a) With amount of depreciation accumulated, when such an asset is sold or disposed of otherwise.

Credit:

- (a) At the end of each month, with the monthly amount necessary to depreciate the cost of such assets over the estimated service life.

(See accounts Nos. 230 and 656)

398 - Accumulated depreciation on corporate premises owned - building

This account will represent the valuation reserve provided for depreciation of the building and other depreciable improvements of corporate premises owned and used as the company's office quarters. This account should be maintained in an amount not less than a conservative estimate of the expired service life of such building and improvements while owned by the company.

Debit:

- (a) With amount of depreciation accumulated, when such an asset is sold or disposed of otherwise.

Credit:

- (a) At the end of each month, with the monthly amount necessary to depreciate the cost of such assets over the estimated service life.

(See accounts Nos. 241 and 655)

CAPITAL STOCK AND SURPLUS ACCOUNTS

400-404 - \_\_\_\_\_ capital stock authorized  
(Type and class)

These accounts will represent the total par or stated value of the capital stock authorized, as provided for in the company's charter. A separate account should be provided for each type and class of capital stock authorized.

Debit:

- (a) With amount of reductions of such capital stock authorized.

Credit:

- (a) With original amount of such capital stock authorized.
- (b) With additional amounts of such capital stock authorized.

(See accounts Nos. 405-409)

(Type and class)

These accounts will represent the total par or stated value of unissued capital stock of the company. A separate account should be provided for each type and class of unissued capital stock.

Debit:

- (a) With original amount of such unissued capital stock, as provided for in the company's charter.
- (b) With additional amounts of such unissued capital stock authorized.
- (c) With par or stated value of capital stock retired.

Credit:

- (a) With amount of such capital stock issued (contra debit will be made to accounts Nos. 410-414).
- (b) With amount of reductions of capital stock authorized.

(See accounts Nos. 400-404)

(Type and class)

These accounts will represent the total amount at the subscription price of the company's capital stock subscribed. A separate account should be provided for each type and class of capital stock subscribed. These accounts will reflect the company's responsibility to issue shares of its stock to subscribers who have made final payment of their capital stock subscriptions.

**Debit:**

- (a) With amount at the subscription price of such subscribed capital stock issued (contra credits will be made to accounts Nos. 405-409 and, as appropriate, No. 420).
- (b) With amount at the subscription price of such subscribed capital stock cancelled or disposed of otherwise.

**Credit:**

- (a) With amount at the subscription price of such capital stock subscribed.

(See accounts Nos. 250-254 and 420)

These accounts will represent the total amount of the company's issued capital stock which has been reacquired through purchase or donation and has not been retired. A separate account should be provided for each type and class of such capital stock held by the company.

Debit:

- (a) With cost of such capital stock acquired through purchase.
- (b) With amount of fair market value or par value of such capital stock acquired through donation (contra to account No. 420).

Credit:

- (a) With cost of such capital stock acquired through purchase, when sold or disposed of otherwise.
- (b) With amount of fair market value or par value of such capital stock acquired through donation, when sold or disposed of otherwise.

Note: Appropriate subsidiary records should be maintained when deemed necessary.



420 - Paid-in surplus

This account will represent the amount of surplus arising from (1) sales initially of the company's capital stock at a price in excess of par value (including amounts transferred from capital stock subscribed at a price above par, when shares are issued); (2) donations to the company of its issued capital stock carried as treasury stock at fair market value or par value; (3) retirements of capital stock purchased at less than the par value thereof; (4) sales of treasury stock in excess of its carrying value on the books of the company; (5) donations or gifts to the company of assets carried at not in excess of fair market value; (6) other capital equity transactions with stockholders.

Debit:

- (a) With amount of loss on treasury stock sold which was acquired through purchase.
- (b) With amount received by the company below fair market value, or par value, whichever applicable, for treasury stock sold which was acquired through donation.
- (c) With amount paid by the company in excess of par value, but not to exceed the premium received initially, for shares of capital stock retired (any amount paid in excess of par plus initial premium received will be charged to retained earnings, account No. 425).
- (d) With amount of stock dividends, at par value of the stock, declared payable out of paid-in surplus by the company's Board of Directors.

Credit:

- (a) With amount paid in, or transferred from capital stock subscribed, representing the excess over par value of the company's capital stock, when shares are issued.
- (b) With amount of fair market value or par value of the company's capital stock acquired through donation.
- (c) With amount of discount below par value of the company's capital stock acquired through purchase, when such stock is retired.

420 - (Continued)

- (d) With amount received by the company in excess of cost, or in excess of fair market value or par value, whichever applicable, for treasury stock sold.
- (e) With amount not to exceed fair market value of donations or gifts of assets to the company.

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425 - Retained earnings

This account will represent the accumulated balance of the company's undistributed net income since incorporation.

Debit:

- (a) At the end of the fiscal year, with any debit balance reflected in the profit and loss summary account.
- (b) With amount of dividends, other than stock dividends, declared payable by the company's Board of Directors.
- (c) With amount of stock dividends, at par value of the stock, declared payable out of retained earnings by the company's Board of Directors.
- (d) With amount paid by the company in excess of par plus initial premium received on the type and class of shares of capital stock retired.
- (e) With amounts transferred to appropriated retained earnings upon approval by the Board of Directors.

Credit:

- (a) At the end of the fiscal year, with the credit balance of the profit and loss summary account.
- (b) With amounts returned from appropriated retained earnings.

427 - Appropriated retained earnings

This account will represent the amount of retained earnings restricted from dividend distribution and thus earmarked for some future purpose, such as the retirement of debentures payable, the acquisition of treasury stock, etc.

Debit:

- (a) With amounts returned to retained earnings after purpose has been served.

Credit:

- (a) With amounts transferred from retained earnings upon approval by the Board of Directors.

(See account No. 425)

429 - Profit and loss summary

This account will be used as a clearing account through which all income and expense accounts on the books of the company will be closed.

Debit:

- (a) At the end of the fiscal year, with the debit balances of all expense and income accounts.
- (b) At the end of the fiscal year, with the credit balance of the account (transfer to retained earnings).

Credit:

- (a) At the end of the fiscal year, with the credit balances of all income and expense accounts.
- (b) At the end of the fiscal year, with the debit balance of the account (transfer to retained earnings).

(See account No. 425)

INCOME ACCOUNTS

500 - Commitment income

This account will represent the amount of income earned during the month on commitments to small business concerns for loans (Section 305) and equity securities (Section 304). This account, on the books of the "participating" company, will include the amount of commitment income during the month on deferred participations.

Debit:

- (a) At the end of the fiscal year, with the balance of account (transfer to profit and loss summary).

Credit:

- (a) With amount of income earned during the month on commitments and deferred participations.

Note: A deferred participation is defined as a commitment under a participation agreement whereby the "participating" company will make funds available on a deferred basis to the "initiating" company in connection with the latter's financing of, or commitment to finance, a small business concern.

(See account No. 155)

510 - Interest on U. S. Government securities

This account will represent the amount of interest earned during the month on United States Government obligations, direct and fully guaranteed, owned by the company.

Debit:

- (a) At the end of the fiscal year, with the balance of account (transfer to profit and loss summary).

Credit:

- (a) At the end of each month, with amount of interest earned during the period on securities owned on that date.
- (b) With amount of interest earned during the month on securities disposed of during the month.

(See accounts Nos. 130 and 160)

512 - Interest on loans

This account will represent the amount of interest earned during the month on loans (Section 305) to small business concerns.

Debit:

- (a) At the end of the fiscal year, with the balance of account (transfer to profit and loss summary).

Credit:

- (a) At the end of each month, with amount of interest earned during the period on loans outstanding to small business concerns on that date.
- (b) With amount of interest earned during the month on loans to small business concerns paid in full during the month.

(See accounts Nos. 160 and 170)

514 - Interest on funds in escrow pending closing of financing

This account will represent the amount of interest earned during the month on funds in escrow pending closing of financing for small business concerns.

Debit:

- (a) At the end of the fiscal year, with the balance of account (transfer to profit and loss summary).

Credit:

- (a) At the end of each month, with amount of interest earned during the period on funds in escrow pending closing of such financing on that date.
- (b) With amount of interest earned during the month on funds in escrow pending closing, when related financing was closed during the month.

(See accounts Nos. 160 and 179)

516 - Interest on debt securities

This account will represent the amount of interest earned during the month on debt securities of small business concerns owned by the company pursuant to Section 304 of the Small Business Investment Act of 1958, as amended.

Debit:

- (a) At the end of the fiscal year, with the balance of account (transfer to profit and loss summary).

Credit:

- (a) At the end of each month, with amount of interest earned during the period on such debt securities owned on that date.
- (b) With amount of interest earned during the month on such debt securities paid in full or converted to capital stock during the month.

(See accounts Nos. 160, 180, 184, and 188)

518 - Interest on amounts due from debtors on sale of assets acquired in liquidation of loans and debt securities

This account will represent the amount of interest earned during the month on amounts due from debtors on sale of assets acquired in liquidation of loans (Section 305) and debt securities (Section 304).

Debit:

- (a) At the end of the fiscal year, with the balance of account (transfer to profit and loss summary).

Credit:

- (a) At the end of each month, with amount of interest earned during the period on amounts due from debtors on sale of assets acquired in liquidation of loans and debt securities on that date.
- (b) With amount of interest earned during the month on amounts due from debtors on sale of assets acquired in liquidation of loans and debt securities paid in full or converted to capital stock during the month.

(See accounts Nos. 160 and 210)



520 - Interest income - other

This account will represent the amount of interest earned during the month on miscellaneous notes receivable. Interest earned during the month on notes representing amounts due from debtors on sale of assets acquired in liquidation of loans and debt securities will be reflected in account No. 518. This account, however, will include interest earned on interest-bearing receivables not otherwise classified.

Debit:

- (a) At the end of the fiscal year, with the balance of account (transfer to profit and loss summary).

Credit:

- (a) At the end of each month, with amount of interest earned during the period on such receivables on that date.
- (b) With amount of interest earned during the month on such receivables paid in full during the month.

(See accounts Nos. 140 and 160)

530 - Compensation income - participations sold

This account, on the books of the "initiating" company, will represent the amount of compensation earned during the month for financial services rendered in connection with participations sold.

Debit:

- (a) At the end of the fiscal year, with the balance of account (transfer to profit and loss summary).

Credit:

- (a) With amount of such compensation income.

(See account No. 154)

532 - Advisory and consulting service fees

This account will represent the amount of fees charged during the month for advisory, consulting, and related services rendered to small business concerns pursuant to Section 308(b) of the Small Business Investment Act of 1958, as amended.

Debit:

- (a) At the end of the fiscal year, with the balance of account (transfer to profit and loss summary).

Credit:

- (a) With amount of such fees charged.

534 - Appraisal and investigation fees

This account will represent the amount of fees charged during the month for appraisal, investigation, and related services rendered to banks or other financial institutions, pursuant to Section 308 of the Small Business Investment Act of 1958, as amended. The account will exclude compensation for financial services rendered in connection with participations sold (see account No. 530).

Debit:

- (a) At the end of the fiscal year, with the balance of account (transfer to profit and loss summary).

Credit:

- (a) With amount of such fees charged.

536 - Miscellaneous fees

This account will represent the amount of fees charged during the month for application, appraisal, investigation, and related services rendered to small business concerns.

Debit:

- (a) At the end of the fiscal year, with the balance of account (transfer to profit and loss summary).

Credit:

- (a) With amount of such fees charged.

540 - Dividends on capital stock of SBCs

This account will represent the amount of income from declared dividends on capital stock of small business concerns.

Debit:

- (a) At the end of the fiscal year, with the balance of account (transfer to profit and loss summary).

Credit:

- (a) With amount of income from such dividends.

541 - Sharings in income of SBCs

This account will represent the amount of sharings or participations in the income of small business concerns from which the company has acquired debt securities (Section 304).

Debit:

- (a) At the end of the fiscal year, with the balance of account (transfer to profit and loss summary).

Credit:

- (a) With amount of such sharings.

550 - Amortization of premium on debentures payable

This account will represent the amount of amortization of premium on unmatured outstanding debentures payable issued by the company.

Debit:

- (a) At the end of the fiscal year, with the balance of account (transfer to profit and loss summary).

Credit:

- (a) At the end of each month, with the monthly amount necessary to amortize the premium over the life of such debentures.
- (b) With the unamortized portion of premium applicable to such debentures purchased and retired prior to maturity.
- (c) When such debentures mature during the month, with the amount of premium applicable to the portion of the month the debentures were outstanding.

(See account No. 380)

560 - Gain on debentures purchased and retired

This account will represent the amount of excess of (1) the par value of debentures payable purchased and retired plus unamortized premium and minus unamortized discount in connection with such debentures over (2) the cost of the principal sum of such debentures.

Debit:

- (a) At the end of the fiscal year, with the balance of account (transfer to profit and loss summary).

Credit:

- (a) With amount of such gain on debentures payable purchased and retired during the month.

(See accounts Nos. 224, 316, 318, and 380)

570 - Gain on U. S. Government securities

This account will represent the amount of gain on the sale or other disposition of United States Government obligations, direct and fully guaranteed, carried in account No. 130.

Debit:

- (a) At the end of the fiscal year, with the balance of account (transfer to profit and loss summary).

Credit:

- (a) With amount of gain on such securities sold or disposed of otherwise.

Note: Increase in value over cost of United States Treasury bills, which are issued at a discount and are non-interest bearing, will not be reflected in this account but will be credited at the end of each month to account No. 510 - Interest on U. S. Government securities, with concurrent debit to account No. 160 - Accrued interest receivable.

572 - Gain on debt securities (Section 304)

This account will represent the amount of gain on the sale or other disposition of debt securities (Section 304) of small business concerns carried in accounts Nos. 180, 184, and 188.

Debit:

- (a) At the end of the fiscal year, with the balance of account (transfer to profit and loss summary).

Credit:

- (a) With amount of gain on such debt securities sold or disposed of otherwise.

574 - Recoveries on asset losses charged to loss accounts

This account will represent the amount of recoveries on losses sustained through sale or other disposition of assets for which direct charges to loss accounts have been recorded.

Debit:

- (a) At the end of the fiscal year, with the balance of account (transfer to profit and loss summary).

Credit:

- (a) With amount collected on such items written off.

(See accounts Nos. 702, 708, and 709)

576 - Gain on capital stock of SBCs

This account will represent the amount of gain on the sale or other disposition of capital stock of small business concerns carried in accounts Nos. 190, 194, and 198.

Debit:

- (a) At the end of the fiscal year, with the balance of account (transfer to profit and loss summary).

Credit:

- (a) With amount of gain on such capital stock sold or disposed of otherwise.

577 - Gain on stock purchase warrants or options of SBCs

This account will represent the amount of gain on the sale or other disposition of detachable stock purchase warrants or options of small business concerns.

Debit:

- (a) At the end of the fiscal year, with the balance of account (transfer to profit and loss summary).

Credit:

- (a) With amount of gain on such stock purchase warrants or options sold or disposed of otherwise.

Note: Inasmuch as detachable stock purchase warrants or options of small business concerns are not to be established as assets on the company's books when detached from capital stock certificates or debt securities, but instead are to be entered in a memorandum record at a nominal value of one dollar (\$1.00) for each such warrant or option certificate, the full amount received upon sale or other disposition of the warrants or options will constitute the gain to be recorded in this account.

(See memorandum record No. NA-10)

578 - Gain on assets acquired in liquidation of loans and debt securities

This account will represent the amount of gain on the sale or other disposition of assets acquired in liquidation of loans (Section 305) and debt securities (Section 304) of small business concerns carried in account No. 200.

Debit:

- (a) At the end of the fiscal year, with the balance of account (transfer to profit and loss summary).

Credit:

- (a) With amount of gain on such assets acquired in liquidation of loans and debt securities sold or disposed of otherwise.



579 - Gain on other assets

This account will represent the amount of gain on the sale or other disposition of assets not specifically provided for in other accounts.

Debit:

- (a) At the end of the fiscal year, with the balance of account (transfer to profit and loss summary).

Credit:

- (a) With amount of gain on such assets sold or disposed of otherwise.

580 - Rental income

This account will represent the income earned during the month from the leasing or renting to others of portions of corporate premises owned.

Debit:

- (a) At the end of the fiscal year, with the balance of account (transfer to profit and loss summary).

Credit:

- (a) With amount of income earned during the month.

582 - Income from assets acquired in liquidation of loans and debt securities

This account will represent the amount of income earned during the month on assets acquired in liquidation of loans (Section 305) and debt securities (Section 304), including the operation of properties, carried in account No. 200.

Debit:

- (a) At the end of the fiscal year, with the balance of account (transfer to profit and loss summary).

Credit:

- (a) With amount of such income earned during the month.

Note: In instances when a liquidating agent is employed to supervise the disposition of the assets, appropriate subsidiary accounts should be maintained by the agent. Cash collected from the sale of assets by the liquidating agent should be remitted immediately to the company. The company should maintain a local depository bank account, in which all receipts of the agent are deposited when direct remittances to the company are not feasible. Deposit balances in this account should be subject to withdrawal by check only by the company and should be reflected on the company's records in the same manner as other bank accounts.

Any advances to a liquidating agent for expenses incident to the operation of or in the disposition of assets acquired in the liquidation of loans and debt securities should be charged to account No. 220 - Prepaid expenses.

584 - Other income

This account will represent the income earned during the month not specifically provided for in other accounts.

Debit:

- (a) At the end of the fiscal year, with the balance of account (transfer to profit and loss summary).

Credit:

- (a) With amount of such income earned during the month.

EXPENSE ACCOUNTS

600 - Commitment expense

This account will represent the amount of commitment expense during the month on commitments from the Small Business Administration pursuant to paragraph 107.302-1(f) of the regulations issued in accordance with the Small Business Investment Act of 1958, as amended, and on commitments from lending institutions other than the Small Business Administration.

On the books of the "initiating" company, this account also will include the amount of commitment expense during the month on deferred participations.

Debit:

- (a) With amount of expense incurred during the month on commitments and deferred participations.

Credit:

- (a) At the end of the fiscal year, with the balance of account (transfer to profit and loss summary).

Note: A deferred participation is defined as a commitment under a participation agreement whereby the "participating" company will make funds available on a deferred basis to the "initiating" company in connection with the latter's financing of, or commitment to finance, a small business concern.

(See account No. 342)

610 - Interest on notes payable to SBA

This account will represent the amount of interest expense accrued during the month on notes payable for funds borrowed from the Small Business Administration.

Debit:

- (a) With amount of such interest accrued during the month.

Credit:

- (a) At the end of the fiscal year, with the balance of account (transfer to profit and loss summary).

(See accounts Nos. 300 and 350)

614 - Interest on debenture payable, issued to SBA

This account will represent the amount of interest expense accrued during the month on the subordinated debenture payable, issued to the Small Business Administration.

Debit:

- (a) With amount of such interest accrued during the month.

Credit:

- (a) At the end of the fiscal year, with the balance of account (transfer to profit and loss summary).

(See accounts Nos. 302 and 350)

618 - Interest on loans sold with recourse

This account will represent the amount of interest expense accrued during the month on loans to small business concerns sold to individuals, banks, insurance companies, or other financial institutions with recourse upon the company in the event of default.

Debit:

- (a) With amount of such interest accrued during the month.

Credit:

- (a) At the end of the fiscal year, with the balance of account (transfer to profit and loss summary).

(See accounts Nos. 170 and 350)

620 - Interest on debt securities sold with recourse

This account will represent the amount of interest expense accrued during the month on debt securities of small business concerns sold to individuals, banks, insurance companies, or other financial institutions with recourse upon the company in the event of default.

Debit:

- (a) With amount of such interest accrued during the month.

Credit:

- (a) At the end of the fiscal year, with the balance of account (transfer to profit and loss summary).

(See accounts Nos. 180, 184, 188, and 350).

622 - Interest on notes payable to other than SBA

This account will represent the amount of interest expense accrued during the month on notes payable for funds borrowed from other than the Small Business Administration.

Debit:

- (a) With amount of such interest accrued during the month.

Credit:

- (a) At the end of the fiscal year, with the balance of account (transfer to profit and loss summary).

(See accounts Nos. 315 and 350)

624 - Interest on debentures payable, issued to other than SBA

This account will represent the amount of interest expense accrued during the month on subordinated and unsubordinated debentures payable, issued to other than the Small Business Administration.

Debit:

- (a) With amount of such interest accrued during the month.

Credit:

- (a) At the end of the fiscal year, with the balance of account (transfer to profit and loss summary).

(See accounts Nos. 316, 318, and 350)

626 - Interest on mortgages payable

This account will represent the amount of interest expense accrued during the month on mortgages payable for funds borrowed by the company, carried in account No. 319.

Debit:

- (a) With amount of such interest accrued during the month.

Credit:

- (a) At the end of the fiscal year, with the balance of account (transfer to profit and loss summary).

(See account No. 350)

628 - Interest expense - other

This account will represent the amount of interest expense accrued during the month on obligations of the company not specifically provided for in other accounts.

Debit:

- (a) With amount of such interest accrued during the month.

Credit:

- (a) At the end of the fiscal year, with the balance of account (transfer to profit and loss summary).

(See account No. 350)

630 - Compensation expense - participations purchased

This account, on the books of the "participating" company, will represent the amount of compensation expense during the month for financial services received from "initiating" companies in connection with participations purchased.

Debit:

- (a) With amount of such compensation expense.

Credit:

- (a) At the end of the fiscal year, with the balance of account (transfer to profit and loss summary).

(See account No. 340)

640 - Debenture and fiscal agent expense

This account will represent the amount of (1) charges by the company's fiscal agent for services rendered, including reimbursements of expenses incurred by the fiscal agent on behalf of the company, and (2) expenses directly incident to the sale, redemption, and servicing of debentures payable, including such items as commissions, advertising in financial journals, communications, printing, stationery and supplies, shipping expenses, and such other expenses as may be properly charged to the sale, redemption, and servicing of debentures.

Debit:

- (a) With amount of such expenses incurred during the month.

Credit:

- (a) At the end of the fiscal year, with the balance of account (transfer to profit and loss summary).



642 - Transfer agent and registrar expense

This account will represent the amount of charges to the company by the transfer agent and the registrar for services rendered in connection with the issuance and transfer of the company's capital stock.

Debit:

- (a) With amount of such expenses incurred during the month.

Credit:

- (a) At the end of the fiscal year, with the balance of account (transfer to profit and loss summary).

650-679 - Operating expenses

The accounts under this caption will represent the amounts of operating expenses incurred.

Debit appropriate account:

- (a) With amount of operating expenses incurred during the month.

Credit appropriate account:

- (a) At the end of the fiscal year, with the balance of account (transfer to profit and loss summary).

650 - Advertising and promotional costs

This account will represent the cost of advertising and promoting the company's services, including the cost of entertaining prospective borrowers and clients.

650-679 - (Continued)

651 - Appraisal, consulting, and engineering costs

This account will represent the amount of charges made by outside firms and individuals for appraisal, consulting, and engineering services rendered to the company.

652 - Auditing and examination costs

This account will represent the amount of charges for auditing, examination, and bookkeeping services rendered by accountants not on the company's payroll, and charges for services rendered by SBA examiners.

653 - Communications

This account will represent telephone, telegraph, and postage expense.

654 - Cost of space occupied

This account will represent the cost of space occupied such as rent, alterations, amortization of leasehold improvements, light, heat, power, janitor service, etc., but not including maintenance and repairs, and depreciation.

655 - Depreciation of corporate premises owned - building

This account will represent the amount of provision applicable to the fiscal year for depreciation of the building and other depreciable improvements of corporate premises owned and used as the company's office quarters.

656 - Depreciation of furniture and equipment

This account will represent the amount of provision applicable to the fiscal year for depreciation of furniture, fixtures, and equipment, including automobiles, owned by the company.

657 - Directors' and stockholders' meetings costs

This account will represent directors' fees, and travel expense for attendance at directors' and stockholders' meetings. This account also will include the cost of holding stockholders' meetings, such as rental of the meeting hall and related expenses.

650-679 - (Continued)

658 - Insurance

This account will represent fire, theft, employee group life insurance, and other insurance expense, including fidelity bond premiums and insurance on automobiles. With respect to employee group life insurance coverage, only that portion of the premiums paid by the company will be charged to this account. The portion, if any, of employee group life insurance premiums withheld from salaries or received from employees, will be reflected in account No. 378.

(Insurance premiums to be amortized will be charged to account No. 220).

659 - Investigation and financial service costs

This account will represent the amount of charges made by outside firms and individuals for investigation and financial services rendered to the company. Such services may be required in connection with applications for loans and applications for financing small business concerns through acquisition of their debt securities.

660 - Investment adviser and supervisory costs

This account will represent the amount of charges made by outside firms and individuals for furnishing advice to the company with respect to the desirability of investing in, purchasing, or selling loans, debt securities, and capital stock of small business concerns and other property, or for determining, if so empowered, what securities or other property shall be purchased or sold by the company.

661 - Legal services

This account will represent the cost of legal services rendered to the company.

662 - Miscellaneous services and supplies

This account will represent the amount of charges made to the company for custodial or safekeeping services in connection with its portfolio securities, bank service charges, exchange on checks, protest fees, and other miscellaneous service charges, and the cost of office supplies such as stationery, accounting forms, blank books, pencils, binders, etc.

650-679 - (Continued)

663 - Salaries

This account will represent the salary cost of all officers and employees of the company, including directors' compensation and salaries of any temporary or part-time employees engaged for specific assignments.

664 - Taxes, excluding Federal and State income taxes

This account will represent the cost of all taxes, including those on corporate premises owned, motor vehicle, personal property, social security (company's portion) and other taxes charged to the company, exclusive of Federal and State income taxes.

665 - Travel

This account will represent all travel expense, including transportation charges, automobile maintenance and operating expense, meals, lodging, telephone, telegraph, and other company costs incurred by officers and employees while in a travel status.

666 - Uncollectible notes and accounts

This account will represent the amount of estimated uncollectible notes and accounts receivable applicable to the fiscal year.

667 - Uncollectible interest receivable

This account will represent the amount of estimated uncollectible interest receivable applicable to the fiscal year.

668 - Uncollectible loans (Section 305)

This account will represent the amount of estimated uncollectible loans (Section 305) to small business concerns applicable to the fiscal year.

669 - Uncollectible amounts due from debtors on sale of assets acquired in liquidation of loans and debt securities

This account will represent the sum of estimated uncollectible amounts due from debtors on sale of assets acquired in liquidation of loans (Section 305) and debt securities (Section 304) applicable to the fiscal year.

Note: Appropriate subsidiary accounts should be maintained when deemed necessary.

650-679 - (Continued)

670 - Maintenance and repairs

This account will represent all maintenance and repairs expense on buildings, furniture, and equipment (other than automobiles) owned by the company.

671 - Retirement benefits expense

This account will represent the cost assumed by the company in contributing to a pension fund providing for employee retirement benefits. The portion, if any, of the cost of retirement benefits withheld from salaries or received from employees will be reflected in account No. 378.

672 - Organization expense

This account will represent the amount of legal fees, promotional expense, stock certificate costs, underwriters' fees and commissions, incorporation fees, taxes, and other related costs incurred in organizing the company, which are charged to expense (this account) as incurred or are transferred to this account periodically through the amortization of organization costs established as an asset in account No. 256.

673 - Estimated losses on debt securities (Section 304)

This account will represent the amount of estimated losses applicable to the fiscal year on debt securities (Section 304) of small business concerns.

674 - Estimated losses on capital stock of SBCs

This account will represent the amount of estimated losses applicable to the fiscal year on capital stock of small business concerns.

675 - Estimated losses on assets acquired in liquidation of loans and debt securities

This account will represent the amount of estimated losses applicable to the fiscal year on assets acquired in liquidation of loans and debt securities.

680 - Amortization of discount on debentures payable

This account will represent the amount of amortization of discount on unmatured outstanding debentures payable issued by the company.

Debit:

- (a) At the end of each month, with the monthly amount necessary to amortize the discount over the life of such debentures.
- (b) With the unamortized portion of discount applicable to such debentures purchased and retired prior to maturity.
- (c) When such debentures mature during the month, with the amount of discount applicable to the portion of the month the debentures were outstanding.

Credit:

- (a) At the end of the fiscal year, with the balance of account (transfer to profit and loss summary).

(See account No. 224)

690 - Loss on debentures purchased and retired

This account will represent the amount of excess of (1) the cost of the principal sum of debentures payable purchased and retired over (2) the par value of such debentures plus unamortized premium and minus unamortized discount in connection with such debentures.

Debit:

- (a) With amount of such loss on debentures payable purchased and retired during the month.

Credit:

- (a) At the end of the fiscal year, with the balance of account (transfer to profit and loss summary).

(See accounts Nos. 224, 316, 318, and 380)

700 - Loss on U. S. Government securities

This account will represent the amount of loss on the sale or other disposition of United States Government obligations, direct and fully guaranteed, carried in account No. 130.

Debit:

- (a) With amount of loss on such securities sold or disposed of otherwise.

Credit:

- (a) At the end of the fiscal year, with the balance of account (transfer to profit and loss summary).

702 - Loss on debt securities (Section 304)

This account will represent the amount of loss on the sale or other disposition of debt securities (Section 304) of small business concerns carried in accounts Nos. 180, 184, and 188.

Debit:

- (a) With amount of loss on such debt securities sold or disposed of otherwise.

Credit:

- (a) At the end of the fiscal year, with the balance of account (transfer to profit and loss summary).

(See account No. 574)

706 - Loss on capital stock of SBCs

This account will represent the amount of loss on the sale or other disposition of capital stock of small business concerns carried in accounts Nos. 190, 194, and 198.

Debit:

- (a) With amount of loss on such capital stock sold or disposed of otherwise.

Credit:

- (a) At the end of the fiscal year, with the balance of account (transfer to profit and loss summary).



708 - Loss on assets acquired in liquidation of loans and debt securities

This account will represent the amount of loss on the sale or other disposition of assets acquired in liquidation of loans (Section 305) and debt securities (Section 304) of small business concerns carried in account No. 200.

Debit:

- (a) With amount of loss on such assets sold or disposed of otherwise.

Credit:

- (a) At the end of the fiscal year, with the balance of account (transfer to profit and loss summary).

(See account No. 574)

709 - Loss on other assets

This account will represent the amount of loss on the sale or other disposition of assets not specifically provided for in other accounts.

Debit:

- (a) With amount of loss on such assets sold or disposed of otherwise.

Credit:

- (a) At the end of the fiscal year, with the balance of account (transfer to profit and loss summary).

(See account No. 574)

710 - Expense on assets acquired in liquidation of loans and debt securities

This account will represent the amount of expense incurred during the month on assets acquired in liquidation of loans (Section 305) and debt securities (Section 304), including the operation of properties, carried in account No. 200.

Debit:

- (a) With amount of such expense incurred during the month.

Credit:

- (a) At the end of the fiscal year, with the balance of account (transfer to profit and loss summary).

Note: In instances when a liquidating agent is employed to supervise the disposition of the assets, appropriate subsidiary accounts should be maintained by the agent.

Cash collected from the sale of assets by the liquidating agent should be remitted immediately to the company. The company should maintain a local depository bank account, in which all receipts of the agent are deposited when direct remittances to the company are not feasible. Deposit balances in this account should be subject to withdrawal by check only by the company and should be reflected on the company's records in the same manner as other bank accounts.

Any advances to a liquidating agent for expenses incident to the operation of or in the disposition of assets acquired in the liquidation of loans and debt securities should be charged to account No. 220 - Prepaid expenses.

720 - Federal income taxes

This account will represent the amount of Federal income taxes applicable to the current fiscal year.

Debit:

- (a) With amount of such taxes accrued during the month.

Credit:

- (a) At the end of the fiscal year, with the balance of account (transfer to profit and loss summary).

(See account No. 354)

725 - State income taxes

This account will represent the amount of State income taxes applicable to the current fiscal year.

Debit:

- (a) With amount of such taxes accrued during the month.

Credit:

- (a) At the end of the fiscal year, with the balance of account (transfer to profit and loss summary).

(See account No. 356)

## MEMORANDUM RECORDS

### Contingent Assets

#### CA-1 - Documentary items in process of collection

This record will show the amount of trade acceptances, bills of sale, sight drafts, and other similar documents received by the company. It is intended that items entered in this record will not of themselves be considered collateral, but will represent instruments used in effecting collection of the proceeds of the sale of collateral which has been released on trust receipts or similar collateral documents. When collection is effected, appropriate entry will be made in this record.

#### CA-2 - Other contingent assets

This record will show the amount of miscellaneous contingent assets, such as postdated checks, etc.

### Contingent Liabilities

#### CL-6 - Commitments outstanding

This record will show the amount of financing commitments made and outstanding to small business concerns, including commitments for loans and for the acquisition of small business concerns' capital stock and debt securities. This record also will show the amount of deferred participations. A deferred participation is defined as a commitment under a participation agreement whereby the "participating" company will make funds available on a deferred basis to the "initiating" company in connection with the latter's financing of, or commitment to finance, a small business concern. When funds are advanced against commitments, appropriate entry will be made in this record.

#### CL-7 - Other contingent liabilities

This record will show the amount of miscellaneous contingent obligations not otherwise classified.

Nominal Assets

NA-10 - Stock purchase warrants or options on stock of SBCs

This record will show the company's ownership of detachable stock purchase warrants or options which have been detached from the capital stock certificates or debt securities with which they were issued by small business concerns.

Each detachable stock purchase warrant or option certificate should be entered in this record, upon detachment, at a nominal value of one dollar (\$1.00). Upon sale of a detachable stock purchase warrant or option or upon exercise or expiration of rights conveyed by a detachable stock purchase warrant or option, the entry establishing such certificate in the memorandum records is to be discharged through an equivalent credit.

Debit:

- (a) With nominal value of detachable stock purchase warrants or options upon their detachment from capital stock certificates or debt securities.

Credit:

- (a) With nominal value of detachable stock purchase warrants or options upon exercise or expiration of rights conveyed by such warrant or option certificates.
- (b) With nominal value of detachable stock purchase warrants or options sold or disposed of otherwise.

(See accounts Nos. 184 and 194)

## Options on Company's Stock

### OCS-1 - Options on company's stock

This record will show details of outstanding options on the company's capital stock granted in lieu of salary or in payment for services actually rendered to the company. The following data will be included:

1. Identification of person or entity holding options.
2. Number of shares optioned.
3. Type and class of stock called for by options.
4. Dates of grant and of expiration of options.
5. Price or prices at which options exercisable, with dates they apply.
6. Fair market value, per share, of stock called for at date each option was granted.
7. Price of each option as percent of fair market value of optioned stock at date option was granted.
8. Provisions for termination of options in case of death or retirement of optionees, or other circumstances.
9. Details of authorization, shares reserved for, issuance, exercise, lapse, and forfeiture of options provided for under the company's stock option plan.