

## 5. Closing a position

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Closing a position and transferring that position to a closed account is a simple process. It can be done by executing the *Close Position* command or by directly entering a *Sell* or *Cover Short* transaction. Regardless of the method used, a closing transaction is created. When that transaction is entered, the closed position is automatically transferred to the *Closed* tab page where it remains available for viewing at any time.

### Using the *Close Position* command

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□ To close an existing position, follow these steps:

1. Open the **Portfolio Manager** application and, from the Account List, select the portfolio account containing the position that you want to close. Information for the selected account will appear in the Account Information section.
2. Select the **Portfolio** tab page to display a list of open positions and then right-click on the position you want to close. A menu will appear.
3. From the menu, choose **Close Position**. A *Close Position* dialog box will appear on your screen. The ticker name, transaction type, and number of shares are displayed to enable you to verify that this is the transaction that you want to close.

Ticker	Date	Shares	Unit Price	Commission	Total Amount
EM	01/24/01	100.000	8.000	37.50	8.00

*Close Position dialog box*

### Important

Be sure to enter actual amounts for commissions in the *Close Position* dialog box. Accuracy is particularly important if you plan to use this information for tax reporting.

4. The *Close Position* dialog box contains a number of data entry fields and options:
  - The three fields *Transaction Type*, *Account*, and *Ticker* are automatically completed and should not be changed.
  - The next four fields (*Date*, *Shares*, *Unit Price*, *Commission*, and *Total Amount*) must be completed. (See next page for information on these data fields.) System entered figures may be shown in some fields but you should change all values that do not agree with actual transaction values.
  - *Auto Calculation - Shares* - When this option is selected, the *Shares* field is automatically calculated from *Unit Price*, *Commission*, and *Total Amount*.
  - *Auto Calculation - Total* - When this option is selected, the *Total Amount* field is automatically calculated from *Shares*, *Unit Price*, and *Commission*.
  - *Notes* - You may add a note here for this transaction if you choose.
  - *Tax Withheld* - If tax is being withheld from this sale by your broker and you know the amount, you may enter it here.
5. When you have completed all entries, choose **Done**. If your position has more than one entry transaction, the *Shares Allocation* screen will now appear. Instructions for completing the entries on this screen can be found on the next page.
6. When you close a position, the following actions will take place on the various tab pages:
  - The position will be added to the *Closed* tab page.
  - The position (or shares closed) will be deleted from the *Portfolio* and *Stop Loss* tab pages.
  - A closing transaction will be added to the *Transaction* tab page.
  - A closing transaction will be added to the *Journal* tab page.

Data fields in the *Close Position* dialog box

*Date*

The trade date when the position was exited. The default is the current date.

*Shares*

The number of shares that will be closed. The default is the maximum quantity that can be closed.

- If you close all shares, the position will be deleted from the *Portfolio* and *Stop Loss* tab pages and a new transaction will appear on the *Transaction* and *Journal* pages showing the shares closed.
- If you close less than the full number, the position will remain on the *Portfolio* and *Stop Loss* pages but the quantity will be adjusted to reflect the number transferred. A new transaction will appear on the *Transaction* and *Journal* pages showing the shares closed.

*Unit Price*

The price when the position was exited. The default is the current closing price. Be sure to enter the exact price at which the position was closed.

*Commission*

The exit brokerage fees for the position. If a system computed commission amount is shown, you can change this value to the actual exit commission amount.

*Total Amount*

A system computed total may be shown in this field. If not, compute and enter the total amount.

*Tax Withheld*

The amount of tax withheld from exit transaction proceeds.

## Allocating shares for positions with multiple entries

When you close a position, you are subject to capital gains/losses. In calculating your tax liability, the entry date of the position determines the tax category (short or long-term) and the entry price determines the amount of gain/loss incurred. However, determining tax liability when there is more than one corresponding entry transaction (i.e., the position was taken on different dates and at different prices) is somewhat more complex. In this situation, you often must decide which shares you want to sell (or short cover). To help you determine the extent of your tax liability when a position has multiple entry transactions, *Portfolio Manager* provides a special function called *Shares Allocation*.

When a position that has multiple entries is closed, the *Shares Allocation* screen automatically appears. This screen is used to allocate the shares you are selling (or short covering) to one or more specific entry dates. You can allocate the shares manually or you can choose the method you want to use and the shares will be allocated for you.

□ To close a position that has multiple entries, follow these steps:

1. Complete your entries in the *Close Position* dialog box, choose **Done**, and the *Shares Allocation* screen will appear.

Date	Hls	Price	Shares	Selected
06/04/99	Long	28.5000	300.0000	100.0000
11/12/99	Long	37.6250	400.0000	200.0000

Shares to Allocate: 500.0000  
Shares Selected: 500.0000  
Computed Cost: 16075.00  
Allocation Method: FIFO

Buttons: EFO, LIFO, Avg Cost, Max Gain, Min Gain, OK, Cancel, Reset

*Shares Allocation screen*

2. The window in the *Shares Allocation* screen lists all entry transactions for the position you are closing. For each transaction, the entry date, period held (Short or Long), and number of shares are listed. The total number of shares that were sold is shown below in the field labeled *Shares to Allocate*.
3. Use one of the following methods to allocate closed shares to one or more entry dates:

*To manually allocate shares:*

- For the first entry date, click in the column titled **Selected** and type the number of shares you want to allocate to this date (and price). The number will appear below in the field labeled *Shares Selected*.
- Repeat for other dates until all shares that were closed are selected.

*To allocate shares by the method of your choice:*

- Choose a method and click the corresponding command button.
    - **FIFO** - Shares are selected using the First in First Out accounting procedure.
    - **LIFO** - Shares are selected using the Last in First Out accounting procedure.
    - **Average Cost** - Shares are selected using the Average Cost accounting procedure.
    - **Maximum Gain** - Selects shares that result in the greatest amount of gain.
    - **Minimum Gain** - Selects shares that result in the least amount of gain.
  - The allocation of shares will appear in the *Selected* column. The *Computed Cost* and *Allocation Method* fields below will be completed to reflect the method chosen.
4. When you have completed the allocation of shares, click **OK**. The various tab pages will be updated to reflect the closing of the position.

## How to reopen a closed position

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If for some reason you want to reopen a position that you have previously closed, you can do so by means of the *Reopen Transaction* command. This command is only available from the *Closed* tab.

□ *To Reopen a closed position:*

1. Select the **Closed** tab and then find the position you want to reopen.
2. Click on the closed position with the right mouse button to display the right-click menu.
3. Choose **Reopen Transaction** from this menu. The position will be restored to the *Portfolio* tab and the transaction by which the position was originally closed will be removed from all tabs.

## Editing closed positions

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The *Portfolio Manager* is designed to facilitate easy transfer of information from a portfolio account to the closed account. The user cannot change information in closed positions, with the exception of *Notes* or *Tax Withheld*.

□ *To change Notes or Tax Withheld:*

1. From the Account List select the account where the closing transaction you want to edit was posted.
2. Click the **Closed** tab to display the page that lists all closed transactions.
3. Display the *Edit Transaction* dialog box by one of these methods:
  - Double click on the transaction that you want to edit.
  - Right-click on the closed position and then choose **Edit** from the menu that appears.
  - Select the transaction and then choose **Edit** from the *Transactions* menu bar command.
4. The *Edit Transaction* dialog box appears. To change an entry in *Notes* or *Tax Withheld*, first click an insertion point in the text box and then type the change that you want to make.
5. When you have completed your changes, choose **Done** and the changes will be made.

## Deleting a closed position

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Although a closed position can be removed by deleting the closing transaction, this action is not recommended because of problems that can result. Deleting a closed position only removes the position and does not reopen it or adjust the cash balance for the account.

Therefore, if you decide to delete a closed position, you will need to make adjustments to the positions and/or cash balance through the entry of additional transactions. A better procedure is to first reopen the position and then make the necessary changes.

## Year-end information for closed positions

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Year-end information for any year is obtained by printing the Year End report. You can also print a 1099 report for a particular year. The 1099 report includes a record of capital gains and losses for that year. To print these reports, see section 8 of this chapter, *Printing and exporting portfolio information*.