

Replaced - Refer to OCC Bulletin 2018-XX

(000's omitted)

Mortgage Loan Receivable Per Parent Trial Balance	\$	1,200
Adjustments:		
Less: Loans-in-Process		(245)
Less: Disbursements Posted After Month's End		(47)
Correct Total for Parent Trial Balance	\$	<u>908</u>
Mortgage Loan Payable Per ABC's Trial Balance	\$	927
Adjustments:		
Less: Repayments Posted After Month's End		(19)
Correct Total For ABC's Trial Balance	\$	<u>908</u>

Cost Method of Reporting

Under the cost method, the parent records its investment at cost, and recognizes as income subsequent dividends received that are distributed from net accumulated earnings of the organization. However, OTS considers dividends received in excess of earnings subsequent to the date of investment as a return of investment. Parent associations, consequently, should record dividends that the subordinate pays it in excess of its share of earnings, as a decrease in the cost of the investment. To determine whether a dividend payment is a "liquidating" dividend or an ordinary dividend, you can compare cumulative earnings and dividends.

Reporting Examination Findings

As previously noted, you should investigate only those variances that are material in relation to the parent savings association or the subordinate organization. Compare the variance with the capital and net income of the parent entity to determine the materiality of the variances for the individual subordinate organizations. You should document any material differences in the examination work papers with an explanation for the cause of the discrepancy. You should also identify the appropriate treatment or necessary adjustments within the same work papers. If necessary, initiate refilings of the appropriate regulatory financial reports by the subordinate organization and parent association.