

**Problem :** Position Summary: How FIFO Works in Calculating \$Real (Realized Gain).

**Error Message / Description:**

It can be sometimes confusing at first glance to understand how the principle of FIFO works in calculating \$Real (Realized Gain) in the Position Summary window. In particular, when there is a carry-over of the previous day's Position, the way that the total cumulative \$Real is calculated is not readily apparent. Only when the principle of FIFO is explained with its application to the process of correctly "matching" Buy and Sell Orders sequentially, does the correct calculation of \$Real (Realized Gain or Loss) become apparent. We will try to illustrate this in the following example, beginning with an explanation, accompanied by a Table that explains the principle step-by-step.

**Explanation:**

The confusion over just how is \$Real (Realized Gain or Loss) correctly calculated, can be caused when the user has carried over a Position – be it Long or Short – from the prior trading day. The carry-over Position from the prior day counts as the first, single transaction for the new day, and the system calculates it as such. Therefore, Buy and Sell transactions occurring from the present trading day, which one would think (at first glance) should be calculated against each other for determining the present trading day's Realized Gain or Loss, are in fact calculated **against the first transaction of the day – the carry-over Position**. It is not until the amount of shares transacted from the new trading day cancel-out the carry-over balance represented by the day's first transaction, that the Buy and Sell transactions of the present trading day **begin** to be factored **one against the other**. Up until that point, the \$Real (Realized Gain or Loss) is calculated against the number of shares from the carry-over Position, until that carry-over Position (which counts as the new trading day's first transaction) has been canceled-out (equaled) by the Buys or Sells of the current trading day.

Please examine the example illustrated from the table below, to see how \$Real (Realized Gain or Loss) for the current trading day is calculated – on a step-by-step (transaction by transaction) basis:

Prior Trading Day's Carry-over Position:                      Short 400 shares, - **SLD (400) @ 102.90**

Action:	Price:	Position:	Calculation for Transaction:	\$Real (Total, Cumulative)
<b>SLD 400 (Prior Day's)</b>	<b>102.90</b>	<b>(400)</b>	-----	-----
BOT 100 (Current Day)	102.68	(300)	<b>\$ 22.00 @ + \$ 0.22 / share</b>	<b>\$ 22.00</b>
BOT 100 (Current Day)	103.42	(200)	<b>(\$ 52.00) @ - \$ 0.52 / share</b>	<b>( 30.00)</b>
BOT 100 (Current Day)	105.02	(100)	<b>(\$ 212.00) @ - \$ 2.12 / share</b>	<b>( 242.00)</b>

Even if, during the current trading day, there were 300 shares in the Position that were Sold at a profit (e.g. - **SLD 300 @ 106.00**) yet, those 300 shares Sold are NOT calculated against the first 300 shares BOT at the beginning of the current trading day. Instead, they contribute toward a Short Position in the new trading day, and will remain \$Unreal (Unrealized Gain or Loss) until the original carry-over position has been completely covered and the NEXT 300 Shares are Bought – thus closing out this new Short Position that was transacted entirely in the current trading day.