

Practice Set

INVESTMENTS IN CORPORATE SECURITIES

I. INVESTMENTS IN MARKETABLE SECURITIES

DEBT SECURITIES

On September 1, 2003, The Computer Warehouse purchased ten highly liquid 12%, \$1,000 Easy Company bonds at 104 plus accrued interest and a commission of \$60. Interest was to be paid semiannually on May 31 and November 30. On June 30, 2004, the investment was sold at 105 plus accrued interest. A commission of \$60 was paid. Make the required Journal Entries.

DR. CR.

Instructions: The Computer Warehouse had made the following investments.
Make the Journal Entry required to mark them down to market.

EQUITY SECURITIES

Given the investments below, make the required Journal Entry:

	Cost	Market
Common Stock, X Company	\$ 35,000	\$ 35,000
Common Stock, Y Company	30,000	32,000
Preferred Stock, Z Company	<u>100,000</u>	<u>95,000</u>
	<u>\$165,000</u>	<u>\$162,000</u>

Dec. 31

DR. CR.

II. INVESTMENTS FOR CONTROL: THE EQUITY METHOD

The Computer Warehouse had become very interested in All Star Computing and by purchasing \$200,000 of its Common Stock on March 1, 2004, became by far its largest stockholder, owning 30% of its outstanding stock. During the following year, All Star Computing earned \$100,000, and paid dividends of \$90,000 on December 31, 2005. Make the relevant Journal Entries.

March 1

DR. CR.

Dec. 31
(2005)

Dec. 31
(2005)