

Investments Handout

Williams Inc. purchased the following securities in 2012:

<u>Security</u>	<u>Cost</u>	<u>2012 Year-End Value</u>
Teall Corp.	\$ 195,000	\$ 223,000
Wariner Inc.	430,000	382,000
Young Inc.	830,000	778,000

Assume these are the only securities Williams owns and that they are classified as trading securities.

Questions

1. What will the effect of any fluctuations in the security prices have on net income?
2. What would the effect on net income be if the Young Inc. securities were worth a total of 900,000 at year end?

Brockport Corporation purchased several securities during 2012. Brockport did not own any securities prior to these purchases and none of the purchases represented an ownership interest greater than 10%. The following table gives the cost and market values of these securities:

	<u>Cost</u>	<u>Market Values at December 31</u>		
		<u>2012</u>	<u>2013</u>	<u>2014</u>
Wade, Inc.	3,000	3,100	2,500	2,700
Bosh Co.	7,000	6,400	6,300	7,400
Miller Co.	<u>10,000</u>	<u>9,700</u>	<u>9,500</u>	<u>9,800</u>
Total	\$ 20,000	\$ 19,200	\$ 18,300	\$ 19,900

Questions

1. If the securities are trading securities, what would be the unrealized gain or loss reported in the income statement for each of the three years? Now assume the securities are available for sale. How does this change your original answers?
2. Assume the securities are available for sale. How much will be reported on the balance sheet under accumulated other comprehensive income (AOCI) at year-end 2014?

Rocky Corp. purchased 700 shares of Tocks Construction on September 15th, 2012. At the time of the purchase, the shares were trading for \$74.00 per share.

Over the next 2 years, the following events occurred:

1. December 1st, 2012: Tocks Construction paid a dividend of \$3.50/share.
2. Tocks Construction's stock traded for \$66.00 per share at year-end 2012.
3. December 1, 2013: Tocks Construction paid a dividend of \$3.60/share.
4. Tocks Construction's stock traded for \$69.00 per share at year-end 2013.

Questions

1. How much will Rocky report on the asset side of its balance sheet for its investment in Tocks assuming the securities are classified as (1) trading and (2) available for sale?
2. How will the events above effect the income statements for 2012 and 2013 assuming the securities are classified as (1) trading and (2) available for sale?
3. How much will be reported under accumulated other comprehensive income (AOCI) for Rocky's balance sheet dated December 31, 2013, assuming the securities are classified as (1) trading and (2) available for sale?