

P16-2B

In January 2012, the management of Gina Company concludes that it has sufficient cash to purchase some short-term investments in debt and stock securities. During the year, the following transactions occurred.

- Feb. 1 Purchased 500 shares of Joy common stock for \$30,000, plus brokerage fees of \$800.
- Mar. 1 Purchased 600 shares of Aurelius common stock for \$20,000, plus brokerage fees of \$300.
- Apr. 1 Purchased 40 \$1,000, 9% Sikich bonds for \$40,000, plus \$1,200 brokerage fees. Interest is payable semiannually on April 1 and October 1.
- July 1 Received a cash dividend of \$0.60 per share on the Joy common stock.
- Aug. 1 Sold 300 shares of Joy common stock at \$69 per share, less brokerage fees of \$350.
- Sept. 1 Received a \$1 per share cash dividend on the Aurelius common stock.
- Oct. 1 Received the semiannual interest on the Sikich bonds.
- Oct. 1 Sold the Sikich bonds for \$45,000, less \$1,000 brokerage fees.

At December 31, the fair value of the Joy common stock was \$66 per share. The fair value of the Aurelius common stock was \$29 per share.

Instructions

- (a) Journalize the transactions and post to the accounts Debt Investments and Stock Investments. (Use the T-account form.)
- (b) Prepare the adjusting entry at December 31, 2012, to report the investments at fair value. All securities are considered to be trading securities.
- (c) Show the balance sheet presentation of investment securities at December 31, 2012.
- (d) Identify the income statement accounts and give the statement classification of each account.