P16-3B

On December 31, 2012, Eli Associates owned the following securities, held as long-term investments.

Common Stock	Shares	Cost
Trowbridge Co.	4,000	$100,000
Holly Co.	5,000	30,000
Oriental Motors Co.	3,000	60,000

On this date, the total fair value of the securities was equal to its cost. The securities are not held for influence or control over the investees. In 2013, the following transactions occurred.

July 1 Received $1 per share semiannual cash dividend on Holly Co. common stock.

Aug. 1 Received $0.50 per share cash dividend on Trowbridge Co. common stock.

Sept. 1 Sold 1,500 shares of Holly Co. common stock for cash at $8 per share, less brokerage fees of $300.

Oct. 1 Sold 600 shares of Trowbridge Co. common stock for cash at $30 per share, less brokerage fees of $600.

Nov. 1 Received $1 per share cash dividend on Oriental Motor Co. common stock.

Dec. 15 Received $0.50 per share cash dividend on Trowbridge Co. common stock.

31 Received $1 per share semiannual cash dividend on Holly Co. common stock.

At December 31, the fair values per share of the common stocks were: Trowbridge Co. $23, Holly Co. $7, and Oriental Motors Co. $19.

Instructions

(a) Journalize the 2013 transactions and post to the account Stock Investments. (Use the T-account form.)

(b) Prepare the adjusting entry at December 31, 2013, to show the securities at fair value. The stock should be classified as available-for-sale securities.

(c) Show the balance sheet presentation of the investment-related accounts at December 31, 2013. At this date, Eli Associates has common stock $2,000,000 and retained earnings $1,200,000.