

PROBLEMS

Prob. 15–1A

1.

2010

Jan.	3	Available-for-Sale Investments—Whalen Inc. ...	138,000*	
		Cash		138,000
		*3,000 shares × \$46 per share		
July	6	Memo, Whalen Inc. stock split 2:1; 6,000 shares outstanding at a cost of \$23 per share, or one-half of \$46 per share.		
	6	Cash	3,600*	
		Dividend Revenue.....		3,600
		*6,000 shares × \$0.60 per share		
Oct.	14	Cash	22,450*	
		Gain on Sale of Investments.....		1,750
		Available-for-Sale Investments—Whalen Inc.		20,700**
		*(900 shares × \$25 per share) – \$50		
		**900 shares × \$23 per share (see July 6, 2010, memo entry)		
Dec.	9	Cash	3,060*	
		Dividend Revenue.....		3,060
		*(6,000 shares – 900 shares) × \$0.60		
	31	Unrealized Gain (Loss) on Available-for-Sale Investments	10,200	
		Valuation Allowance for Available-for-Sale Investments		10,200
		To record decrease in fair value of available-for-sale investments, 5,100 shares × (\$23 – \$21).		
2011				
Jan.	5	Investment in Tasmania Co. Stock.....	620,000	
		Cash.....		620,000
July	8	Cash	3,570*	
		Dividend Revenue.....		3,570
		*5,100 shares × \$0.70 per share		

Prob. 15–1A Continued

2011

Dec. 8	Cash	4,335*	
	Dividend Revenue.....		4,335
	*5,100 shares × (\$0.70 + \$0.15)		
31	Cash	18,000	
	Investment in Tasmania Co. Stock.....		18,000
31	Investment in Tasmania Co. Stock.....	29,600	
	Income of Tasmania Co.		29,600
	To record 40% of Tasmania Co. income \$74,000 × (60,000 shares/150,000 shares).		
31	Valuation Allowance on Available-for-Sale Investments	25,500*	
	Unrealized Gain (Loss) on Available- for-Sale Investments.....		25,500
	To record increase in fair value of available-for-sale investments.		
	Valuation allowance for available-for-sale investments, December 31, 2010		\$10,200 Cr.
	Available-for-sale investments at cost, December 31, 2011	\$117,300 ¹	
	Available-for-sale investments at fair value, December 31, 2011	<u>132,600</u> ²	
	Valuation allowance for available-for-sale investments, December 31, 2011		<u>15,300</u> Dr.
	*Adjustment		<u>\$25,500</u> Dr.

¹5,100 shares × \$23 per share

²5,100 shares × \$26 per share

Prob. 15–1A Concluded

2.

ROMAN PRODUCTS, INC.
Balance Sheet (selected items)
December 31, 2011

<u>Current assets:</u>		
Available-for-sale investments (at cost)	\$117,300 ¹	
Plus valuation allowance for available-for-sale investments.....	<u>15,300</u>	
Available-for-sale investments (at fair value).....		\$132,600 ²
 <u>Noncurrent assets:</u>		
Investment in Tasmania Co. stock		\$631,600 ³
 <u>Stockholders' equity:</u>		
Retained earnings.....		\$455,000
Plus unrealized gain (loss) on available-for-sale investments.....		15,300

¹5,100 shares × \$23 per share

²5,100 shares × \$26 per share

³\$620,000 + \$29,600 – \$18,000