

Prob. 15–2A

1.

2010

Feb. 3	Trading Investments—Titan Inc.....	88,000*	
	Cash.....		88,000
	*(2,500 shares × \$35 per share) + \$500		
Mar. 12	Trading Investments—Quick Tyme Inc.	17,040*	
	Cash.....		17,040
	*(1,200 shares × \$14 per share) + \$240		
May 15	Cash	21,520*	
	Gain on Sale of Investments.....		400
	Trading Investments—Titan Inc.		21,120**
	*(600 shares × \$36 per share) – \$80		
	**600 shares × (\$88,000/2,500 shares)		
June 12	Cash	228*	
	Dividend Revenue.....		228
	*(2,500 shares – 600 shares) × \$0.12		
Dec. 31	Valuation Allowance for Trading Investments...	8,180*	
	Unrealized Gain on Trading Investments		8,180
	To record increase in fair value of trading investments.		
Valuation allowance for trading investments, January 1, 2010			\$ 0
	Trading investments at cost, December 31, 2010	\$83,920 ¹	
	Trading investments at fair value, December 31, 2010	<u>92,100²</u>	
	Valuation allowance for trading investments,		
	December 31, 2010		<u>8,180</u> Dr.
	*Adjustment		<u>\$8,180</u> Dr.

	Number of Shares	Cost per Share	Fair Value per Share	Cost ¹	Fair Value ²
Quick Tyme Inc.	1,200	\$14.20 ³	\$15	\$17,040	\$18,000
Titan Inc.	1,900	35.20 ⁴	39	<u>66,880</u>	<u>74,100</u>
Total.....				<u>\$83,920</u>	<u>\$92,100</u>

³\$17,040/1,200 = \$14.20 per share

⁴\$88,000/2,500 = \$35.20 per share

Prob. 15–2A Continued
2011

Apr. 9	Trading Investments—Aspire Inc.	45,265*	
	Cash		45,265
	*(1,100 shares × \$41 per share) + \$165		
June 15	Cash	285*	
	Dividend Revenue		285
	*(1,900 shares × \$0.15 per share)		
Aug. 20	Cash	6,940*	
	Loss on Sale of Investment	1,290	
	Trading Investments—Aspire Inc.		8,230**
	*(200 shares × \$35 per share) – \$60		
	**200 shares × (\$45,265/1,100 shares)		
Dec. 31	Unrealized Loss on Trading Investments	11,735	
	Valuation Allowance for Trading Investments .		11,735*
	To record decrease in fair value of trading investments.		

Valuation allowance for trading investments,

December 31, 2010		\$ 8,180 Dr.
Trading investments at cost, December 31, 2011	\$120,955¹	
Trading investments at fair value, December 31, 2011	<u>117,400²</u>	
Valuation allowance for trading investments,		
December 31, 2011		<u>3,555 Cr.</u>
*Adjustment		<u>\$11,735 Cr.</u>

	Number of Shares	Cost per Share	Fair Value per Share	Cost¹	Fair Value²
Aspire Inc.	900	\$41.15³	\$31	\$ 37,035	\$ 27,900
Quick Tyme Inc.	1,200	14.20⁴	16	17,040	19,200
Titan Inc.	1,900	35.20⁵	37	<u>66,880</u>	<u>70,300</u>
Total				<u>\$ 120,955</u>	<u>\$117,400</u>

³\$45,265/1,100 = \$41.15 per share

⁴\$17,040/1,200 = \$14.20 per share

⁵\$88,000/2,500 = \$35.20 per share

Prob. 15–2A Concluded

2.

**WESTERN CAPITAL INC.
Balance Sheet (selected items)
December 31, 2011**

Current assets:

Trading investments (at cost)	\$120,955	
Less valuation allowance for trading investments	<u>3,555</u>	
Trading investments (at fair value)		\$117,400

3. Unrealized gains or losses are disclosed in the income statement, often as “Other Income (Losses).” For 2010, Western Capital Inc. would have disclosed an unrealized gain of \$8,180 as “Other Income.” For 2011, Western Capital Inc. would have disclosed an unrealized loss of \$11,735 as “Other Losses.” If unrealized gains and losses were significant for Western Capital, then they would be separately disclosed on the income statement.