Prob. 15–3A

1.

2010			
May 1	Available-for-Sale Investments—Elkin City Bonds	60,000	
	Interest Receivable	400	
	Cash		60,400
June 16	Available-for-Sale Investments—Morgan Co. Bonds	112,000	
	Interest Receivable	280	
	Cash		112,280
Sept. 1	Cash	1,200*	
	Interest Receivable		400
	Interest Revenue		800
	*$60,000 × 4% × ½		
Oct. 1	Cash	24,800*	
	Interest Revenue		80
	Gain on Sale of Investment		720
	Available-for-Sale Investments—Elkin City Bonds		24,000
	*($24,000 × 1.03) + $80		
Dec. 1	Cash	3,360*	
	Interest Receivable		280
	Interest Revenue		3,080
	*$112,000 × 6% × ½		
31	Interest Receivable	480	
	Interest Revenue		480
	Accrued interest.		
31	Interest Receivable	560	
	Interest Revenue		560
	Accrued interest.		

Prob. 15–3A Continued

2010			
Dec. 31	Valuation Allowance for Available-for-Sale Investments	1,840*	
	Unrealized Gain (Loss) on Available-for-Sale Investments		1,840
	To record increase in fair value of available-for-sale investments.		

Valuation allowance for available-for-sale investments, January 1, 2010		$ 0
Available-for-sale investments at cost, December 31, 2010	$148,000[1]	
Available-for-sale investments at fair value, December 31, 2010	149,840[2]	
Valuation allowance for available-for-sale investments, December 31, 2010		1,840 Dr.
*Adjustment		$1,840 Dr.

	Market Price per $1,000 of Face Value	Cost[1]	Fair Value[2]
Elkin City Bonds	102	$ 36,000	$ 36,720[3]
Morgan Co. Bonds	101	112,000	113,120[4]
Total		$148,000	$149,840

[3]$36,000 × 1.02
[4]$112,000 × 1.01

2011			
Mar. 1	Cash	720*	
	Interest Receivable		480
	Interest Revenue		240

*$36,000 × 4% × ½

June 1	Cash	3,360*	
	Interest Receivable		560
	Interest Revenue		2,800

*$112,000 × 6% × ½

Prob. 15–3A Concluded

2011			
Dec. 31	Unrealized Gain (Loss) on Available-for-Sale Investments	2,200	
	Valuation Allowance for Available-for-Sale Investments		2,200*
	To record decrease in fair value of available-for-sale investments.		

Valuation allowance for available-for-sale investments, December 31, 2010		$1,840 Dr.
Available-for-sale investments at cost, December 31, 2011	$148,000[1]	
Available-for-sale investments at fair value, December 31, 2011	147,640[2]	
Valuation allowance for available-for-sale investments, December 31, 2011		360 Cr.
*Adjustment		$2,200 Cr.

	Market Price per $1,000 of Face Value	Cost[1]	Fair Value[2]
Elkin City Bonds	99	$ 36,000	$ 35,640[3]
Morgan Co. Bonds	100	112,000	112,000[4]
Total		$148,000	$147,640

[3]$36,000 × 0.99
[4]$112,000 × 1.00

2.

DOLLAR-MART INC.
Balance Sheet (selected items)
December 31, 2011

Current assets:		
Available-for-sale investments (at cost)	$148,000	
Less valuation allowance for available-for-sale investments	360	
Available-for-sale investments (at fair value)		$147,640
Stockholders' equity:		
Retained earnings		$310,000
Less unrealized gain (loss) on available-for-sale investments		(360)