Perry Company had no short-term investments prior to year 2011. It had the following transactions involving short-term investments in available-for-sale securities during 2011.

Apr. 16 Purchased 8,000 shares of Gem Co. stock at $24.25 per share plus a 360 brokerage fee.

May 1 Paid $200,000 to buy 90-day U.S. Treasury bill (debt securities); $200,000 principle amount, 6% interest, securities dated May 1.

July 7 Purchased 4,000 shares of PepsiCo stock at $49.25 per share plus a $350 brokerage fee.

July 20 Purchased 2.000 shares of Xerox stock at $16.75 per share plus a $410 brokerage fee.

Aug. 3 Received a check for principal and accrued interest on the U.S. Treasury bill that matured on July 29.

Aug. 15 Received an $0.85 per share cash dividend on the Gem Co. stock.

Aug. 28 Sold 4,000 shares of Gem Co. stock at $30 per share less a $450 brokerage fee.

Oct. 1 Received $1.90 per share cash dividend on the PepsiCo shares.

Dec. 15 Received a $1.05 per share cash dividend on the remaining Gem Co shares.

Dec. 31 Received a $1.30 per share cash dividend on the PepsiCo shares.

Required

1 Prepare journal entries to record the preceding transactions and events.

2. Prepare a table to compare the year-end cost and fair values of Perry’s short-term investments in available-for-sale securities. The year-end fair values per share are: Gem Co., $26.50; PepsiCo, $46.50; and Xerox, $13.75.

3. Prepare an adjusting entry, if necessary, to record the year-end fair value adjustment for the portfolio of short-term investments in available-for-sale securities.

4. Explain the balance sheet presentation of the fair value adjustment for Perry’s short-term investments.

5. How do these short-term investments affect Perry’s (a) income statement for year 2011 and (b) the equity section of its balance sheet at year-end 2011?