

1.

At December 31, 2011, Hull-Meyers Corp. had the following investments that were purchased during 2011, its first year of operations:

	Cost	Fair Value
Trading Securities:		
Security A	\$ 897,000	\$ 913,000
Security B	104,000	101,000
Totals	\$ 1,001,000	\$ 1,014,000
Securities Available-for-Sale:		
Security C	\$ 705,000	\$ 783,000
Security D	902,000	916,000
Totals	\$ 1,607,000	\$ 1,699,000
Securities to Be Held-to-Maturity:		
Security E	\$ 495,000	\$ 505,000
Security F	616,000	610,000
Totals	\$ 1,111,000	\$ 1,115,000

No investments were sold during 2011. All securities except Security D and Security F are considered short-term investments. None of the fair value changes is considered permanent.

**Required:**

Determine the following amounts at December 31, 2011. (Omit the "\$" sign in your response.)

- Investments reported as current assets.
- Investments reported as noncurrent assets.
- Unrealized gain (or loss) component of income before taxes.
- Unrealized gain (or loss) component of accumulated other comprehensive income in shareholders' equity.

\$	<input type="text"/>
\$	<input type="text"/>
\$	<input type="text"/>
\$	<input type="text"/>



\* Fair value adjustments

\* Loss on investments

\* Gain on investment

\* Net unrealized holding gains and losses - 1/5

\* Investments in bonds

\* Trading securities

3\* Cash

\* Investment in Grocers' supply preferred shares

\* Investment revenue

Rantzow-Lear Company buys and sells securities expecting to earn profits on short-term differences in price. The company's fiscal year ends on December 31. The following selected transactions relating to Rantzow-Lear's trading account occurred during December 2011 and the first week of 2012.

2011

Dec. 17 Purchased 101,000 Grocers' Supply Corporation preferred shares for \$355,000.

28 Received cash dividends of \$2,200 from the Grocers' Supply Corporation preferred shares.

31 Recorded any necessary adjusting entry relating to the Grocers' Supply Corporation preferred shares. The market price of the stock was \$5.90 per share.

2012

Jan. 5 Sold the Grocers' Supply Corporation preferred shares for \$412,000.

Required:

(1) Prepare the appropriate journal entry for each transaction. (Omit the "\$" sign in your response.)

Date	General Journal	Debit	Credit
2011			
Dec. 17	(Click to select)		
	(Click to select)		
Dec. 28	(Click to select)		
	(Click to select)		
Dec. 31	(Click to select)		
	(Click to select)		
2012			
Jan. 5	(Click to select)		
	(Click to select)		
	(Click to select)		
Dec. 31	(Click to select)		
	(Click to select)		

Indicate any amounts that Rantzow-Lear Company would report in its 2011 balance sheet and (2) income statement as a result of this investment. (Omit the "\$" sign in your response.)

Balance Sheet (short-term investment):

(Click to select) \$

Income Statement:

(Click to select) \$

(Click to select) \$

4.

On January 1, 2011, Cameron Inc. bought 24% of the outstanding common stock of Lake Construction Company for \$304 million cash. At the date of acquisition of the stock, Lake's net assets had a fair value of \$907 million. Their book value was \$801 million. The difference was attributable to the fair value of Lake's buildings and its land exceeding book value, each accounting for one-half of the difference. Lake's net income for the year ended December 31, 2011, was \$159 million. During 2011, Lake declared and paid cash dividends of \$38 million. The buildings have a remaining life of 12 years.

**Required:**

(1) Prepare all appropriate journal entries related to the investment during 2011, assuming Cameron accounts for this investment by the equity method. (Round your answers to the nearest whole million. Omit the "\$" sign in your response.)

General Journal		Debit	Credit
<b>Purchase</b>			
(Click to select)			
(Click to select)			
<b>Net income</b>			
(Click to select)			
(Click to select)			
<b>Dividends</b>			
(Click to select)			
(Click to select)			
<b>Adjustment for depreciation</b>			
(Click to select)			
(Click to select)			

(2) Determine the amounts to be reported by Cameron (Round intermediate and final answers to the nearest whole million. Input all amounts as positive values. Omit the "\$" sign in your response):

- a. Investment in Cameron's 2011 balance sheet
- b. Investment revenue in the income statement
- c. Among investing activities in the statement of cash flows

(\$ in millions)  
 \$ \_\_\_\_\_  
 \$ \_\_\_\_\_  
 \$ \_\_\_\_\_

Choices to select  
 Discount on bond investment  
 Investment in Lake Construction shares  
 net ~~realized~~ holding gains and losses  
 Investment in equity  
 cash  
 Fair value adj.  
 Buildings  
 Investment Revenue

5.

As a long-term investment at the beginning of the fiscal year, Florists International purchased 30% of Nursery Supplies Inc.'s 8 million shares for \$57.5 million. The fair value and book value of the shares were the same at that time. The company realizes that this investment typically would be accounted for under the equity method, but instead chooses the fair value option. During the year, Nursery Supplies earned net income of \$40.8 million and distributed cash dividends of \$1.45 per share. At the end of the year, the fair value of the shares is \$51.8 million.

Choices  
Trading

**Required:**

(1) How would this investment be classified on Sanborn's balance sheet?

(Click to select)

(2) Prepare all appropriate journal entries related to the investment during 2011. (Enter your answers in millions of dollar rounded to 1 decimal place. In cases where no entry is required, please select the option "No journal entry required" for your answers to grade correctly. Leave no cells blank - be certain to enter "0" wherever required. Omit the "\$" sign in your response.)

General Journal		Debit	Credit
Purchase	(Click to select)		
	(Click to select)		
Net income	(Click to select)		
	(Click to select)		
Dividends	(Click to select)		
	(Click to select)		
Adjusting entry	(Click to select)		
	(Click to select)		

Choices  
Gain on sales of investment  
Discount on bond invest.  
NO journal entry required  
investment revenue  
investment in nursery supplies share  
net unrealized holding gains & losses  
Cash  
Fair value adjustment.

Below

Choices to select ①

- Trading securities
- Available for sale securities
- significant-influence investments
- Held-to-maturity securities
- Other securities