**15-5A** – Pillar Steel Co., which began operations on January 4, 2011, had the following subsequent transactions and events in its long term investments.

**2011**

**Jan. 5** Pillar purchased 30,000 shares (20% of total) Kildaire’s common stock for $780,000.

**Oct. 23** Kildaire declared and paid a cash dividend of $1.60 per share.

**Dec. 31** Kildaire’s net income for 2011 is $582,000, and the fair value of its stock at December 31 is $27.75 per share.

**2012**

**Oct. 15** Kildaire declared and paid a cash dividend of $1.30 per share.

**Dec. 31** Kildaire’s net income for 2012 is $582,000, and the fair value of its stock at December 31 is $30.45 per share.

**2013**

**Jan. 2** Pillar sold all of its investment in Kildaire for $947,000 cash.

**Part 1**

Assume that Pillar has a significant influence over Kildaire with its 20% share of stock

**Required**

1. **Prepare journal entries to record these transactions and events for Pillar.**
2. **Compute the carrying (book) value per share of Pillar’s investment in Kildaire common stock as reflected in the investment account on January 1, 2013.**
3. **Compute the net increase or decrease in Pillar’s equity from January 5, 2011, through January 2, 2013, resulting from its investment in Kildaire.**

 **Part 2**

Assume that although Pillar owns 20% of Kildaire’s outstanding stock, circumstances indicate that it does not have a significant influence over the investee and that it is classified as an available-for-sale security investment.

**Required**

1. **Prepare journal entries to record the preceding transactions and events for Pilar. Also prepare an entry dated January 2, 2013, to remove any balance related to the fair value adjustment.**
2. **Compute the cost per share of Pillar’s investment in Kildaire common stock as reflected in the investment account on January 1, 2013.**
3. **Compute the net increase or decrease in Pillar’s equity from January 5, 2011, through January 2, 2013, resulting from its investment in Kildaire.**