



SPREADSHEET

Recording and Valuing Trading Securities

Myers & Associates reports the following information on its December 31, 2011, balance sheet:

Trading securities (at cost)	\$225,850	
Less: Market adjustment—trading securities	2,260	<u>\$223,590</u>

Supporting records of Myers' trading securities portfolio show the following debt and equity securities:

Security	Cost	Fair Value
200 shares Conway Co. common	\$ 25,450	\$ 24,300
\$80,000 U.S. Treasury 7% bonds	79,650	77,400
\$120,000 U.S. Treasury 7 1/2% bonds	120,750	121,890
Total	<u>\$225,850</u>	<u>\$223,590</u>

Interest dates on the treasury bonds are January 1 and July 1. Myers & Associates uses the revenue approach to record the purchase of bonds with accrued interest.

During 2012 and 2013, Myers & Associates completed the following transactions related to trading securities:

2012

- Jan. 1 Received semiannual interest on U.S. Treasury bonds. Assume that the appropriate adjusting entry was made on December 31, 2011.
- Apr. 1 Sold \$60,000 of the 7 1/2% U.S. Treasury bonds at 102 plus accrued interest. Brokerage fees paid were \$200.
- May 21 Received dividend of \$0.25 per share on the Conway Co. common stock. The dividend had not been recorded on the declaration date.
- July 1 Received semiannual interest on U.S. Treasury bonds and then sold the 7% bonds at 97 1/2. Brokerage fees paid were \$250.
- Aug. 15 Purchased 100 shares of Nieman Inc. common stock at \$116 per share.
- Nov. 1 Purchased \$50,000 of 8% U.S. Treasury bonds at 101 plus accrued interest. Interest dates are January 1 and July 1.
- Dec. 31 Market prices of securities were Conway Co. common, \$110; 7 1/2% U.S. Treasury bonds, 101 3/4; 8% U.S. Treasury bonds, 101; Nieman Inc. common, \$116.75.

2013

- Jan. 2 Recorded the receipt of semiannual interest on the U.S. Treasury bonds.
- Feb. 1 Sold the remaining 7 1/2% U.S. Treasury bonds at 101 plus accrued interest. Brokerage fees paid were \$300.

Instructions:

- Prepare journal entries for the preceding transactions and to accrue interest on December 31, 2012. Ignore any amortization of premium or discount on U.S. Treasury bonds. Give computations in support of your entries.
- Show how trading securities would be presented on the December 31, 2012, balance sheet.