TWO QUESTIONS…

14. Orange Pitt, Co. purchased 22,000 shares of Greenline, Inc. common stock for $187,000 plus a 3% brokers fee of $5,610 on September 14, 2011. Greenline has 50,000 shares of common stock outstanding and its policies would be significantly influenced by Orange Pitt, Co. following the purchase. On November 15, 2011 Greenline declared and paid a cash dividend of $0.85 per share. On December 31, 2011 Greenline, Inc. announced that they had a net income for the year of $62,500. What would be the journal entry (if any is needed) to record the net income recognition by Orange Pitt, Co.

**Item Accounts and Descriptions Debit Credit**

1. Dividends Receivable 18,700

Long Term Investment-Orange Pitt, Co. 18,700

2. Long Term Investment-Greenline Dividend 18,700

Long Term Investment-Greenline Net Income 62,500

Cash 81,200

3. Cash 27,500

Dividend Income 27,500

4. Long Term Investment-Greenline 27,500

Earnings from Long Term Investment 27,500

Choices:

A. Item 4 is the correct journal entry

B. Item 2 is the correct journal entry

C. None of the other answers

D. Item 3 is the correct journal entry

E. Item 1 is the correct journal entry

15. Please refer back to question 14 regarding "Orange Pitt, Co."

The journal entry on Orange Pitt's books related to the divdend payout by Greenline would include which of the following.

A. An increase to the asset Dividends Receivable

B. A decrease to the investment asset account related to Orange Pitt, Co.

C. An increase to the investment asset account related to Greenline

D. A decrease to the investment asset account related to Greenline, Inc.