

Investments in Debt and Equity Securities
Unrealized Holding Gains and Losses
Example 1

Company A invested in the following securities during 2006.

Securities	Type of Securities	Cost	Fair value at 12/31/2006	Fair value at 12/31/2007
TA	Trading	\$250,000	\$275,000	sold in 2007
TB	Trading	\$360,000	\$350,000	sold in 2007
AA	Available-for-sale	\$620,000	\$580,000	\$615,000
AB	Available-for-sale	\$470,000	\$530,000	\$485,000
HA	Held-to-maturity	\$120,000	\$125,000	\$140,000
HB	Held-to-maturity	\$290,000	\$300,000	\$310,000

Unrealized Holding Gains and Losses

Trading Securities	(A) Cost	(B) Fair value at 12/31/2006	(C) = (B) - (A) Holding Gain (Loss) during 2006
TA	\$250,000	\$275,000	\$25,000
TB	\$360,000	\$350,000	(\$10,000)
Total	\$610,000	\$625,000	\$15,000

Available-for-sale	(A) Cost	(B) Fair value at 12/31/2006	(C) = (B) - (A) Holding Gain (Loss) during 2006	(D) Fair value at 12/31/2007	(E) = (D) - (A) Holding Gain (Loss) during 2007
AA	\$620,000	\$580,000	(\$40,000)	\$615,000	\$35,000
AB	\$470,000	\$530,000	\$60,000	\$485,000	(\$45,000)
Total	\$1,090,000	\$1,110,000	\$20,000	\$1,100,000	(\$10,000)

Held-to-maturity securities are valued at amortized cost.

Unrealized holding gains and losses are not recognized for held-to-maturity securities.

Journal Entry for Trading Securities

12/31/2006	Debit	Credit
Market adjustment - trading securities	15,000	
Unrealized gain on trading securities (*1)		15,000
<i>(*1) reported on the income statement, included in earnings</i>		

Journal Entries for Available-for-sale securities

12/31/2006	Debit	Credit
Market adjustment - available-for-sale securities	20,000	
Unrealized increase (decrease) in value of available-for-sale securities (*2)		20,000
<i>(*2) reported on the balance sheet, in the shareholders' equity section</i>		

12/31/2007	Debit	Credit
Unrealized increase (decrease) in value of available-for-sale securities	10,000	
Market adjustment - available-for-sale securities		10,000