

Investments in Debt and Equity Securities
Unrealized Holding Gains and Losses
Example 3

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
AT	Trading	\$87,000	\$58,000	sold in 2007
BT	Trading	\$65,000	\$67,000	sold in 2007
AA	Available-for-sale	\$120,000	\$115,000	\$117,000
BA	Available-for-sale	\$350,000	\$330,000	\$340,000
AH	Held-to-maturity	\$200,000	\$201,000	\$210,000
BH	Held-to-maturity	\$150,000	\$155,000	\$156,000

Unrealized Holding Gains and Losses

Trading Securities	(A) Cost	(B) Fair value at 12/31/2006	(C) = (B) - (A) Holding Gain (Loss) during 2006
AT	\$87,000	\$58,000	(\$29,000)
BT	\$65,000	\$67,000	\$2,000
Total	\$152,000	\$125,000	(\$27,000)

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	\$120,000	\$115,000	(\$5,000)	\$117,000	\$2,000
BA	\$350,000	\$330,000	(\$20,000)	\$340,000	\$10,000
Total	\$470,000	\$445,000	(\$25,000)	\$457,000	\$12,000

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
Unrealized loss on trading securities (*1)	27,000	
Market adjustment - trading securities		27,000
<i>(*1) reported on the income statement, included in earnings</i>		

Journal Entries for Available-for-sale securities

12/31/2006

	Debit	Credit
Unrealized increase (decrease) in value of available-for-sale securities (*2)	25,000	
Market adjustment - available-for-sale securities		25,000
<i>(*2) reported on the balance sheet, in the shareholders' equity section</i>		

12/31/2007

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