

Investments in Debt and Equity Securities
Unrealized Holding Gains and Losses
Example 2

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	\$12,000	\$17,000	sold in 2007
BT	Trading	\$27,000	\$25,000	sold in 2007
AA	Available-for-sale	\$35,000	\$32,000	\$34,000
BA	Available-for-sale	\$18,000	\$23,000	\$20,000
AH	Held-to-maturity	\$22,000	\$21,500	\$22,500
BH	Held-to-maturity	\$53,000	\$54,000	\$54,500

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	\$12,000	\$17,000	\$5,000
BT	\$27,000	\$25,000	(\$2,000)
Total	\$39,000	\$42,000	\$3,000

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	\$35,000	\$32,000	(\$3,000)	\$34,000	\$2,000
BA	\$18,000	\$23,000	\$5,000	\$20,000	(\$3,000)
Total	\$53,000	\$55,000	\$2,000	\$54,000	(\$1,000)

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

	Debit	Credit
12/31/2006		
Market adjustment - trading securities	3,000	
Unrealized gain on trading securities (*1)		3,000
<i>(*1) reported on the income statement, included in earnings</i>		

Journal Entries for Available-for-sale securities

	Debit	Credit
12/31/2006		
Market adjustment - available-for-sale securities	2,000	
Unrealized increase (decrease) in value of available-for-sale securities (*2)		2,000
<i>(*2) reported on the balance sheet, in the shareholders' equity section</i>		
12/31/2007		
Unrealized increase (decrease) in value of available-for-sale securities	1,000	
Market adjustment - available-for-sale securities		1,000