NOTE: Use any piece of paper. You only need to write the question number followed by your answer. Homework is due at the BEGINNING of the next class session.

1. If a Company holds an equity investment with a readily available fair market value and which qualifies as an “available for sale security”. Your instructor is kind enough to remind you that available for sale securities are carried on the balance sheet at their fair value:
   a. Which financial statement would unrealized appreciation/ depreciation be reported in (income statement or equity statement)?
   b. Unrealized appreciation or depreciation would appear as a component of what on the income statement or equity statement (answer depends on your answer to (a) above)?
   c. Do you wish Bob would have just gone to sleep instead of writing this assignment?

2. For each set of facts below, indicate which treatment is appropriate (i.e. Equity, Consolidated, or Cost)
   a. XYZ owns 75% of the outstanding stock of Investee, Inc. XYZ’s ownership grants them control of the entity.
   b. XYZ owns 10% of the outstanding stock of Investee, Inc. XYZ’s ownership does not grant them control nor significant influence.
   c. XYZ owns 40% of the outstanding stock of Investee, Inc. XYZ’s ownership grants them significant influence, but not control.
   d. XYZ owns 40% of Joint Venture, LLC and is the Managing Member. XYZ controls 3 of 5 total votes required for all major decisions of Joint Venture, LLC and majority vote is required for all major decisions.

3. We own a debt security which we paid $10,000 for during the year and have not recorded anything since we made the investment. The entry at the date of investment was:

   Investment $10,000
   Cash $10,000

   We are closing our books at the end of the year when the market value of the investment is $12,000. Provide the required closing adjustment required assuming the investment is properly classified as (note: be sure to designate any unrealized holding gains as equity or income statement):
   a. Held to Maturity
   b. Available for Sale
   c. Trading
NOTE 2 POINTS FOR EACH ITEM ADDS UP TO 20 POINTS

1. 
   a. Which financial statement would unrealized appreciation/ depreciation be reported in
      (income statement or equity statement)? EQUITY STATEMENT
   b. Unrealized appreciation or depreciation would appear as a component of what on the
      income statement or equity statement (answer depends on your answer to (a) above)?
      OTHER COMPREHENSIVE INCOME
   c. Do you wish Bob would have just gone to sleep instead of writing this assignment?
      ANY ANSWER WILL DO

2. For each set of facts below, indicate which treatment is appropriate (i.e Equity, Consolidated,
   or Cost)
   
   a. XYZ owns 75% of the outstanding stock of Investee, Inc. XYZ’s ownership grants
      them control of the entity. CONSOLIDATE
   b. XYZ owns 10% of the outstanding stock of Investee, Inc. XYZ’s ownership does not
      grant them control nor significant influence. COST
   c. XYZ owns 40% of the outstanding stock of Investee, Inc. XYZ’s ownership grants
      them significant influence, but not control. EQUITY
   d. XYZ owns 40% of Joint Venture, LLC and is the Managing Member. XYZ controls 3
      of 5 total votes required for all major decisions of Joint Venture, LLC and majority vote
      is required for all major decisions. CONSOLIDATE

3.
   a. Held to Maturity NO ENTRY
   b. Available for Sale

   Investment (or Fair value adjustment) $2,000
   Other comprehensive income* $2,000

   *Unrealized holding gain-Equity acceptable- but must say “Equity” or only 1 point

   c. Trading

   Investment (or Fair value adjustment) $2,000
   Unrealized holding gain $2,000