

Exercise 12-9

Loreal-American Corporation purchased several marketable securities during 2021. At December 31, 2021, the company had the investments in common stock listed below. None was held at the last reporting date, December 31, 2020, and all are considered securities available-for-sale.

	Cost	Fair Value	Unrealized Holding Gain (Loss)
Short term:			
Blair, Inc.	\$ 480,000	\$ 405,000	\$(75,000)
ANC Corp.	450,000	480,000	30,000
Totals	\$ 930,000	\$ 885,000	\$(45,000)
Long term:			
Drake Corp.	\$ 480,000	\$ 560,000	\$ 80,000
Aaron Industries	720,000	660,000	(60,000)
Totals	\$1,200,000	\$1,220,000	\$20,000

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1

Exercise 12-9 (continued)

Part 1: Prepare the appropriate adjusting entry at December 31, 2021.

Net Unrealized Holding Gain/Loss (OCI)	25,000	
Fair Value Adjustment		25,000
(\$45,000 - \$20,000)		

Part 2: What amounts would be reported in the income statement at December 31, 2021 as a result of the adjusting entry?

None. The Net Unrealized Holding Gain/Loss would be reported in Other Comprehensive Income, which is a component of Stockholders' Equity.

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2