INVESTMENTS IN CORPORATE SECURITIES

I. INVESTMENTS IN SHORT-TERM MARKETABLE SECURITIES

Short-term investments in highly liquid marketable debt and equity securities are classified as current assets. If interest paid on Bonds differs from the current market rate for similar debt, the resulting Bond premiums and discounts are not recorded, as their short-term nature cause amounts to be IMMATERIAL. The cost of equity investment includes commissions. Equity investment dividends, which are not guaranteed, do not accrue. FASB requires the lower cost or market rule be applied to equity securities which should be marked down to market and back up, but never above cost.

DEBT SECURITIES

On September 1, 2003, Future Horizons Inc., purchased ten liquid, 11%, $1,000 Easy Company bonds at 105 plus accrued interest and a commission of $50. Interest was paid semiannually on April 30 and October 31. On May 31, 2004, the investment was sold at 102 plus accrued interest. A commission of $50 was paid.

Date	Account	DR.	CR.
Sept. 1	Debt Marketable Securities (10)($1,050) + $50	10,550.00	
	Bond Interest Receivable (10)($1,000)(.11)(4/12)	366.67	
	Cash		10,916.67
	Invested in ten $1,000, 11% bonds at 105.		
Oct. 31	Cash (10)($1,000)(.11)(6/12)	550.00	
	Bond Interest Receivable		366.67
	Bond Interest Earned		183.33
	Received semiannual interest.		
Dec. 31	Bond Interest Receivable (10)($1,000)(.11)(2/12)	183.33	
	Bond Interest Earned		183.33
	To adjust for accrued interest.		
April 30	Cash	550.00	
	Bond Interest Receivable		183.33
	Bond Interest Earned		366.67
	Received semiannual interest.		
May 31	Cash (10)($1,020) = $10,200 + $91.67 - $50.00	10,241.67	
	Loss on Investment in Marketable Securities	400.00	
	Debt Marketable Securities		10,550.00
	Bond Interest Earned (10)($1,000)(.11)(1/12)		91.67
	Sold Debt Marketable Securities.		

Interest Received

Face Value	$10,000
Rate	X .11
Interest	$ 1,100
Per Month = $1,100 / 12	= $91.67

EQUITY SECURITIES

For Equity Marketable Securities, FASB requires writing down these investments when their "total value" falls below cost (demonstrated below) and writing them back up to "Cost" (but not above) if they recover. Investments in Debt Marketable Securities fluctuate less as the maturity date approaches and as a result, the lower of cost or market rule does not apply.

	Cost	Market
Common Stock, X Company	$ 40,000	$ 35,000
Common Stock, Y Company	30,000	32,000
Preferred Stock, Z Company	100,000	95,000
	$170,000	$162,000

Note: The valuation account would be subtracted from Marketable Securities on the Balance Sheet.

Date	Account	DR.	CR.
Dec. 31	Unrealized Loss on Equity Marketable Securities	8,000	
	Valuation Allowance for Equity Marketable Securities		8,000
	To adjust Marketable Securities to Market.		

II. INVESTMENTS FOR CONTROL: THE EQUITY METHOD

Future Horizons Corporation became very interested in 21st Century Inc. and by purchasing $100,000 of its Common Stock on February 1, 2004, became by far its largest stockholder, owning 20% of its outstanding stock. During the following year, 21st Century Inc. earned $90,000, and paid dividends of $60,000 on December 31, 2005. Relevant Journal Entries would have been:

Date	Account	DR.	CR.
Feb. 1 2004	Investment, 21st Century Inc.	100,000	
	Cash		100,000
	To record investment in 21st Century Inc.		
Dec. 31 2005	Investment, 21st Century Inc.	18,000	
	Investment Income Earned		18,000
	Investment in 21st Century Inc. increased by 20% of $90,000 yearly income.		
Dec. 31 2005	Cash	12,000	
	Investment, 21st Century Inc.		12,000
	Investment in 21st Century Inc. reduced by $12,000 dividend received ($60,000)(.2).		