Quick Question On Short-Term Marketable Debt Securities

On September 1, 2003, Warehouse 2000 purchased five highly liquid 10%, $1,000 Easy Company bonds at 103 plus accrued interest and a commission of $40. Interest was paid semiannually on April 30 and October 31. On May 31, 2004, the investment was sold at 102 plus accrued interest. A $40 commission was paid. Make the required Journal Entries.

DATA SUMMARY:

Purchase of bonds

I = Pin = ($1,000)(.1)4/12) = $33.33
Total accrued interest = 5($33.33) = $166.65
Price of bonds = 1.03($1,000) = $1,030
Value of investment = 5($1,030) + $40 = $5,190

Sale of bonds

I = Pin = ($1,000)(.01)(1/12) = $8.33
Total accrued interest = 5($8.33) = $41.65
Loss on Investment in Marketable Securities = ($1,030 - $1,020)(5) + $40 + $40 = $130

DATE		ACCOUNT TITLE AND DESCRIPTION	PR	DEBIT		CREDIT	
Sept.	1	Debt Marketable Securities		5,190	00		
		Bond Interest Receivable		166	65		
		Cash				5,356	65
Oct.	31	Cash ($1,000)(.1)(1/2)(5)		250	00		
		Bond Interest Receivable				166	65
		Bond Interest Earned				83	35
April	30	Cash		250	00		
		Bond Interest Earned				250	00
May	31	Cash ($1,020)(5)-($40)+($41.65)		5,101	65		
		Loss on Investment in Marketable		130	00		
		Securities					
		Debt Marketable Securities				5,190	00
		Bond Interest Earned ($5,000)(.1)(1/12)				41	65