

Accounting Notes

Short and Long Term Investments

Short Term Investments:

Purchase of investment

Short Term Investment	Shares * Purchase Price
Cash	Shares * Purchase Price

Receipt of dividends

Cash	Cash received
Dividend Revenue	Cash received

Adjusting trading investments to market value

Unrealized Gain (Loss) on trading Investments	Difference in MV and cost
Short Term Investment	Difference in MV and cost

Note: The short term investments can never be recorded at an amount greater than the original purchase price. Therefore, if the market value of the investments was to increase then the investments could be increased only up to the original cost.

Sale of investments

Cash	Selling Price
Gain on Sale of Investments	Difference
Short Term Investments	Original Cost

Note: If there was a loss on the sale then the loss would be debited to Loss on Sale of Investments.

Long Term Available for Sale Investments:

- recorded using the market value method

Purchase of investments

LT Available for Sale Investments	Shares * Purchase Price
Cash	Shares * Purchase Price

Accounting Notes

Short and Long Term Investments

Long Term Available for Sale Investments:

Receipt of dividends

Cash	Cash received
Dividend Revenue	Cash received

Adjusting investments to market value

Allowance to Adjust Investment to Market	Market Value - Book Value
Unrealized Gain on Available for Sale Investments	Market Value - Book Value

Note: Book Value = Original cost ± Allowance to Adjust Investments to Market
 The Allowance to Adjust Investments to Market is a contra-asset account to the Long Term Available for Sale Investments

Sale of investments

Cash	Sales Price
Loss on Sale of Investments	Difference
LT Available for Sale Investments	Cost

Equity Method Investments:

- investor owns 20% - 50% of the investee's stock
- investor can significantly influence the investee's decisions

Purchase of investment

LT Equity Method Investment	Purchase Cost
Cash	Purchase Cost

Recording the company's (investor's) share of the investee's net income

LT Equity Method Investment	Net Income * %
Equity Method Investment Revenue	Net Income * %

Accounting Notes

Short and Long Term Investments

Equity Method Investments:

Recording the receipt of dividends

Cash		Dividends * %
LT Equity Method Investment		Dividends * %

Sale of investments

Cash		Sales price
Loss on sale of Investment		Difference
LT Equity Method Investment		Book Value

Long Term Investment in Bonds:

Purchase of bonds

The issue price of a bond is stated as a percentage of the Face Value of the bond.
 (Example: If the bond is sold at 104, this means the bond was sold for 104% of the bond's face value.)

LT Investment in Bonds		Face Value * Issue price
Cash		Face Value * Issue price

Recording the receipt of interest

Cash		Face Value * Int. % * (# months/12)
Interest Revenue		Face Value * Int. % * (# months/12)

Accruing of interest

Interest Receivable		Face Value * Int. % * (# months/12)
Interest Revenue		Face Value * Int. % * (# months/12)

Accounting Notes

Short and Long Term Investments

Long Term Investment in Bonds:

Amortizing a bond discount/premium

LT Investment in Bonds	$[(FV - CV) / \text{Life of bond}] * (\# \text{ months}/12)$	
Interest Revenue		$[(FV - CV) / \text{Life of bond}] * (\# \text{ months}/12)$

Foreign Currency Transactions:

Sale of goods on account

Accounts Receivable	Foreign Currency Amount * Exchange Rate	
Sales		Foreign Currency Amount * Exchange Rate

Collection on account

Cash	Foreign Currency Amount * Exchange Rate	
Foreign Currency Transaction Loss		Difference
Accounts Receivable		Original amount owed

Purchase of goods on account

Inventory	Foreign Currency Amount * Exchange Rate	
Accounts Payable		Foreign Currency Amount * Exchange Rate

Payment on account

Accounts Payable	Original Amount due	
Foreign Currency Trans Gain		Difference
Cash		Foreign Currency Amount * Exchange Rate