

Problem 5

Endo Mining Corporation occasionally acquires short-term investments for trading purposes. On August 1, 20X7, Endo acquired stock investments in four different companies: Yongcao Mineral (cost of \$250,000), Alamos Construction (cost of \$150,000), Deep Water Drilling (cost of \$160,000), and Dynamic Space Systems (cost of \$40,000).

The company’s stock broker emailed the following listing of investment values at the end of August, September, and October. These data were imported into a spreadsheet as follows. You are to prepare the journal entries needed to record the initial investment in this portfolio, as well as end of month adjusting entries for August, September, and October.

Company	Month	Market Value
Yongcao Mineral	August	\$ 260,000
Yongcao Mineral	September	290,000
Yongcao Mineral	October	284,000
Alamos Construction	August	140,000
Alamos Construction	September	122,000
Alamos Construction	October	116,000
Deep Water Drilling	August	178,000
Deep Water Drilling	September	218,000
Deep Water Drilling	October	202,000
Dynamic Space Systems	August	40,000
Dynamic Space Systems	September	44,000
Dynamic Space Systems	October	32,000

Worksheet 5

GENERAL JOURNAL			
Date	Accounts	Debit	Credit
1-Aug			
31-Aug			
30-Sep			
31-Oct			

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Solution 5

GENERAL JOURNAL			
Date	Accounts	Debit	Credit
1-Aug	Trading Securities	600,000	
	Cash		600,000
	<i>To record the purchase of trading securities (\$250,000 + \$150,000 + \$160,000 + \$40,000)</i>		
31-Aug	Trading Securities	18,000	
	Unrealized Gain on Investments		18,000
	<i>To record increase in the value of trading securities (\$618,000 – \$600,000)</i>		
30-Sep	Trading Securities	56,000	
	Unrealized Gain on Investments		56,000
	<i>To record increase in the value of trading securities (\$674,000 – \$618,000)</i>		
31-Oct	Unrealized Loss on Investments	40,000	
	Trading Securities		40,000
	<i>To record decrease in the value of trading securities (\$674,000 – \$634,000)</i>		

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