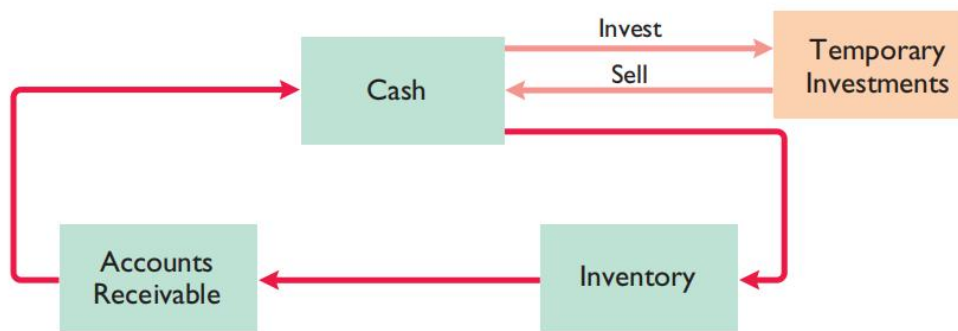


CHAPTER THREE

INVESTMENT

Corporations purchase investments in debt or share securities generally for one of three reasons. First, a corporation may have excess cash that it does not need for the immediate purchase of operating assets. For example, many companies experience seasonal fluctuations in sales. A marina has more sales in the spring and summer than in the fall and winter. (The reverse is true for an Aspen ski shop.) At the end of an operating cycle, the marina may have cash on hand that is temporarily idle until the start of another operating cycle. It may invest the excess funds to earn a greater return—interest and dividends—than it would get by just holding the funds in the bank. Illustration 12-1 depicts the role that such temporary investments play in the operating cycle.



Excess cash may also result from economic cycles. For example, when the economy is booming, Siemens (DEU) generates considerable excess cash. It uses some of this cash to purchase new plant and equipment, and pays out some of the cash in dividends. But, it may also invest excess cash in liquid assets in anticipation of a future downturn in the economy. It can then liquidate these investments during a recession, when sales slow and cash is scarce.

When investing excess cash for short periods of time, corporations invest in low-risk, highly liquid securities—most often short-term government securities. It is generally not wise to invest short-term excess cash in ordinary shares because share investments can experience rapid price changes. If you did invest your short-term excess cash in shares and the price of the shares declined significantly just before you needed cash again, you would be forced to sell your investment at a loss.

A second reason some companies purchase investments is to generate earnings from investment income. For example, banks make most of their earnings by lending money, but they also generate earnings by investing in debt. Conversely, mutual share funds invest primarily in share securities in order to benefit from share-price appreciation and dividend revenue.

A corporation may also choose to purchase a controlling interest in another company. For example, Cadbury (GBR) recently accepted an offer from Kraft (USA). Such purchases might be done to enter a new industry without incurring the tremendous costs and risks associated with starting from scratch. Or, a company might purchase another company in its same industry

Debt investments are investments in government and corporation bonds. In accounting for debt investments, companies make entries to record (1) the acquisition, (2) the interest revenue, and (3) the sale.

At acquisition, investments are recorded at cost. Cost includes all expenditures necessary to acquire these investments, such as the price paid plus brokerage fees (commissions), if any.

Jan. 1 Debt Investments 50,000

The Doan Inc. bonds pay interest of €2,000 semi annually on July 1 and January 1 (€50,000 3 8% 3 ½). The entry for the receipt of interest on July 1 is:

If Kuhl Corporation's fiscal year ends on December 31, it accrues the interest of €2,000 earned since July 1. The adjusting entry is:

Kuhl reports Interest Receivable as a current asset in the statement of financial position. It reports Interest Revenue under “Other income and expense” in the income statement.

Kuhl reports receipt of the interest on January 1 as follows.

Jan. 1 Cash 2,000

Interest Receivable 2,000

(To record receipt of accrued interest)

A credit to Interest Revenue at this time is incorrect because the company earned and accrued interest revenue in the preceding accounting period.

Recording Sale of Bonds

When Kuhl sells the bonds, it credits the investment account for the cost of the bonds. Kuhl records as a gain or loss any difference between the net proceeds from the sale (sales price less brokerage fees) and the cost of the bonds.

Assume, for example, that Kuhl Corporation receives net proceeds of €54,000 on the sale of the Doan Inc. bonds on January 1, 2015, after receiving the interest due. Since the securities cost €50,000, the company realizes a gain of €4,000. It records the sale as:

Jan. 1 Cash 54,000

Debt Investments 50,000

Gain on Sale of Debt Investments 4,000

(To record sale of Doan Inc. bonds)

Kuhl reports any gains or losses on the sale of debt investments under “Other income and expense” in the income statement.

Debt Investments

Waldo Corporation had the following transactions pertaining to debt investments.

Jan. 1 Purchased 30, €1,000 Hillary Co. 10% bonds for €30,000. Interest is payable semi annually on July 1 and January 1.

July 1 Received semi annual interest on Hillary Co. bonds.

July 1 Sold 15 Hillary Co. bonds for €14,600.

(a) Journalize the transactions, and (b) prepare the adjusting entry for the accrual of interest on December 31.

Accounting for Share Investments

Share investments are investments in the shares of other corporations. When a company holds shares (and/or debt) of several different corporations, the group of securities is identified as an investment portfolio. The accounting for investments in shares depends on the extent of the investor’s influence over the operating and financial affairs of the issuing corporation (the investee). Illustration 12-3 shows the general guidelines.

Investor's Ownership Interest in Investee's Ordinary Shares	Presumed Influence on Investee	Accounting Guidelines
Less than 20%	Cost method	Insignificant
Between 20%and 50%	Significant	Equity method
More than 50%	controlling	Consolidated financial

Companies are required to use judgement instead of blindly following the guidelines.¹ On the following pages, we will explain the application of each guideline.statements

Holdings of Less than 20%

In accounting for share investments of less than 20%, companies use the cost method. Under the cost method, companies record the investment at cost, and recognize revenue only when cash dividends are received.

RECORDING ACQUISITION OF SHARE INVESTMENTS

At acquisition, share investments are recorded at cost. Cost includes all expenditures necessary to acquire these investments, such as the price paid plus any brokerage fees (commissions).

Assume, for example, that on July 1, 2014, Lee Corporation acquires 1,000 shares (10% ownership) of Beal Corporation. Lee pays HK\$405 per share. The entry for the purchase is:

July 1 Share Investments 405,000

Cash 405,000

(To record purchase of 1,000 ordinary shares of Beal Corporation)

RECORDING DIVIDENDS

During the time Lee owns the shares, it makes entries for any cash dividends received.

If Lee receives a HK\$20 per share dividend on December 31, the entry is:

Dec. 31 Cash (1,000 3 HK\$20) 20,000

Dividend Revenue 20,000

(To record receipt of a cash dividend)

Lee reports Dividend Revenue under “Other income and expense” in the income statement. Unlike interest on notes and bonds, dividends do not accrue. Therefore, companies do not make adjusting entries to accrue dividends.

RECORDING SALE OF SHARES

When a company sells a share investment, it recognizes as a gain or a loss the difference between the net proceeds from the sale (sales price less brokerage fees) and the cost of the shares.

Assume that Lee Corporation receives net proceeds of HK\$395,000 on the sale of its Beal shares on February 10, 2015. Because the shares cost HK\$405,000, Lee incurred a loss of HK\$10,000. The entry to record the sale is:

Feb. 10	Cash	395,000	
	Loss on Sale of Share Investments	10,000	
		Share Investments	405,000
	(To record sale of Beal shares)		

Lee reports the loss under “Other income and expense” in the income statement.

Holdings Between 20% and 50%

When an investor company owns only a small portion of the ordinary shares of another company, the investor cannot exercise control over the investee. But, when an investor owns between 20% and 50% of the ordinary shares of a corporation, it is presumed that the investor has significant influence over the financial and operating activities of the investee. When an investor has significant influence but not control over an investee, it refers to the investee as an associate. The investor probably has a representative on the associate’s board of directors and, through that representative, may exercise some control over the associate. The associate company in some sense becomes part of the investor company.

For example, even prior to purchasing all of Turner Broadcasting, Time Warner owned 20% of Turner. Because it exercised significant control over major decisions made by Turner, Time Warner used an approach called the equity method. Under the equity method, the investor records its share of the net income of the associate in the year when it is earned. An alternative might be to delay recognizing the investor’s share of net income until the associate declares a cash dividend. But, that approach would ignore the fact that the investor and associate are, in some sense, one company, making the investor better off by the associate’s earned income.

Under the equity method, the investor company initially records the investment in ordinary shares of an associate at cost. After that, it adjusts the investment account annually to show the investor’s equity in the associate. Each year, the investor does the following. (1) It increases (debits) the investment account and increases (credits) revenue for its share of the associate’s net income.²

(2) The investor also decreases (credits) the investment account for the amount of dividends received. The investment account is reduced for dividends received because payment of a dividend decreases the net assets of the associate.

RECORDING ACQUISITION OF SHARE INVESTMENTS

Assume that Milar Corporation acquires 30% of the ordinary shares of Beck Company for £120,000 on January 1, 2014. The entry to record this transaction is:

Jan. 1	Share Investments	120,000	
		Cash	120,000
	(To record purchase of Beck ordinary shares)		

RECORDING REVENUE AND DIVIDENDS

For 2014, Beck reports net income of £100,000. It declares and pays a £40,000 cash dividend. Milar records (1) its share of Beck's income, £30,000 (30% of £100,000), and (2) the reduction in the investment account for the dividends received, £12,000 (£40,000 $\times$ 30%). The entries are:

(1)

Dec. 31 Share Investments 30,000

Revenue from Share Investments 30,000

(To record 30% equity in Beck's 2014 net income)

(2)

Dec. 31 Cash 12,000

Share Investments 12,000

(To record dividends received)

After Milar posts the transactions for the year, its investment and revenue accounts will show the following.

During the year, the net increase in the investment account was £18,000. As indicated above, the investment account increased by £30,000 due to Milar's share of Beck's income, and it decreased by £12,000 due to dividends received from Beck.

In addition, Milar reports £30,000 of revenue from its investment, which is 30% of Beck's net income of £100,000.

Note that the difference between reported revenue under the cost method and reported revenue under the equity method can be significant. For example, Milar would report only £12,000 (30% of £40,000) of dividend revenue if it used the cost method.

Holdings of More than 50%

A company that owns more than 50% of the ordinary shares of another entity is known as the parent company. The entity whose shares the parent company owns is called the subsidiary (affiliated) company. Because of its share ownership, the parent company has a controlling interest in the subsidiary.

When a company owns more than 50% of the ordinary shares of another company, it usually prepares consolidated financial statements. These statements present the total assets and liabilities controlled by the parent company.

They also present the total revenues and expenses of the subsidiary companies. Companies prepare consolidated statements in addition to the financial statements for the parent and individual subsidiary companies.

As noted earlier, when Time Warner had a 20% investment in Turner, it reported this investment in a single line item—Other Investments. After the merger, Time Warner instead consolidated Turner's results with its own. Under this approach, Time Warner included Turner's individual assets and liabilities with its own: its plant and equipment were added to Time Warner's plant and equipment, its receivables were added to Time Warner's receivables, and so on.

Consolidated statements are useful to the shareholders, board of directors, and managers of the parent company. These statements indicate the magnitude and scope of operations of the companies under common control. For example, regulators and the courts undoubtedly used the consolidated statements of AT&T (USA) to determine whether a breakup of the company was in the public interest. Listed below are three companies that prepare consolidated statements and some of the companies they have owned.

Share Investments

Presented below are two independent situations.

1. Rho Jean Inc. acquired 5% of the 400,000 ordinary shares of Still water Corp. at a total cost of NT\$60 per share on May 18, 2014. On August 30, Still water declared and paid a NT\$750,000 dividend. On December 31, Still water reported net income of NT\$2,440,000 for the year.

2. Natal, Inc. obtained significant influence over North Sails by buying 40% of North Sails' 60,000 outstanding ordinary shares at a cost of NT\$120 per share on January 1, 2014. On April 15, North Sails declared and paid a cash dividend of NT\$450,000. On December 31, North Sails reported net income of NT\$1,200,000 for the year.

Prepare all necessary journal entries for 2014 for (1) Rho Jean Inc. and (2) Natal, Inc.

Solution

(1) **May 18** Share Investments [(400,000 $\times$ 5%) $\times$ NT\$60] 1,200,000

Cash 1,200,000

(To record purchase of 20,000 shares of Still water Co.)

Aug. 30 Cash 37,500

Dividend Revenue (NT\$750,000 $\times$ 5%) 37,500

(To record receipt of cash dividend)

(2) **Jan. 1** Share Investments (60,000 $\times$ 40% $\times$ NT\$120) 2,880,000

Cash 2,880,000

(To record purchase of 24,000 shares of North Sails)

Apr. 15 Cash 180,000

Share Investments (NT\$450,000 $\times$ 40%) 180,000

(To record receipt of cash dividend)

Dec. 31 Share Investments (NT\$1,200,000 $\times$ 40%) 480,000

Revenue from Share Investments 480,000

(To record 40% equity in North Sails' net income)

Valuing and Reporting Investments

The value of debt and share investments may fluctuate greatly during the time they are held. For example, in one 12-month period, the share price of Uni lever (NLD) hit a high of \$32.48 and a low of \$16.91. In light of such price fluctuations, how should companies value investments at the statement of financial position date? Valuation could be at cost, at fair value, or at the lower-of-cost-or-net realizable value.

Many people argue that fair value offers the best approach because it represents the expected cash realizable value of securities. Fair value is the amount for which a security could be sold in a normal market. Others counter that, unless a security is going to be sold soon, the fair value is not relevant because the price of the security will likely change again.

Categories of Securities

For purposes of valuation and reporting at a financial statement date, companies classify debt investments into two categories:

1. **Trading securities** are bought and held primarily for sale in the near term to generate income on short-term price differences.
2. **Held-for-collection securities** are debt securities that the investor has the intent and ability to hold to maturity.³

Share investments are also classified into two categories:

1. **Trading securities** (as defined above).
2. **Non-trading securities** are held for purposes other than trading. For example, a company may hold a share investment to sell a product in a particular area. Share investments have no maturity date and therefore are never classified as held-for-collection securities.

TRADING SECURITIES

Companies hold trading securities with the intention of selling them in a short period (generally less than a month). Trading means frequent buying and selling.

As indicated in Illustration 12-6, companies adjust trading securities to fair value at the end of each period, and report changes from cost as part of net income.

The changes are reported as unrealized gains or losses because the securities have not been sold. The unrealized gain or loss is the difference between the total cost of trading securities and their total fair value. Companies classify trading securities as current assets.

Illustration 12-7 shows the cost and fair values for investments Pace Corporation classified as trading securities on December 31, 2014. Pace has an unrealized gain of €7,000 because total fair value of €147,000 is €7,000 greater than total cost of €140,000.

Trading Securities, December 31, 2014

Investments	Cost	Fair Value	Unrealized Gain (Loss)
Yorkville Company bonds	€ 50,000	€ 48,000	€(2,000)
Kodak Company shares	90,000	99,000	9,000
Total	€140,000	€147,000	€ 7,000

Pace records fair value and unrealized gain or loss through an adjusting entry at the time it prepares financial statements. In this entry, the company uses a valuation allowance account, Fair Value Adjustment—Trading, to record the difference between the total cost and the total fair value of the securities. The adjusting entry for Pace Corporation is:

Dec. 31 Fair Value Adjustment—Trading 7,000

Unrealized Gain—Income 7,000

(To record unrealized gain on trading securities)

The use of a Fair Value Adjustment—Trading account enables Pace to maintain a record of the investment cost. It needs actual cost to determine the gain or loss realized when it sells the securities. Pace adds the debit balance (or subtracts a credit balance) of the Fair Value Adjustment—Trading account to the cost of the investments to arrive at a fair value for the trading securities.

The fair value of the securities is the amount Pace reports on its statement of financial position. It reports the unrealized gain in the income statement in the “Other income and expense” section. The term “Income” in the account title indicates that the gain affects net income.

If the total cost of the trading securities is greater than total fair value, an unrealized loss has occurred. In such a case, the adjusting entry is a debit to Unrealized Loss—Income and a credit to Fair Value Adjustment—Trading.

Companies report the unrealized loss under “Other income and expense” in the income statement.

The Fair Value Adjustment—Trading account is carried forward into future accounting periods. The company does not make any entry to the account until the end of each reporting period. At that time, the company adjusts the balance in the account to the difference between cost and fair value. For trading securities, it closes the Unrealized Gain (Loss)—Income account at the end of the reporting period.

NON-TRADING SECURITIES

As indicated earlier, debt investments are classified either as trading or held for-collection securities. Share investments are classified either as trading or non-trading. Non-trading securities are share investments that are held for purposes other than trading. If the intent is to sell the securities within the next year or operating cycle, the investor classifies the securities as current assets in the statement of financial position. Otherwise, it classifies them as non-current assets in the investments section of the statement of financial position.

Companies report non-trading securities at fair value. The procedure for determining fair value and the unrealized gain or loss for these securities is the same as for trading securities. To illustrate, assume that Ingrao Corporation has two securities that it classifies as non-trading. Illustration 12-8 provides information on the cost, fair value, and amount of the unrealized gain or loss on December 31, 2014. There is an unrealized loss of €9,537 because total cost of €293,537 is €9,537 more than total fair value of €284,000.

Non-Trading Securities, December 31, 2014

Investments	Cost	Fair Value	Unrealized Gain (Loss)
Campbell Soup Corporation Shares	€ 93,537	€103,600	€10,063
Hershey Company Shares	200,000	180,400	(19,600)
Total	€293,537	€284,000	€ (9,537)

Both the adjusting entry and the reporting of the unrealized gain or loss for Ingrao's non-trading securities differ from those illustrated for trading securities. The differences result because Ingrao does not expect to sell these securities in the near term. Thus, prior to actual sale, it is more likely that changes in fair value may change either unrealized gains or losses.

Therefore, Ingrao does not report an unrealized gain or loss in the income statement. Instead, it reports it as a separate component of equity.

In the adjusting entry, Ingrao identifies the fair value adjustment account with non-trading securities, and it identifies the unrealized gain or loss account with equity. Ingrao records the unrealized loss of €9,537 as follows.

Dec. 31 Unrealized Gain or Loss—Equity 9,537

Fair Value Adjustment—Non-Trading 9,537

(To record unrealized loss on non-trading securities)

If total fair value exceeds total cost, Ingrao debits Fair Value Adjustment—Non-Trading and credits Unrealized Gain or Loss—Equity.

For non-trading securities, the company carries forward the Unrealized Gain or Loss—Equity account to future periods. At each future statement of financial position date, Ingrao adjusts the Fair Value Adjustment—Non-Trading and the Unrealized Gain or Loss—Equity accounts to show the difference between cost and fair value at that time.

Trading and Non-Trading Securities

Some of Chengdu Corporation's investment securities are classified as trading securities and some are classified as non-trading. The cost and fair value of each category at December 31, 2014, are shown below.

	Cost	Fair Value	Unrealized Gain (Loss)
Trading securities	¥936,000	¥949,000	¥13,000
Non-trading securities	¥488,000	¥514,000	¥26,000

At December 31, 2013, the Fair Value Adjustment—Trading account had a debit balance of ¥92,000, and the Fair Value Adjustment—Non-Trading account had a credit balance of ¥57,500.

Prepare the required journal entries for each group of securities for December 31, 2014.

Solution

Trading securities:

Unrealized Loss—Income 79,000*

Fair Value Adjustment—Trading 79,000

(To record unrealized loss on trading securities)

*¥92,000 -¥13,000

Non-trading securities:

Fair Value Adjustment—Non-Trading 83,500**

Unrealized Gain or Loss—Equity 83,500

(To record unrealized gain on non-trading securities)

**¥57,500 + ¥26,000

Statement of Financial Position Presentation

In the statement of financial position, companies classify investments as either short-term or long-term.

SHORT-TERM INVESTMENTS

Short-term investments (also called marketable securities) are securities held by a company that are (1) readily marketable and (2) intended to be converted into cash within the next year or operating cycle, whichever is longer. Investments that do not meet both criteria are classified as long-term investments.

READILY MARKETABLE An investment is readily marketable when it can be sold easily whenever the need for cash arises. Short-term paper⁴ meets this criterion. It can be readily sold to other investors. Shares and bonds traded on organized securities exchanges are readily marketable. They can be bought and sold daily. In contrast, there may be only a limited market for the securities issued by small corporations, and no market for the securities of a privately held company.

INTENT TO CONVERT Intent to convert means that management intends to sell the investment within the next year or operating cycle, whichever is longer.

Generally, this criterion is satisfied when the investment is considered a resource that the investor will use whenever the need for cash arises. For example, a ski resort may invest idle cash during the summer months with the intent to sell the securities to buy supplies and equipment shortly before the winter season. This investment is considered short-term even if lack of snow cancels the next ski season and eliminates the need to convert the securities into cash as intended.

Because of their high liquidity, short-term investments appear immediately above Cash in the “Current assets” section of the statement of financial position.

They are reported at fair value. For example, Pace Corporation would report its trading securities as shown in Illustration

Pace Corporation **Statement of Financial Position (partial)**

Current assets

Short-term investments, at fair value €147,000

Cash 21,000

LONG-TERM INVESTMENTS

Long-term investments in non-trading securities are reported at fair value. Investments in ordinary shares accounted for under the equity method are reported at equity.

Presentation of Realized and Unrealized Gain or Loss

Companies must present in the financial statements gains and losses on investments, whether realized or unrealized. In the income statement, companies report gains and losses in the non-operating activities section. Interest and dividend revenue are also reported in that section.

Short-term paper includes (1) certificates of deposit (CDs) issued by banks, (2) money market certificates issued by banks and savings and loan associations, (3) Treasury bills issued by a government, and (4) commercial paper (notes) issued by corporations with good credit ratings.

Other Income and Expense

Interest Revenue	Unrealized Gain—Income
Dividend Revenue	Loss on Sale of Investments
Gain on Sale of Investments	Unrealized Loss—Income

As indicated earlier, companies report an unrealized gain or loss on non-trading securities as a separate component of equity. To illustrate, assume that Dawson Inc. has share capital—ordinary of £3,000,000, retained earnings of £1,500,000, and an unrealized loss on non-trading securities of £100,000. Illustration 12-11 shows the statement of financial position presentation of the unrealized loss.

Dawson Inc. Statement of Financial Position (partial)

Equity

Share capital—ordinary	£3,000,000
Retained earnings	1,500,000
Less: Unrealized loss on non-trading Securities	100,000
Total equity	£4,400,000

Note that the loss decreases equity. An unrealized gain is added to equity.

Reporting the unrealized gain or loss in the equity section serves two purposes:

- (1) It reduces the volatility of net income due to fluctuations in fair value.
- (2) It informs the financial statement user of the gain or loss that would occur if the securities were sold at fair value.

Companies must report items such as this, which affect equity but are not included in the calculation of net income, as part of a more inclusive measure called comprehensive income. Under IFRS, companies typically report the accumulated effect of comprehensive income items in a line item in the equity section called “Reserves.” Here, we have instead chosen to use the “Unrealized Gain or Loss” title to highlight the source of the cause of the adjustment to equity.

Financial Statement Presentation of Investments

Identify where each of the following items would be reported in the financial statements.

1. Interest earned on investments in bonds.
2. Fair value adjustment—non-trading.
3. Unrealized loss on non-trading securities.
4. Gain on sale of share investments.
5. Unrealized gain on trading securities.

Use the following possible categories:

Statement of financial position (SFP):

Intangible assets

Property, plant, and equipment

Investments

Current assets

Income statement:

Other income and expense

Equity

Non-current liabilities

Current liabilities

Solution

<i>Item</i>	<i>Financial Statement</i>	<i>Category</i>
1. Interest earned on investments in bonds.	Income statement	Other income and expense
2. Fair value adjustment—non-trading	SFP	Investments
3. Unrealized loss on non-trading	SFP	Equity securities
4. Gain on sale of share investments	income statement	Other income and expense
5. Unrealized gain on trading securities	Income statement	Other income and expense

Action Plan

- ✓ Classify investments as current assets if they will be held for less than one year.
- ✓ Report unrealized gains or losses on trading securities in income.
- ✓ Report unrealized gains or losses on non-trading securities in equity.
- ✓ Report realized earnings on investments in the income statement as “Other income and expense

In its first year of operations, De Marco Company had the following selected transactions in share investments that are considered trading securities.

June 1 Purchased for cash 600 shares of San burg for £24.50 per share.

July 1 Purchased for cash 800 shares of Cey Corporation at £33.75 per share.

Sept. 1 Received a £1 per share cash dividend from Cey Corporation.

Nov. 1 Sold 200 shares of San burg for cash at £26.25 per share.

Dec. 15 Received a £0.50 per share cash dividend on San burg shares.

At December 31, the fair values per share were San burg £25 and Cey£30.

Instructions

(a) Journalize the transactions.

(b) Prepare the adjusting entry at December 31 to report the securities at fair value.

Solution

(a) **June 1** Share Investments 14,700

Cash (600 3 £24.50) 14,700

(To record purchase of 600 shares of San burg)

July 1 Share Investments 27,000

Cash (800 3 £33.75) 27,000

(To record purchase of 800 shares of Cey)

Sept. 1 Cash (800 3 £1.00) 800

Dividend Revenue 800

(To record receipt of £1 per share cash dividend from Cey Corporation)

Nov. 1 Cash (200 3 £26.25) 5,250

Share Investments (£14,700 3 200/600) 4,900

Gain on Sale of Share Investments 350

(To record sale of 200 shares of San burg)

Dec. 15 Cash [(600 2 200) 3 £0.50] 200

Dividend Revenue 200

(To record receipt of £0.50 per share dividend from San burg)

(b) **Dec. 31** Unrealized Loss—Income 2,800

Fair Value Adjustment—Trading 2,800

(To record unrealized loss on trading securities)

Investment	Cost	Fair Value	Unrealized Gain (Loss)
San burg shares	£ 9,800	£10,000	£ 200
Cey shares	27,000	24,000	(3,000)
Totals	£36,800	£34,000	£(2,800)