

Chapter 16 Group Project Solutions

Pick the shares of a corporation from *The Globe and Mail* or other database or publication. Assume that your group purchases 1,000 shares of the corporation as a short-term investment and that your 1,000 shares are less than 20% of the corporation's outstanding shares. Research the shares in *Moody's Investor Record* or search the corporation's website to determine whether the corporation pays cash dividends and, if so, how much and at what intervals.

Required

1. Track the shares for a period assigned by your professor. Over the specified period, keep a daily record of the price of the shares to see how well your investment has performed. Each day, search the Corporate Dividend News in *The Globe and Mail* or the corporation's website to keep a record of any dividends you've received. End the period of your analysis with a month end, such as September 30 or December 31.

The answer will vary, depending on the corporation's shares selected for analysis and the length of time the analysis is conducted.

2. Journalize all transactions that you have experienced, including the investment purchase, dividends received (both cash dividends and stock dividends), and any year-end adjustment required by the accounting method that is appropriate for your investment. Assume your group will prepare financial statements on the ending date of your study.

General Journal

DATE	ACCOUNTS AND EXPLANATIONS	POST.REF.	DEBIT	CREDIT
	Short-Term Investment		XXX	
	Cash			XXX
	To purchase investment.			
	Cash		X	
	Dividend Revenue			X
	To receive dividend.			
	Fair Value Valuation Allowance		X	
	Unrealized Gain on Fair Value Adjustment			X
	To adjust investment to fair value (if fair value is higher than cost).			

Cash	XXXX	
Short-Term Investment		XXX
Fair Value Valuation Allowance		XX
Gain on Sale of Investment		X
To sell investment (at a gain).		

or

Cash	XXX	
Loss on sale of Investment	X	
Fair Value Valuation Allowance	XX	
Short-Term Investment		XXXX
To sell investment (at a loss).		

3. Show what you will report on your group's balance sheet, income statement, and cash flow statement as a result of your investment transactions.

BALANCE SHEET

Current assets:

Short-term investment, at fair value	XXX
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INCOME STATEMENT

Other gains (losses):

Gain (loss) on sale of investment	X
Unrealized gain (loss) on fair-value adjustment	X

CASH FLOW STATEMENT

Cash flows from investing activities:

Purchase of investment	(X)
Sale of investment	X