Investments in Debt and Equity Securities
Unrealized Holding Gains and Losses
Example 1

Company A invested in the following securities during 2006.

Securities	Type of Securities	Cost	Fair value at 12/31/2006	Fair value at 12/31/2007
TA	Trading	$250,000	$275,000	sold in 2007
TB	Trading	$360,000	$350,000	sold in 2007
AA	Available-for-sale	$620,000	$580,000	$615,000
AB	Available-for-sale	$470,000	$530,000	$485,000
HA	Held-to-maturity	$120,000	$125,000	$140,000
HB	Held-to-maturity	$290,000	$300,000	$310,000

Unrealized Holding Gains and Losses

Trading Securities		(A) Cost	(B) Fair value at 12/31/2006	(C) = (B) - (A) Holding Gain (Loss) during 2006
TA	Trading	$250,000	$275,000	$25,000
TB	Trading	$360,000	$350,000	($10,000)
Total		$610,000	$625,000	**$15,000**

Available-for-sale		(A) Cost	(B) Fair value at 12/31/2006	(C) = (B) - (A) Holding Gain (Loss) during 2006	(D) Fair value at 12/31/2007	(E) = (D) - (A) Holding Gain (Loss) during 2007
AA	Available-for-sale	$620,000	$580,000	($40,000)	$615,000	$35,000
AB	Available-for-sale	$470,000	$530,000	$60,000	$485,000	($45,000)
Total		$1,090,000	$1,110,000	**$20,000**	$1,100,000	**($10,000)**

Held-to-maturity securities are valued at amortized cost.
Unrealized holding gains and losses are not recognized for held-to-maturity securities.

Journal Entry for Trading Securities

12/31/2006

	Debit	Credit
Market adjustment - trading securities	15,000	
Unrealized gain on trading securities (*1)		15,000

*(*1) reported on the income statement, included in earnings*

Journal Entries for Available-for-sale securities

12/31/2006

	Debit	Credit
Market adjustment - available-for-sale securities	20,000	
Unrealized increase (decrease) in value of availabe-for-sale securities (*2)		20,000

*(*2) reported on the balance sheet, in the shareholders' equity section*

12/31/2007

	Debit	Credit
Unrealized increase (decrease) in value of availabe-for-sale securities	10,000	
Market adjustment - available-for-sale securities		10,000