

EXERCISE 10-3 (10-15 minutes)

(a)		January 1, 2001	
	Temporary Investment in Bonds	322,744	
	Cash		322,744

(b)		December 31, 2001	
	Cash	36,000	
	Interest Income		36,000
	Loss on Temporary Investment	2,244	
	Investment Allowance		2,244
	(\$322,744 – \$320,500)		

(c)		December 31, 2002	
	Cash	36,000	
	Interest Income		36,000
	Loss on Temporary Investment	11,500	
	Investment Allowance		11,500

	<u>Cost</u>	<u>Fair Value</u>	<u>Unrealized Gain (Loss)</u>
Temporary investment in bonds	\$322,744	\$309,000	\$(13,744)
Investment allowance unadjusted balance	4	0	<u>2,244</u>
Allowance adjustment			<u>\$(11,500)</u>