FA Module 15: Financial investments – homework assignment

(The attached PDF file has better formatting.)

Homework assignment: Accounting for financial securities

A firm has the following investing transactions, with the market values of the shares:

Dec 31:	Stock Y		Stock Z	
	Market Price	*Transaction*	*Market Price*	*Transaction*
20X0	35	buy 25 shares	50	buy 35 shares
20X1	65	buy 60 shares	12	buy 40 shares
20X2	75	buy 15 shares	15	buy 25 shares
20X3	55	sell 55 shares	44	sell 55 shares

The firm classifies Stock Y as available for sale and Stock Z as held for trading. The capital gains and losses are taxed at 20% when they are realized.

A. What are the realized and unrealized capital gains and losses in 20X1?
B. What is pre-tax income in 20X1?
C. What is other comprehensive income in 20X1?
D. What is taxable income in 20X1?
E. What is the deferred tax asset or liability on December 31, 20X1?
F. What are taxes paid in 20X1?
G. What is tax expense in 20X1?
H. What are the realized and unrealized capital gains and losses in 20X2?
I.   What is pre-tax income in 20X2?
J. What is other comprehensive income in 20X2?
K. What is taxable income in 20X2?
L. What is the deferred tax asset or liability on December 31, 20X3?
M. What are taxes paid in 20X2?
N. What is tax expense in 20X2?
O. What are the unrealized capital gains and losses in 20X3 before the sale of stock on 12/31/20X3?
P. What are the realized capital gains and losses in 20X3?
Q. What are the unrealized capital gains and losses in 20X3?
R. What is pre-tax income in 20X3?
S. What is other comprehensive income in 20X3?
T. What is taxable income in 20X3?
U. What is the deferred tax asset or liability on December 31, 20X3?
V. What are taxes paid in 20X2?
W. What is tax expense in 20X2?

Check your solutions with the practice problem on capital gains and deferred taxes for Module 13 (deferred tax assets and liabilities) on the discussion forum. The figures differ, but the formulas are the same.