

Bitnec Corporation acquired three separate investments at the beginning of the year. Information about each acquisition, the dividends/interest received during the year, income, and year-end stock/debt price, follows:

#### INITIAL INVESTMENT

Purchased 50,000 shares of Lynch Corporation at \$11 per share. This investment was made with the intent of near-term trading profits. Lynch Corporation has 5,000,000 shares outstanding.

Purchased \$200,000 of Graham Corporation debt for \$200,000. This investment was generally considered to be long-term with no particular plans for near-term trading, although it is unlikely Bitnec will hold the investment until maturity.

Purchased 40% of the shares of Buffet Corporation at \$30 per share. This investment was generally considered to be long-term with plans to exert significant influence. Buffet Corporation has 1,500,000 shares outstanding.

#### DIVIDENDS/INTEREST

Lynch Corporation declared and paid dividends of \$0.50 per share.

Graham Corporation paid interest on outstanding debt, including \$10,000 to Bitnec.

Buffet Corporation declared and paid dividends of \$0.25 per share.

#### NET INCOME

Lynch Corporation reported net income of \$4,000,000 for the year.

Graham Corporation reported net income of \$7,000,000 for the year.

Buffet Corporation reported net income of \$1,200,000 for the year.

#### YEAR END STOCK PRICE

Lynch Corporation's closing stock price at the end of the year was \$13 per share.

Due to deteriorating finances, the value of Graham's debt held by Bitnec plunged to \$150,000.

Buffet Corporation's closing stock price at the end of the year was \$33 per share.

- (a) Prepare journal entries, as necessary, to account for the initial investment, dividend, and year-end stock price for the investment in Lynch Corporation.
- (b) Prepare journal entries, as necessary, to account for the initial investment, interest and year-end debt value for the investment in Graham Corporation securities.
- (c) Prepare journal entries, as necessary, to account for the initial investment, dividend and year-end stock price for the investment in Buffet Corporation.