

Bitnec Corporation acquired three separate investments at the beginning of the year. Information about each acquisition, the dividends declared and paid during the year, income, and year end stock 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 10,000 shares of Graham Corporation at \$20 per share. This investment was generally considered to be long-term with no particular plans for near-term trading. Graham Corporation has 2,000,000 shares outstanding.

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

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

Graham Corporation declared and paid \$2,000,000 in dividends.

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.

Graham Corporation's closing stock price at the end of the year was \$15 per share.

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, dividend and year-end stock price for the investment in Graham Corporation.
- (c) Prepare journal entries, as necessary, to account for the initial investment, dividend and year-end stock price for the investment in Buffet Corporation.