

## Accounting for Investments under FASB No. 115 – A Review

For commercial enterprises (nonprofit entities follow SFAS No.124)	Presentation on Financial Statements	Change in Fair Value	
		Temporary	Other than Temporary Loss
Does the investor have substantial influence or control?  Investor owns 20% to 50% of stock and has significant influence but not control of the corporation  <b>Use Equity Method</b>	On BS at historical cost plus share of earnings since acquisition less dividends received (amortization may also be required)	N/A	Realized loss on IS, new basis on BS
Investor owns over 50% of stock or otherwise controls the corporation  <b>Consolidation required</b>	Consolidated financial statements	N/A	N/A
Does a readily determinable fair value exist?  <b>If not, use Cost Method</b>	On BS at historical cost	N/A	Realized loss on IS, new basis on BS
For debt securities, does the enterprise have the positive intent and ability to hold to maturity?  <b>Classify as held-to-maturity</b>	On BS at amortized cost  IS includes amortization of premiums & discounts  Disclose fair value in notes	N/A	Realized loss on IS, new cost basis on BS
Is the investment objective to generate profits on short-term differences in price?  <b>Classify as Trading Securities</b>	On BS at fair value  IS reports unrealized gain/loss for period	Recognized on IS and included in RE	No additional entries needed
All other debt and equity securities are classified as  <b>Available-for-Sale Securities</b>	On BS at fair value  SCI reports holding gain/loss for period	Reported on SCI and included in AOCI	Realized loss on IS, new cost basis on BS

BS = balance sheet; IS = income statement; SCI = statement of comprehensive income;  
AOCI = accumulated other comprehensive income (owners' equity account); FV = fair value;  
N/A = not applicable since investments are not carried at fair value