

Assume that a firm owns two of the previously analyzed securities. It uses Held-to-maturity accounting for one security and Available-for-sale accounting for the other. The company will report the following:

Reporting of Investment Portfolio

Balance Sheet, December 31,	2003	2004	2005	2006
Fixed maturities				
Held-to-maturity (at cost)*	8,000	8,000	5,600	8,960
Available-for-sale (at market)**	8,000	7,200	5,740	9,900
	16,000	15,200	11,340	18,860

Income Statement, year ending December 31,	2004	2005	2006	2007
Interest income	200	280	660	-
Gain realized (market)	-	(840)	-	1,880
Investment Income	200	(560)	660	1,880

* Market values	8,000	7,200	5,740	9,900
** Cost	8,000	8,000	5,600	8,960

What was the total mark-to-market return ?

Analysis

Change in Market Value Adjustment	2004	2005	2006	2007	
Held-to-maturity portfolio					
Market value	8,000	7,200	5,740	9,900	
Cost	8,000	8,000	5,600	8,960	
Market Valuation Adjustment	-	(800)	140	940	
				-	
Available-for-sale portfolio					
Market value	8,000	7,200	5,740	9,900	
Cost	8,000	8,000	5,600	8,960	
Market Valuation Adjustment	-	(800)	140	940	
				-	
Total					
Market value	16,000	14,400	11,480	19,800	
Cost	16,000	16,000	11,200	17,920	
Market Valuation Adjustment	-	(1,600)	280	1,880	
				-	
Reported income	200	(560)	660	1,880	Total
Change in Market Valuation Adjustment	(1,600)	1,880	1,600	(1,880)	2,180
Mark-to-market return	(1,400)	1,320	2,260	-	-
					2,180

Same as the returns from "Trading" method