

Bassem Corporation acquired all the net assets of Kamel Corporation's in a statutory merger for \$430,000 cash. Immediately before the acquisition, the balance sheets of both corporations reported the following:

	Bassem	Kamel
Assets	\$ 2,000,000	\$ 750,000
Liabilities	\$ 750,000	\$ 400,000
Common Stock	\$ 1,000,000	\$ 310,000
Retained Earnings	\$ 250,000	\$ 40,000
Total Liabilities & Stockholders' Equity	\$ 2,000,000	\$ 750,000

At the date of acquisition, the fair value of Kamel's identifiable assets was \$50,000 more than the aggregate carrying amounts. In the consolidated balance sheet prepared immediately after the acquisition, goodwill should amount to

- a. \$80,000
- b. \$50,000
- c. \$30,000
- d. \$0



Question 11

Incorrect

Mark 0 out of 1

Flag question

Jaber Corporation paid \$400,000 for a 15% interest in Lama Corporation's common stock on January 1, 2020, and therefore uses the cost method to account for this investment. During 2020, Jaber reported income of \$140,000, excluding its income from Lama, and paid dividends of \$60,000. Lama reported net income of \$30,000 during 2020 and paid dividends of \$40,000.

How much will the balance of Investment in Lama Corporation appear in the balance sheet of Jaber on December 31, 2020?

- a. \$398,500
- b. \$400,000
- c. \$152,500
- d. \$127,500

✗

Question 12

Correct

Mark 1 out of 1

Flag question

Post Corporation acquired 70% of the stock of Star Company on January 1, 2020, for \$280,000. Other data are as follows:

	Post Corp.	Star Co.
Common Stock	\$ 200,000	\$ 250,000
Retained earnings, January 1, 2020	240,000	150,000
Net income for 2020		40,000
Operating income excluding investment income	180,000	
Dividend declared	35,000	10,000

What amount will be reported as non-controlling interest in net assets in the consolidated balance sheet at December 31, 2020?

- a. Not reported in the consolidated balance sheet.
- b. \$ 84,000
- c. \$ 129,000
- d. \$ 120,000

On March 1, 2021, Jasser Company paid \$830,000 for all of Ashraf Corporation's issued and outstanding common stock. Ashraf's recorded assets and liabilities on March 1, 2021, were as follows:

Cash	\$ 80,000
Inventory	240,000
Property and equipment (net of accumulated depreciation of \$320,000)	480,000
Liabilities	180,000

On March 1, 2021, Ashraf's inventory was determined to have a fair value of \$200,000, and the property and equipment had a fair value of \$550,000. What is the amount of goodwill resulting from the business combination?

- a. \$150,000
- b. \$50,000
- c. \$180,000
- d. \$0



Question 10

Correct

Mark 1 out of 1

Flag question

combination, Faten Company common stock had a fair value of \$30 per share. Balance sheets for Faten Company and Saleh Company immediately prior to the combination were as follows:

	Faten (BV)	Saleh (BV)	Saleh (FV)
Current assets	\$ 657,000	\$ 96,000	\$ 142,000
Plant & Equipment (net)	863,000	204,000	347,000
Total	\$ 1,520,000	\$ 300,000	
Liabilities	\$ 450,000	\$ 75,000	\$ 91,000
Stockholders' Equity	1,070,000	\$225,000	
Total	\$ 1,520,000	\$ 300,000	

If the business combination is treated as an acquisition and the fair value of Saleh Company's current assets is \$142,000, its plant and equipment is \$347,000, and its liabilities are \$91,000, Faten Company's financial statements immediately after the combination will include:

- a. Plant and equipment of \$1,226,000.
- b. Negative goodwill of \$38,000.
- c. An extraordinary gain of \$38,000. ✗
- d. Plant and equipment of \$1,210,000.

- d. Plant and equipment of \$1,210,000.

Question 7

Correct

Mark 1 out of 1

Flag question

The fair value of net identifiable assets exclusive of goodwill of a reporting unit of X Company is \$400,000. On X Company's books, the carrying value of this reporting unit's net assets is \$450,000, including \$60,000 goodwill. If the fair value of the reporting unit is \$435,000, what amount of goodwill impairment will be recognized for this unit?

- a. \$0
- b. \$10,000
- c. \$35,000
- d. \$25,000

**Question 8**

Correct

Mark 1 out of 1

Flag question

Adeeb Corporation acquired 70% of the

Faten Company issued 12,000 shares of its \$20 par value common stock for the net assets of Saleh Company in a statutory business combination under which Saleh Company will be merged into Faten Company. On the date of the combination, Faten Company common stock had a fair value of \$30 per share. Balance sheets for Faten Company and Saleh Company immediately prior to the combination were as follows:

	Faten (BV)	Saleh (BV)	Saleh (FV)
Current assets	\$ 657,000	\$ 96,000	\$ 142,000
Plant & Equipment (net)	863,000	204,000	347,000
Total	\$ 1,520,000	\$ 300,000	
Liabilities	\$ 450,000	\$ 75,000	\$ 91,000
Stockholders' Equity	1,070,000	\$225,000	
Total	\$ 1,520,000	\$ 300,000	

If the business combination is treated as an acquisition and the fair value of Saleh Company's current assets is \$142,000, its plant and equipment is \$347,000, and its liabilities are \$91,000, Faten Company's financial statements immediately after the combination will include:

- a. Plant and equipment of \$1,226,000.

Bassem Corporation acquired all the net assets of Kamel Corporation's in a statutory merger for \$430,000 cash. Immediately before the acquisition, the balance sheets of both corporations reported the following:

	Bassem	Kamel
Assets	\$ 2,000,000	\$ 750,000
Liabilities	\$ 750,000	\$ 400,000
Common Stock	\$ 1,000,000	\$ 310,000
Retained Earnings	\$ 250,000	\$ 40,000
Total Liabilities & Stockholders' Equity	\$ 2,000,000	\$ 750,000

At the date of acquisition, the fair value of Kamel's identifiable assets was \$50,000 more than the aggregate carrying amounts. In the consolidated balance sheet prepared immediately after the acquisition, the consolidated stockholders' equity should amount to

- a. \$1,250,000
- b. \$1,650,000
- c. \$1,600,000
- d. \$1,680,000





Grade 8 out of 12 (67%)

Question 1

Correct

Mark 1 out of 1

Flag question

Tams Company, a newly established subsidiary of Subhi Corporation, received assets with an original cost of \$380,000, a fair value of \$320,000, and a book value of \$208,000 from the parent in exchange for 8,000 shares of Tams \$8 par value common stock. Tams should record

- a. Additional paid-in capital of \$0.
- b. Additional paid-in capital of \$144,000. ✓
- c. Additional paid-in capital of \$84,000.
- d. Additional paid-in capital of \$204,000.

Question 2

Correct

Mark 1 out of 1

Flag question



Question 2

Correct

Mark 1 out of 1

Flag question

Shaker Company acquired 80 percent of Fadel Company on May 1, 2020 at book value. For the 2020, Fadel Company recognized net income of \$112,500. What amount of Investment Income does Shaker's Company recognize in the December 31 equity method journal entry?

- a. \$ 0
- b. \$90,000
- c. \$112,500
- d. \$60,000

**Question 3**

Incorrect

Mark 0 out of 1

Flag question

Jaber Corporation paid \$200,000 for a 25% interest in Lama Corporation's common stock on

Question 3

Incorrect

Mark 0 out of 1

Flag question

Jaber Corporation paid \$200,000 for a 25% interest in Lama Corporation's common stock on January 1, 2020, but was not able to exercise significant influence over Lama. During 2020, Jaber reported income of \$140,000, excluding its income from Lama, and paid dividends of \$60,000. Lama reported net income of \$50,000 during 2020 and paid dividends of \$30,000. Jaber should report net income for 2020 in the amount of

- a. \$132,500
- b. \$152,500
- c. \$127,500
- d. \$147,500

✗

Question 4

Incorrect

Mark 0 out of 1

Flag question

Mansour Corporation purchased 15 percent of

Question 4

Incorrect

Mark 0 out of 1

Flag question

Mansour Corporation purchased 15 percent of Tamer Company's stock in January, 2020. At the acquisition date, Tamer has inventory with a market value \$20,000 greater than book value. Tamer expects to sell the inventory during 2020. In 2020, Tamer has net income of \$100,000 and pays \$50,000 of dividends. What amount will Mansour's net income change as a result of its investment in Tamer?

- a. \$15,000
- b. \$12,000
- c. \$7,500
- d. \$3,000



Question 5

Correct

Mark 1 out of 1

Flag question

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