

Chapter 5

E5-3 → Game Comp. Acquired 60% of Amber Comp.

↳ The Fair value of noncontrolling interest = 32,800

لـ باقي الملاك المتكاتب

$$32,800 / 0.4 = 82,000 \times 0.6 = 49,200$$

↳ Good will

Dr investment in sub 49,200  
 Cr Cash 49,200

↳ Basic and Reclassification entry

Dr Common Stock -s 20,000  
 Dr Retained Earnings -s 37,000  
 Dr Inventory -s 5,000  
 Dr Building & Equipment -s 20,000

Cr investment in sub - P 49,200  
 Cr NCI in NA of sub 32,800

E5-4 → ا. كذا و كذا

[a] Inventory = 140,000 [b] Land = 60,000  
 [c] Building & Equipment = 550,000

[d] Goodwill = FMV of Consideration given up by Controlling interest 470,000  
 + FMV of noncontrolling interest 117,500  
 = 587,500  
 less FMV of net identifiable Assets (530,000)  
 = Goodwill 57,500

[E] investment Account  
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 في القوائم

[E] noncontrolling interest = 117,500



E5-5 → Power Company acquired 90% of Pleasantdale Company for 270,000 *بالتالي، الشركة = 270,000*

$270,000 / 0.9 = 300,000 \times 0.1 = \boxed{30,000}$  → noncontrolling interest

↳ FMV of net identifiable assets = 280,000

↳ The difference =  $\boxed{20,000}$  → Reported For land

↳ D. Cash & Receivables 800  
C. Retained Earning 800

*هنا  
الشرية  
بالتالي  
بالمنطقة  
هنا  
مطلوب  
القائمة*

↳ D. investment in sub 270,000  
C. Cash 270,000

↳ Basic and Reclassification entry

D. Common stock-s 60,000  
D. Retained Earning-s 220,000  
D. Land-s 20,000  
D. Current payable-s 8,900

*Reporting*

*elimination*

C. investment in sub-P 270,000  
C. noncontrolling interest in NA 30,000  
C. Cash and Receivables - P 8,900

*elimination*

$Dr = Cr$

$= 308,900$

Total Assets = 1,232,000

Total liab & Equity = 1,232,000



E5-6

Zenith Corporation acquired 70% of Dawn Corporation for 102,200

$102,200 / 0.7 = 146,000 \times 0.3 = 43,800 \rightarrow$  noncontrolling interest

equal the FMV of net identifiable assets

Inventory FMV increase over the Book value by 6,000

Building & Equipment FMV increase over the Book value by 15,000

↳ Optional elimination entry

Dr Accumulated Depreciations -s	80,000
Cr Building & Equipment -s	80,000

↳ Basic and Reclassification entry

Dr Common stock -s	40,000
Dr Retained Earnings -s	85,000
Dr Inventory -s	6,000
Dr Building & Equipment -s	15,000
Dr Account payable -s	12,500

Reporting

elimination

Cr investment in sub-P	102,200
Cr noncontrolling interest in D/A	43,800
Cr Account Receivable - P	12,500

elimination

Dr = Cr = 158,500

Total A = Total L + E = 938,800



C

Zenith Corp and Subsidiary  
Consolidated Balance sheet  
Dec. 31, 2014

Cash	71,300
Account Receivable	121,500
Inventory	211,000
Land	90,000
Building & Equipment les Acc Dep	595,000 (150,000)
	<hr/>
	= 938,800

Total Assets

Account payable	175,000
Mortgage payable	430,000
Common stock	89,000
Retained Earning	210,000
Non controlling intrest	43,800
	<hr/>
	938,800

\* Account payable  $((152,500 + 35,000) - 12,500)$   
 $\downarrow$   
 $\rightarrow = 175,000$

\* Account Receivable  $((90,000 + 44,000) - 12,500)$   
 $\downarrow$   
 $\rightarrow = 121,500$



E5-7 → Temple Company acquired 75% of Dynamic Company for 390,000

↳  $390,000 \div 0.75 = 520,000 \times 0.25 = 130,000$  → non controlling interest

FMV of Consideration given up

FMV of Net identifiable Assets

Book value of Net identifiable Assets

520,000

476,000

360,000

↳ Goodwill = 44,000

FMV > BV  
inventory = 36,000  
Building = 80,000

Total Differential = 160,000

Dr Investment in sub 390,000  
Cr Cash 390,000

↳ Basic and Reclassification entry

Dr Common stock-s 120,000  
Dr Retained Earnings-s 240,000  
Dr Building-s 80,000  
Dr Inventory-s 36,000  
Dr Goodwill-s 44,000

Cr Investment in sub-P 390,000  
Cr NCI in NA of sub 130,000

Dr = Cr  
= 520,000



E-5-9 → invest acquired 75% of Canton Common stock for 133,500 → a (L) u (C) = 133,500

133,500 / 0.75 = 178,000 × 0.25 = 44,500 non controlling interest

1) Depreciation Equipment 28,000 ↑ with useful life (Remaining) 7 years

Canton report net income = 30,000  
Dividend = 12,000  
↳ 28,000 / 7 = 4,000  
↳ Depreciation

□ D, investment in sub 133,500  
C, Cash 133,500

□ D, investment in sub 22,500  
C, income from sub 22,500

□ D, Cash 9,000  
C, investment in sub 9,000

□ D, income from sub 3,000  
C, investment in sub 3,000

investment in sub	
133,500	9,000
22,500	3,000
<hr/>	
144,000	

income from sub	
	22,500
	<hr/>
	3,000
	<hr/>
	19,500

↓ NCI in NA

$(144,000 / 0.75) \times 0.25$

= 48,000

↓

NCI in NI

$(19,500 / 0.75) \times 0.25$

= 6,500



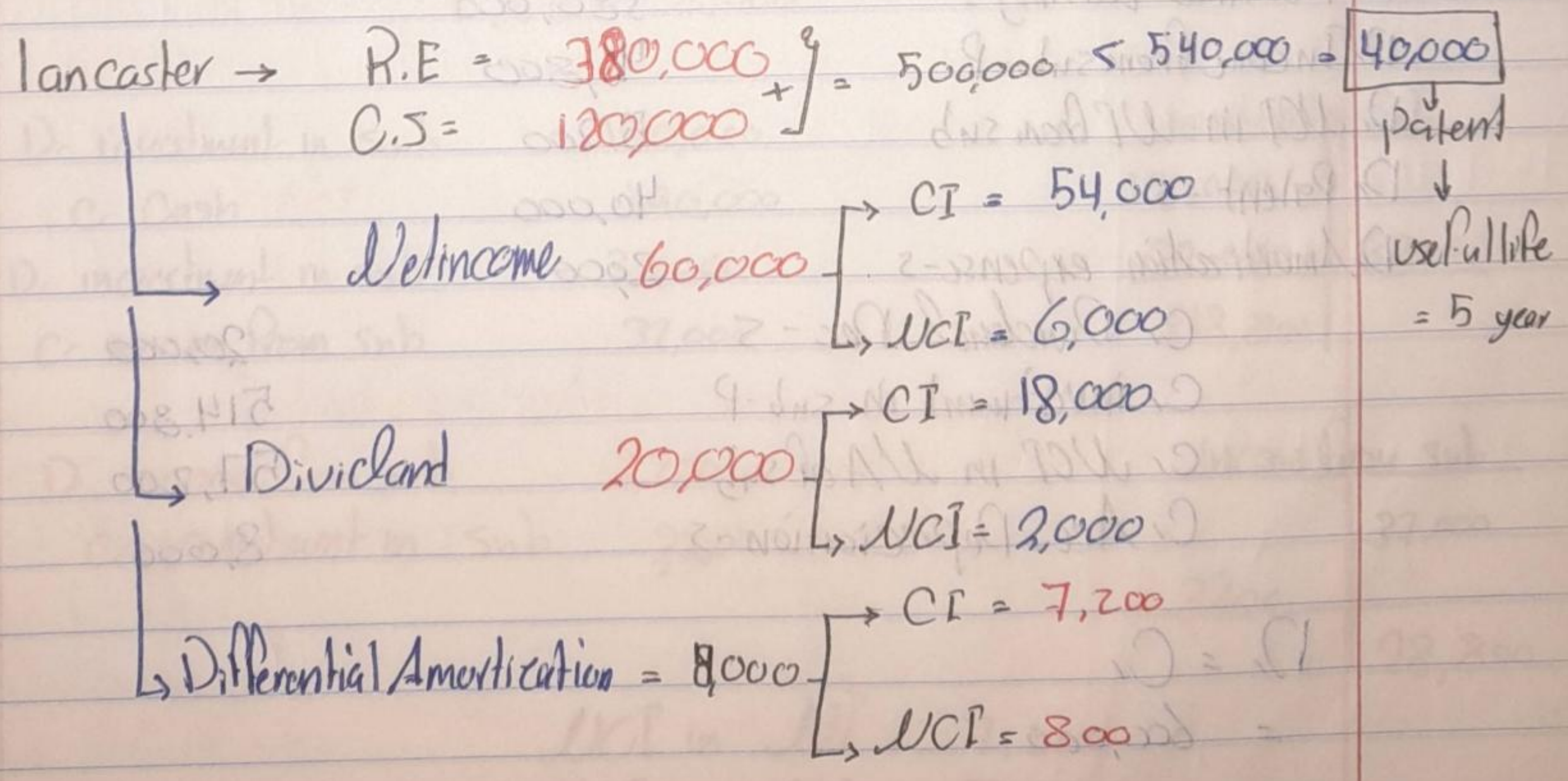
Basic and Reclassification entry

D. Common stock-s	60,000	
D. Retained Earning-s	90,000	
D. Income from sub-P	19,500	
D. NOI in NI of sub	6,500	
D. Equipment-s	28,000	
D. Depreciation exp-s	4,000	
		Cr. Dividend Dec-s 12,000
		Cr. investment in sub-P 144,000
		Cr. NOI in NI of sub 48,000
		Cr. Accumulated Dep-s 4,000

D. = Cr.  
= 208,000

E5-10 → Major Company acquired 90% of Lancaster Company for 486,000

$486,000 / 0.9 = 540,000 \text{ total} = 54,000 \rightarrow \text{NCI}$





(F)

(B)

Investment in sub	
486,000	18,000
54,000	7,200
<b>514,800</b>	

Income from sub	
	54,000
7,200	
	<b>46,800</b>

↓

NCI in NA  
= 57,200

↓

NCI in NI  
= 5,200

Dr investment in sub 486,000  
Cr Cash 486,000

Dr income from sub 7,200  
Cr investment in sub 7,200

Dr investment in sub 54,000  
Cr income from sub 54,000

Dr Cash 18,000  
Cr investment in sub 18,000

### Basic and Reclassification entry

Dr Common Stock - S	120,000	
Dr Retained Earnings	380,000	
Dr Income from sub - P	46,800	
Dr NCI in NI from sub	5,200	
Dr Patent - S	40,000	
Dr Amortization expense - S	8,000	
		Cr Dividend Rec - S 20,000
		Cr investment in sub - P 514,800
		Cr NCI in NA of sub 57,200
		Cr Acc. Depreciation - S 8,000

Dr = Cr  
= 600,000



E5-11 → Pioneer acquired 80% of Lowe Company's Common share for 190,000 → a tie, idea is to split

$190,000 / 0.8 = 237,500 \times 0.2 = \boxed{47,500} \rightarrow \text{NCI}$

Lowe R.E 80,000  
C.S 120,000

FMV of Con. Given up	FMV of NI Assets	Book value of NI Assets
237,500	232,000	200,000
↳ Goodwill = 5,500	↳ FMV > BV = 32,000	

Building →  $32,000 / 8 = \underline{\underline{4,000}}$

4,000  
 ↓                      ↓  
 CI                      NCI  
 3,200                      800

↓  
 D. Preferential Amortization

Net income 40,000  
 [ CI = 32,000  
 NCI = 8,000

D. investment in sub	190,000
C. Cash	190,000
D. investment in sub	32,000
C. income from sub	32,000

investment in sub	
190,000	
32,000	32,000
<u>218,800</u>	

D. income from sub	3,200
C. investment in sub	<del>32,000</del>

income from sub	
	32,000
<u>32,000</u>	
	<u>28,800</u>

NCI in NI = 7,200  
 NCI in NA = 54,700



Basic and Reclassification entry

D, Common stock-s	120,000
D, Retained Earning-s	80,000
D, Income from sub-P	28,500
D, NCI in NA of sub	7,200
D, Building-s	32,000
D, Goodwill-s	5,500
D, Depreciation exp-s	4,000
C, Investment in sub-P	218,800
C, NCI in NA of sub	54,700
C, Accumulated Dep-s	4,000

D, = C,  
= 277,500



E5-12 → Knox Company acquired 60% of Conway Company for 277,500 →  $277,500 \div 0.6 = 462,500$

$277,500 \div 0.6 = 462,500 \times 0.4 = 185,000$  → noncontrolling interest

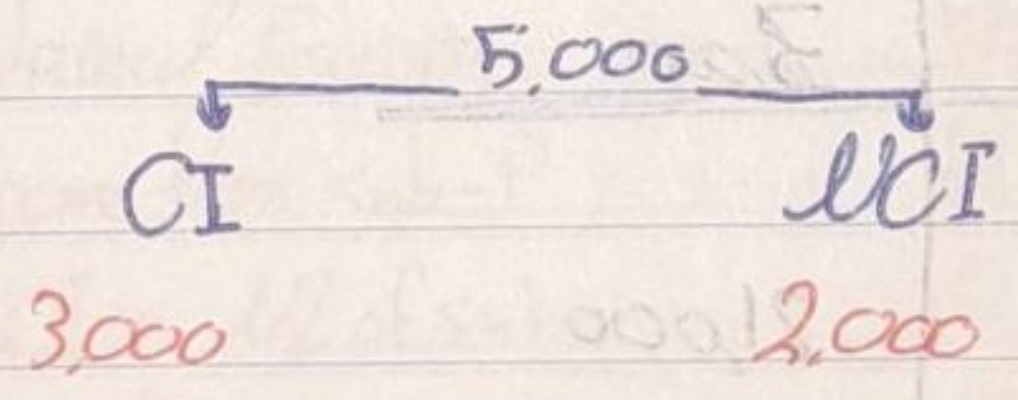
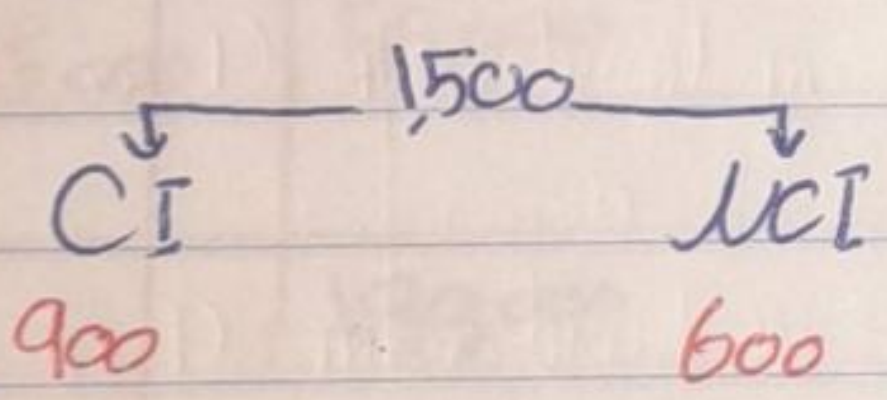
- Conway
- Common Stock = 250,000
  - Retained Earning = 150,000
  - increase in land B.V. = 7,500
  - increase in Equipment B.V. = 40,000

→ Total Fair market value (CE + LCF) = 462,500  
 - Common stock + R.E. Land + Equipment = (447,500)

increase in patent 15,000 →  $15,000 \div 10 = 1,500$  10 years useful life

$15,000 / 10 = 1,500$  Differential Amortization for patent

$40,000 / 8 = 5,000$  Differential Amortization for Equipment



Basic and Reclassification entry on Jan 1, 2017

Dr Common stock - S	250,000	
Dr Retained Earning - S	150,000	
Dr Land - S	7,500	
Dr Equipment - S	40,000	
Dr Patent - S	15,000	
		277,500
Cr investment in sub - P		277,500
Cr NCI in NA of sub		185,000

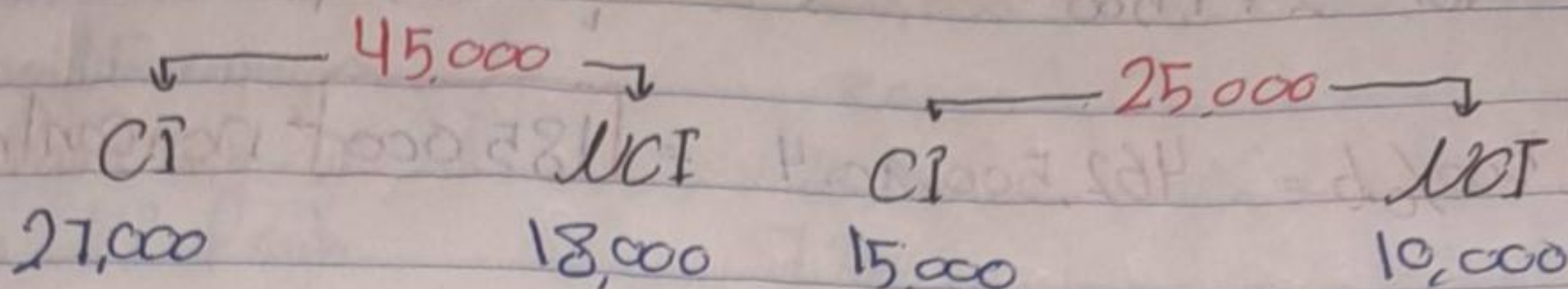


Con way

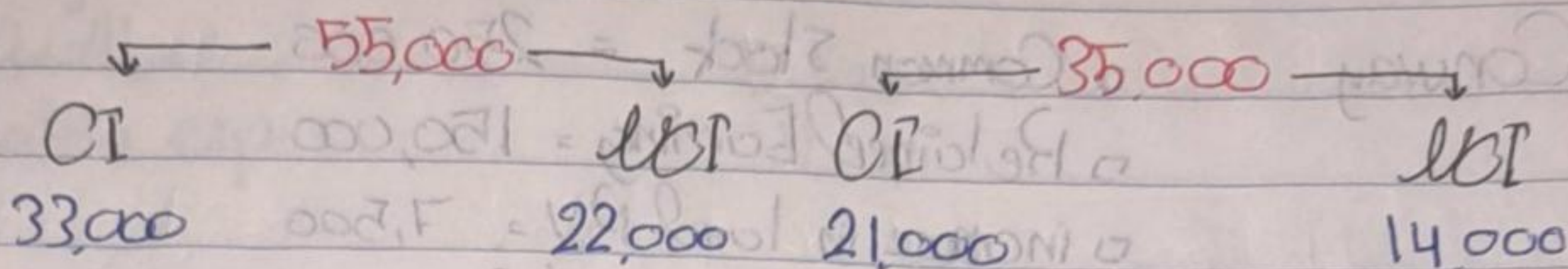
Net income

Dividend

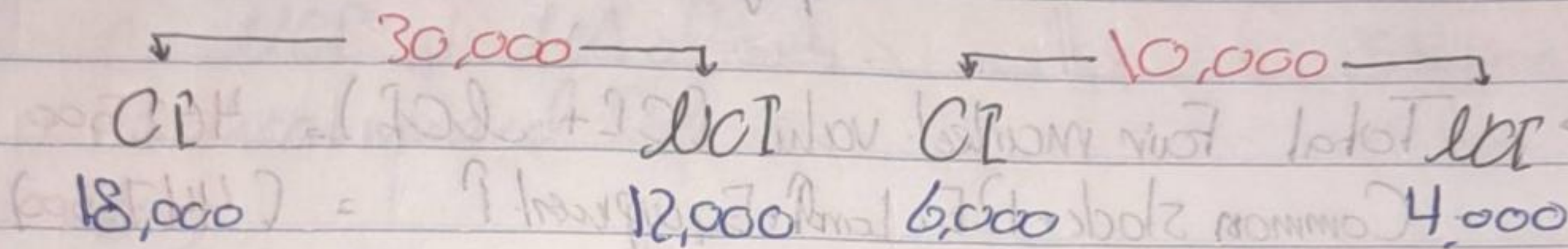
2017



2018



2019



investment Balance at Dec 31, 2018

investment in sub

	277,500		
	27,000	15,000	
		900	
		<u>3,000</u>	
Dec 31/2017 →	285,600		
	33,000	21,000	
		900	
Dec 31/2018 →	293,700		
	18,000	6,000	
		900	
		<u>3,000</u>	
Dec 31/2019	301,800		



d) Dr investment in sub 18,000  
 Cr Income From sub 18,000

Dr Cash 6,000  
 Cr investment in sub 6,000

Dr Income From sub 3,900  
 Cr investment in sub 3,900

e) investment Balance = 301,800

Income From sub	
18,000	
3,900	
<u>14,100</u>	

For NCI  

$$N\text{Assets} = ((301,800 / 0.6) \times 0.4)$$

$$= 201,200$$

R.E	
150,000	
25,000	45,000
	170,000
35,000	55,000
	190,000

NI Income =  $((14,100 / 0.6) \times 0.4)$   
 $= 9,400$

Basic and Reclassification entry

Dr Common Stock-s 250,000  
 Dr Retained Earnings-s 190,000  
 Dr Income from sub-P 14,100  
 Dr NCI in NI of sub 9,400  
 Dr Land-s 7,500  
 Dr Equipments-s 40,000  
 Dr Patent-s 10,500  
 Dr Amortization exp-s 1,500  
 Dr Depreciation exp-s 5,000

Cr Dividend Dec-s 10,000  
 Cr investment in sub-P 301,800  
 Cr NCI in NI of sub 201,200  
 Cr Acc Dep-s 15,000

$Dr = Cr$   
 $= 532,500$

$(50000 \times 3) \rightarrow$   
 $= 15,000$



E5-13 Proud Company acquired 80% of Stergis Company

non Controlling interest = 20%

31/12/2013 "investment" حساباً "investment" حساباً  
 Beginning Balance

$(136,000 - 24,000) + 8,000 = 120,000 \rightarrow$  Controlling interest

$120,000 / 0.88 = 150,000 \times 0.2 = 30,000$  NCI

Dr investment in sub	120,000
Cr Cash	120,000
Dr investment in sub	24,000
Cr income from sub	24,000
Dr Cash	8,000
Cr investment from sub	8,000

optional elimination entry  $\rightarrow$  Dr Accumulated Dep - 5  
 Cr Building & Eq - 5

$(75,000 - 15,000) = 60,000$   
 60,000  
 60,000

Basic and Reclassification entry

Dr Common stock - 5	100,000
Dr Retained Earning - 5	50,000
Dr income from sub - P	24,000
Dr NCI in EA of sub	6,000

Cr investment in sub - P	136,000
Cr NCI in EA of sub	34,000
Cr Dividend Dec - 5	8,000



Consolidated Net income

Sales	320,000
- Depreciation expense	(40,000)
- Other expense	(180,000)
<u>Consolidated Net income</u>	<u>100,000</u>
- NI available for NCI	(6,000)

Net income available for Controlling interest 94,000

Consolidated Retained Earning

B- Retained Earning for parent	230,000
+ Net income available for CI	94,000
- Dividend for Parent	(40,000)
<u>Consolidated Retained Earning</u>	<u>284,000</u>

Rock Camp and Sub  
 Consolidated Balance sheet  
 Dec 31, 2013

Current Assets	278,000
Depreciable Assets	740,000
- Acc Dep	(190,000)
<u>Total Assets</u>	<u>828,000</u>
Current liability	90,000
long term Debt	220,000
Common stock	200,000
Retained Earning	284,000
NCI in NA of sub	34,000
<u>Total liability and Equity</u>	<u>828,000</u>



E5-15 Broadmore Corporation acquired 75% of Steam Company for 435,000

$435,000 / 0.75 = 580,000 \times 0.25 = 145,000$  Noncontrolling interest

Steam Company had  $\rightarrow$  R.E = 200,000  
C.S = 300,000

Total Bookvalue = 500,000

$580,000 > 500,000 \rightarrow 80,000$  for Other intangible Assets  
 $\rightarrow$  10 years remaining useful life

$80,000 / 10 = 8,000$

$\rightarrow$  Amortization Differential

Amortization Differential

Consolidated Net income

	2018	2019
Parent's operating income	120,000	140,000
+ income from sub	40,000	60,000
- Differential Amortization	(8,000)	(8,000)
<u>Consolidated Net income</u>	152,000	192,000
+ Comprehensive gain by Steam $\rightarrow$ (Net income $\times$ Comprehensive Income)	10,000	5,000
<u>Consolidated Comprehensive income</u>	162,000	197,000
- NCI in NI of sub $\left( \overset{2018}{(40,000 - 8,000) \times 0.25} + \overset{2019}{(60,000 - 8,000) \times 0.25} \right)$	(10,500)	
- NCI in OCI $\left( (60,000 - 8,000) \times 0.25 + (5,000 \times 0.25) \right)$		(14,250)
<u>Comprehensive income attributable for Controlling interest</u>	151,500	182,750



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Assume that Braadmore → R.E 2018 430,000  
 C.S 320,000

prepare Consolidated Stockholder Equity

we must calculate Consolidated R.E

Consolidated R.E for 2018

Beg R.E for parent	430,000	
+ Consolidated Net Income available for CI	152,000	
	( 8,000 )	
	144,000	→ 144,000
		( 70,000 ) → parent Dividend
		<u>504,000</u>

$40,000 - 8,000 = 32,000 \times 0.25 = 8,000$   
 Consolidated Net Income for UCI

for 2019

Beg R.E	504,000
+ Con NI Available for Controlling interest	179,000
	( 70,000 ) ← Dividend
	<u>R.E = 613,000</u>

$UCI = (60,000 - 8,000) \times 0.25$   
179,000



② ② <sup>نصفه</sup> prepare OCI in Net Assets

	2018	2019
Begin OCI	145,000	151,750
+ OCI in Comprehensive Income	10,500	14,250
- OCI in Dividends paid		
$15,000 \times 0.25$	(3,750)	
$30,000 \times 0.25$		(7,500)
<u>OCI in NA</u>	<u>151,750</u>	<u>158,500</u>

o Consolidated Stockholder Equity

Common stock	320,000	320,000
+ R.E	504,000	613,000
+ Acc OCI ( $10,000 \times 0.75$ )	7,500	11,250
$(5,000 \times 0.75)$		
<u>Total Controlling Interest</u>	<u>831,500</u>	<u>944,250</u>
+ OCI in NA of sub	151,750	158,500
<u>Total Stockholder Equity</u>	<u>983,250</u>	<u>1,102,750</u>

2019 <sup>نصفه</sup>



E5-16 Palmer Comp acquired 70% of Krown Company for 140,000

$$140,000 / 0.7 = 200,000 \times 0.2 = 40,000$$

Krown → C.S 120,000  
RE 80,000

Net income  
CI 21,000      NCI 9,000  
                    30,000

Dividend  
OCI 4,200      NCI 1,800      CI 17,500  
                    6,000                      25,000      NCI 7,500

Dr investment in sub 140,000  
Cr Cash 140,000

Dr investment in sub 21,000  
Cr income from sub 21,000

Dr Cash 17,500  
Cr investment in sub 17,500

Dr investment in sub 4,200  
Cr OCI from sub 4,200

Dr OCI from sub 4,200  
Cr Acc OCI from sub 4,200      Closing entry

<u>investment in sub</u>		<u>income from sub</u>	
140,000			21,000
21,000	17,500		
4,200			
<u>147,700</u>			
		<u>Acc-OCI</u>	
		0	
		6,000	
		<u>6,000</u>	

NCI in NA  
= 63,300

NCI in NI  
= 9,000



Basic and Be classification entry

D. Common stock-s	120,000
D. Retained Earnings-s	80,000
D. Income from sub-P	21,000
D. OCI in NI of sub	9,000
D. OCI from sub-P	4,200
D. OCI in OCI of sub	1,800
D. Acc-OCI-s	0

C. Dividend Rec-s	25,000
C. Investment in sub-P	147,700
C. OCI in NI of sub	63,300

D = C  
= 236,000

E5-17A General Company acquired 80% of Strap Company for 138,000

$138,000 / 0.8 = 172,500 \times 0.2 = 34,500 \rightarrow$  Noncontrolling interest

Strap had $\rightarrow$ Common stock	100,000	
APIC	75,000	
Retained Earnings	(30,000)	<u>Negative R.E.</u>

= 145,000  $\rightarrow$  B.V = FMV

so there is a Differential

Goodwill =  $172,500 - 145,000 = 27,500$



D, Investment in sub 138,000  
 C, Cash 138,000

Basic and Reclassification entry

D, Common stock - S 100,000  
 D, APIC - S 75,000  
 D, Goodwill - S 27,500

$100,000 + 75,000 + 27,500 = 202,500$

C, Retained Earnings - S 30,000  
 C, Investment in sub - P 138,000  
 C, NCI in N/A of sub 34,500

E5-18 A Worth Company acquired 90% of Brinker Company for 864,000

$864,000 / 0.9 = 960,000 \times 0.1 = 96,000 \text{ NCI}$

Brinker → Differential → Total = 240,000

5,000 Inventory  
 75,000 Land → Gain on sale of land  
 60,000 Equipment → 15 year remaining useful life  
 Discount on note payable ← 50,000 notes payable

190,000

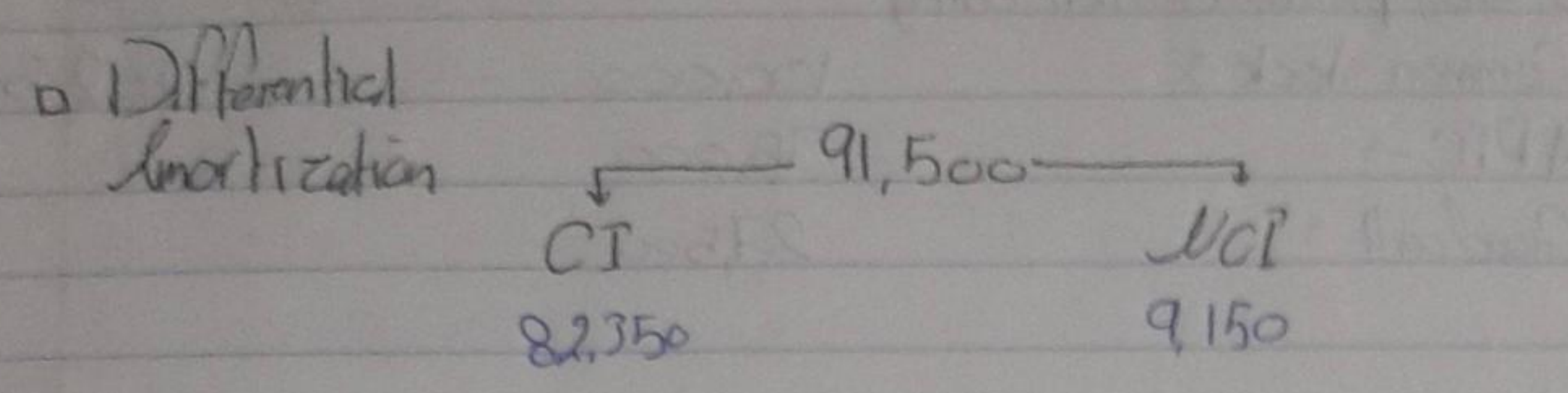
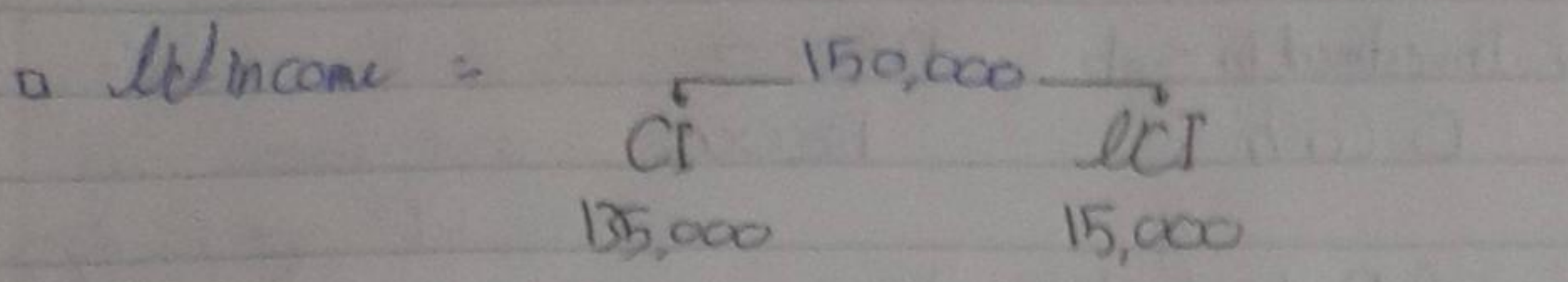
$240,000 > 190,000 = 50,000 \text{ Goodwill}$

$60,000 / 15 = 4,000$  Depreciation expense  
 5,000 Cost of Good sold  
 75,000 Gain on sale of land  
 7,500 Interest expense

Differential Amort 91,500

o h/1,000 = 100,000





investment in sub		income from sub	
864,000		135,000	
135,000	82,350	82,350	
916,650		52,650	
↓		↓	
NCI = 101,850		NCI = 5,850	

D, investment in sub 864,000  
 C, Cash = 864,000

D, investment in sub 135,000  
 C, income from sub 135,000

Differential Amortization

D, income from sub 82,350  
 C, investment in sub 82,350



Basic and Reclassification entry

D, Common stock - s	500,000
D, Retained Earning - s	120,000
D, premium on common stock - s	100,000
D, Income from sub - P	52,650
D, NCI in NA of sub	5,850
D, Goodwill - s	50,000
D, Equipment - s	60,000
D, Cost of Good sold - s	5,000
D, Gain on sale of land - s	75,000
D, Interest expense - s	7,500
D, Discount on note payable - s	42,500
D, Depreciation expense - s	4,000

C Investment in sub - P	916,850
C, NCI in NA of sub	101,850
C, Accumulated Dep - s	4,000

D. = C.  
1,022,500

Note payable  
 50,000

(7,500) → Amortization Differential → a liability  
42,500