Chapter 1 intercorporate Acquisition and Investment in other Company

Pale Company

Assets

land	80,000	Transfer to newly Created Company
Building	240,000	L Bright Company
Equipment	90,000	
Acc Dep	(60,000)	
Cash	21,000	in exchange with 1,000 stock
inventory	37,000	6$ par value
Total =	408,000	

The Company use the SLM for Depreciation with useful life

Building 40 year } No estimated residual
Equipment 10 years } value

For Building → $\frac{240,000}{40}$ = 6000 x 4 = 24,000

For Equipment → $\frac{90,000}{10}$ = 9000 x 4 = 36,000

Total Acc Dep = 60,000

Pale Comp record

Dr investment in Bright Comp	408,000	
Dr Accumulated Depreciation	60,000	
Cr land		80,000
Cr Building		240,000
Cr Equipment		90,000
Cr Cash		21,000
Cr inventory		37,000

Bright record

Dr Cash	21,000	
Dr inventory	37,000	
Dr land	80,000	
Dr Building	240,000	
Dr Equipment	90,000	
Cr Acc Dep		60,000
Cr Common stock		60,000
Cr APIC C		348,000

APIC = 408,000 - 60,000
= 348,000

E1-6 المعطيات على الكتاب

[a] lester record

Dr investment in Mumby Comp	498,000	
Dr Accumulated Depreciation	95,000	
Dr Allowance for uncollectable AR	7000	
Cr Cash		40,000
Cr Account Recivable		75,000
Cr inventory		50,000
Cr land		35,000
Cr Building		160,000
Cr Equipment		240,000

40,000 Common stock × 3$ = 120,000

APIC = 498,000 - 120,000 = 378,000

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[b] Mumby recoured

Dr Cash	40,000	
Dr Account Receivable	35,000	
Dr Inventory	50,000	
Dr land	35,000	
Dr Building	160,000	
Dr Equipmel	240,000	
Cr Accumulated Dep		95,000
Cr Allowance for uncollectable AR		7,000
Cr Common stock		120,000
Cr APT Capital		378,000

E1-7

[A] Poster recoured

Dr investment in Kline Company	66,000	
Dr Accumulated depreciation	28,000	
Dr Account payable	22,000	
Cr Cash		15,000
Cr Account Receivable		24,000
Cr Inventory		9000
Cr land		3000
Cr Dep Assets		65,000

[B] Kline Reccoured

Dr Cash	15,000	
Dr AccountReceivable	24,000	
Dr Inventory	9000	
Dr land	3,000	
Dr Dep Assets	65,000	
Cr Acc, Dep		28,000
Cr Account payable		22,000
Cr Common stock		48,000
Cr APIC		18,000

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E1 - 13

المعطيات على الكتاب

608,000 → FMV of Consideration Given up (Bond)
600,000 → FMV of net identifiable Assets

8000 Goodwill

17,000 Discount on Bond payable

Fortune recoured

entry → Dr Cash & Rec 50,000
Dr inventory 200,000
Dr land 100,000
Dr Plant & Equip 300,000
Dr Discount on B/P 17,000
Dr Good will 8000
Cr Account payable 50,000
Cr Bond payable 625,000

A-B8 المطابقة على الشيت

[a] 126,000 - 100,000 = 26,000 / 5 = 5,200

[b] 126,000 + 247,000 = 373,000
100,000 + 65,000 = 165,000

Total FMV of shares 208,000 / 5200 = 40 per share

[c] 96,000 - 50,000 = 46,000
FMV of inventory held by Cork

[d] FV of NDA

Combined entity → 50,000 46,000
+ 88,000 22,000
+ 96,000 6000
+ 430,000
664,000 (74,000) = 392,000 → Net Assets

Net Assets of Parent entity 262,000

Net Assets of Cork Corp = 392,000 - 262,000
= 130,000

[e] FMV of net identifiable Assets 130,000
- FMV of Consideration Given up 208000

Goodwill = 78,000

[1] B.E = 97,000 → B.E of Parent

لانه ال B.E للشركه

التابعة رح توزع على مالكين

[9] $430{,}000 - 300{,}000 = \frac{130{,}000}{10} = \underline{\underline{13{,}000}}$ ✓

Dep exp on 2012

P1-39

[A] 70,000/5 = 14,000

[B] (70,000 + 42,000)/14,000 = 8

[C] 117,000 - 96,000 = 21,000/3 = 7,000 shares

[D] 65,000 + 15,000 = 80,000
- 56,000
= 24,000 Stock issue Cost

[e] (CE) 117,000 + 24,000 + 553,000 = 694,000
(PE) 96,000 + 234,000 = (330,000)
= 364,000 → Total
/7000
= 52 per unit

[F] 320,000 - 210,000 = 110,000

[g] 306,000

[h] FMV of Consideration given up = 364,000
FMV of Net identifiable Assets = 306,000

Goodwill = 58,000

FMV/s PV/s

APIC = (14 − 1) = 13 × 180,000

= 2,340,000 − 42,000 = 2,298,000

P1-40

المعطيات حالة الكتاب

Bigtime Acquire HCC

180,000 shares for All Assets and liability

FMV/share = $14.

Stock issue Cost = 42,000

Marger Cost = 135,000

Goodwill = FMV of Net identifiable Assets = 2,410,300

⇒ FMV of Consoclication given up = 2,520,000

Goodwill = 109,700

entry → Dr Marger exp 135,000
Cr Cash 135,000

Dr Defferred stock issues Cost 42,000
Cash 42,000

Bigtime Record

Dr Cash	28,000	Cr Current payable	137,200
Acc Rec	251,500	Mortagage payable	500,000
inventory	395,000	Premumm on MP	20,000
long term invest	175,000	Equipment trust Note	100,000
land	100,000	Deb enture payable	1000,000
Rolling stock	63,000	Common stock	180,000
P&E	2,500,000	APIC	2,298,000
Patent	500,000	DSIC	42,000
SL	100,000		
Discount on ETN	5,000		
Discount on Deb	50,000		
Goodwill	109,700		

E1-15 Impairment of Goodwill

The Carrying Amount of Reporting Business unit = 290,000

FMV of Reporting Business unit excluding good will = 245,000

[a] Fair value = 340,000 > 280,000
↳ Thats mean no Impairment loss

[b] if the Fair value = 280,000 < 290,000
↳ there is an impairment

implied good will = 280,000
(245,000)
= 35,000

recorded G W - implied good will
= 80,000 35,000

impairment loss = $\boxed{45,000}$

[c] Fair value = 260,000 < 290,000

implied Goodwill = 260,000
(245,000)
= 15,000

80,000 - 15,000

impairment loss = 65,000

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E1-16 Assignment of Goodwill

Double Company Acquired all shares of Simple Company for $450,000

Simple net identifiable assets Fair value = 390,000

Goodwill = 450,000
(390,000)
60,000

The Carrying value of investment = 500,000

The Fair value of net assets excluding goodwill = 440,000

if the Fair value of Reporting BU =

[1] 530,000 > 500,000
↳ so, No impairment

[2] 485,000 ≯ 500,000 → impairment
485,000 - 440,000 → implied goodwill = 45,000
Recorded goodwill
= 60,000
imp/G.W (45,000) → 15,000 impairment loss

[3] 450,000 ≯ 500,000 → impairment
450,000 - 440,000 → 10,000 implied goodwill
R.GW
60,000
- imp/GW (10,000) → 50,000 impairment loss

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E1-18

Recorded Good will = 150,000 , CA = 550,000
FV = 490,000

(A) FV of Reporting Business unit = 580,000
↳ FV of RBU > CA
↳ No impairment
and we Report 150,000 as Goodwill

(B) FV of RBU = 540,000

540,000 < 550,000 → there is an impairment

implied G.W → 540,000 - 490,000 = 50,000

impairment loss = 150,000 - 50,000 = $\boxed{100,000}$

and we Report 50,000 as an Goodwill

(C) FV of RBU = 500,000

500,000 < 550000 = 50000 → impairment

implied Goodwill → 500,000 - 490,000 = 10,000

impairment loss → 150,000 - 10,000 = 140,000
↳ so we Report Goodwill = $\boxed{10,000}$

(D) FV of RBU = 460000
460,000 < 550,000 → impairment
460,000 < 490,000 so there is No implied good will , No Report Good will

and impairment loss = 150,000

E1-22

Marger exp = 54,000
DSIC = 29,000

Blue issued 40,000 C.S

Par value = 8
Fair value = 14

Marger expense	54,000	
Differed SIC	29,000	
Cash		83,000

14-8
6

APIC = 40,000 x 6
= 240,000
- 29,000
= 211,000

entry to Recoured Acquired all Assets and liability

830,000 - 300,000
= 530,000
560,000 - 530,000
= 30,000 G.W

D. Cash	70,000		
Account Recivable	110,000		
Inventory	200,000		
land	100,000		
Bulding & Equipmet	350,000		
Goodwill	30,000		
C. Account payable		195,000	
Bond payable		100,000	
Bond premuiam		6,000	
Common stock		320,000	(40,000 x 8)
APIC		211,000	
Differed stock issuanc cost		29,000	

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P1-24

Tab Corporation establish Collon Company

Collon issued 30,000 shares with par value = $6 per share

30,000 x 6 = $\boxed{180,000}$

Carrying value of net Assets = 320,000

└ APIC = 140,000

Total Accumulated Depreciation = 50,000

Tab recorded

		Dr	Cr
Dr	investment in Collon Company	320,000	
	Account payable	45,000	
	Accumulated Depreciation	50,000	
Cr	Cash		25,000
	inventory		70,000
	land		60,000
	Building		170,000
	Equipment		90,000

Collon record

		Dr	Cr
Dr	Cash	25,000	
	inventory	70,000	
	land	60,000	
	Building	170,000	
	Equipment	90,000	
Cr	Account payable		45,000
	Accumulated Dep		50,000
	Common stock		180,000
	APIC		140,000

P1-25 Egole Company establlished a Sand Company in exchange with 5000 shares of sand with 10$ par value

Egale Company recoured

Dr investment in sand Company	400,000	
Dr Account payable	10,000	
Dr Allowance for uncollectable A/R	5000	
Dr Accumulated Depreciation	40,000	
Cr Cash		30,000
Cr Account Recivable		45,000
Cr Inventory		60,000
Cr land		20,000
Cr Building and Equipment		300,000

Sand Company recoured

Dr Cash	30,000	
Dr Account Recivable	45,000	
Dr Inventory	60,000	
Dr land	20,000	
Dr Building & Equipment	300,000	
Cr Common stock		50,000
Cr APIC		350,000
Cr Account payable		10,000
Cr Allowance for uncollectable A/R		5,000
Cr Accumulated Depreciation		40,000

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$\boxed{P1-27}$ Deal company issued 4000 with $10^{\$}$ par value and 85,000 market value to acquire 85% of Mead Company

[1] D investment in Mead Company	85,000	
Cr Common stock		40,000
Cr APIC		45,000

[2] Dr Merger expense	3500	
Dr APIC	2000	
Cr Cash		5,500

[3] → 100,000
(85,000)
(9,000) → = $\boxed{6000}$ → Gain

Dr investment in Mead Comp	6000	
Cr Gain on increase of value		6000

$\boxed{P1-28}$ → [illegible] → Business Combination

[1] Dr Merger expense	14,000	
Dr Deffered stock issues Cost	28,000	
Cr Cash		42,000

→ APIC

↳ 24,000 x 22 =	528,000
- Common stock 24,000 x 4	(96,000)
- D-stock issues Cost	(28,000)
APIC	404,000

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Good will → Fair value of Common share
24,000 x 22 = 528,000
less Fair value of Net Assets (516,000)

Good will	12,000

entry → Frost Reccord

D. Cash & Recivable	28,000	
D. Inventory	122,000	
D. Building & Equipment	470,000	
D. Good will	12,000	
C. Account payable		41,000
C. Note payable		63,000
C. Common stock		96,000
C. APIC		404,000
C. DSIC		28,000

P1-29 Flint Company issued 450,000 shares with 2$ par value and 4$ Market value in exchange of assets and liability of Mark Company

a — [illegible]

↳ □ D. Merger expense 38,000
D. Deffered stock issue Cost 22,000
C. Cash 60,000

rs APIC → 450000 x (4-2) = 900,000
- less DSIC (22,000)
= 878,000

Goodwill → 450,000 x 4 = 1,800,000
less FMV of Net Assets = (1,673,000) = 127,000

[41,000 + 73,000 + 144000 + 200,000 + 1,500 000 + 300,000 - 35,000 - 50,000 - 500,000]

D	D. Cash & Receivable	41,000	
	D. Account Receivable	73,000	
	D. Inventory	144,000	
	D. land	200,000	
	D. Building	1,500,000	
	D. Equipment	300,000	
	D. Goodwill	127,000	
	C. Account payable		35,000
	C. ST-Note payable		50,000
	C. Bond payable		500,000
	C. Common stock		900,000
	C. APIC		878,000
	C. DSIC		22,000

P1-30 Anchor Company pay 178,000 to acquire all net Assets and liability of Zink Company

Goodwill → 178,000
- Net Asset
(315,000 - 175,000) → Goodwill = 38,000

D. Cash	20,000	
D. Account Receivable	35,000	
D. Inventory	50,000	
D. Patent	60,000	
D. Building & Equipment	150,000	
D. Good will	38,000	
C. Account payable		55,000
C. Note payable		120,000
C. Cash		178,000

Anchor and Zink Corp
Combined Balance sheet
Feb, 1, 2013

Cash	82,000	Acc. Payable	140,000
Acc-Rec	175,000	Note payable	270,000
Inventory	220,000	Common stock	200,000
Patents	140,000	APIC	160,000
Building & Equip	530,000	R.E	225,000
- Acc Dep expense	(190,000)		
Good will	38000		
Total	= 995,000		= 995,000

Dr investment in Zink Company 178,000
Cr Cash 178,000

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