

Ch. 4 (1)

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MDOOR

Consolidation of wholly owned subsidiaries acquired at more than Book Value

BU \neq FMV القيمة الحقيقية، 100% من
يعني عند Differential

Acquisition price - Book value = Differential

FMV of the whole Bus. $>$ FMV of Net Identifiable Asset $:$ BU of Net Asset
Goodwill + FMV > BV
Differential

A mortization الاعتد
[write off or write down]

* فنحن نأثرها في حساب الاستثناء differential لا في حساب
Investment in sub. تأثيرها في حساب الاستثناء

مراجعة

P. invested in S. [100%]

Dr. Investment in sub. stock
Cr. Cash

S. Net Income

Dr. Investment in sub. stock
Cr. Income from sub.

S. paid cash dividends

Dr. Cash
Cr. Investment in sub. stock

→ Differential Amortization

Dr. Income From Sub.

Cr. Investment in Sub. Stock

نقل حساب Income وحساب الاستثمار

ما بقدر الاجله يوم Combination بقدر بقدر مرور سنة

P. Books

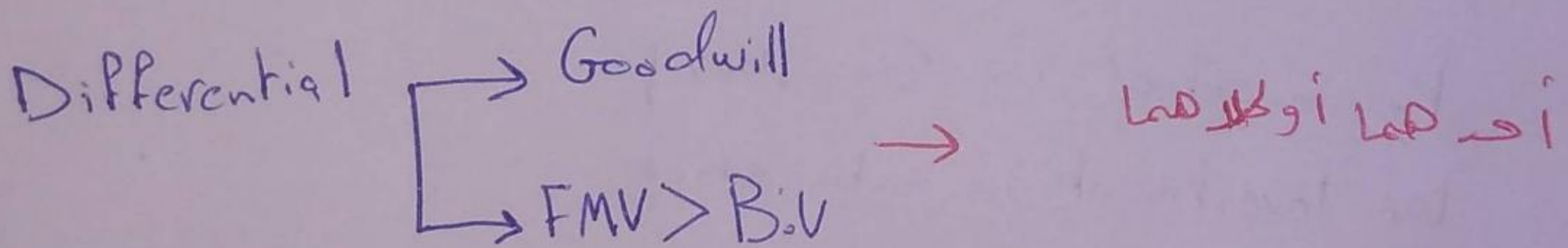
B.S Account

Income Statement account

Investment in Sub.	
Initial Investment	Dividends
Net Income	Differential Amortization

Income From Sub	
Differential Amortization	Net Income

Ch. 2+3 مش موجود
FMV = BV 08



③

FMV of the whole Bus.

FMV of Net Identifiable Asset

B.U of Net Asset

$\$ 500,000$ $\$ 465,000$ $\$ 400,000$
 ◦ ◦ ◦
Goodwill FMV > B.U
 $\$ 35,000$ $65,000$

Total differential
 $[500,000 - 400,000] \$ 100,000$

Sig. influence لو كانت نسبة الملكية [20% 50%] يكون عندى
 Investore ← يعنى شركة أم وشركة تابعة يكون عندى
 Investee ←

اقبال السابعة لكن لو نسبة الملكية 40%

$500,000 \times 40\%$ $465,000 \times 40\%$ $400,000 \times 40\%$
 $\$ 200,000$ $\$ 186,000$ $\$ 160,000$

Goodwill FMV > B.U
 $\$ 14,000$ $\$ 26,000$

Differential
 $[200,000 - 160,000] \$ 40,000$

← مايفتق السبع في حال Consolidation في هذا مثال فتقنا لان
 شركة عندى Consolidation و Bus. combination

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FMV > B.O.U → 65,000 x 40%

لأنه لا يتم السؤال بوضع الأرباح

↑ land = \$15,000 x 40% = 6000
↑ Equipment = \$50,000 x 40% = 20,000 (200,000) → 65,000 (100%)

6000 + 20,000 = \$26,000

∴ Total Differential = \$40,000
→ Goodwill \$14,000
→ ↑ land \$6,000
→ ↑ Equipment \$20,000

الشركة التي اشترت ← A. entry

Dr. Investment in B stock 200,000
Cr. Cash [40% x 500,000] FMV 200,000

عقدين علاقة شركة أم ومشاركات تابعة

صفتها قيمة Differential موجودة ضمناً في جانب الاستحقاق
عنان ذلك لا يتم تعديل Amortization

20% → 50% [equity method]

B. Income 80,000 x 40% = \$32,000
Dr. Investment in B Stock 32,000
Cr. Income from B 32,000

B. Dividends 20,000 x 40% = \$8,000
Dr. Cash 8,000
Cr. Investment in B 8,000

⑥

بما اني لغيت حصه الأ، في Differential في

Dr. Income from B 6000

Cr. Investment in B stock 6000

لو مثلاً عندى Diff. ves. Inventory وبعدها
برضو لازم ألف حصه في Diff. زي القيد البين

Example :

P. acquire S.

~~FMV~~ FMV of consideration \$340,000

Cos - S 200,000 } \$300,000 BV of S. Net Assets
R.E 100,000

$$340,000 - 300,000 = \$40,000$$

P. Books

Dr. Investment in sub. 340,000

Cr. Cash

340,000

Elimination Entries

① Optional Entry

Dr. Acc. dep. 300,000

Cr. B & E 300,000

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* Assume 40,000 differential → ↑ land

Basic & Reclassification elimination entry:

Dr. CoS - S 200,000

RE - S 100,000

Record → land - S 40,000

Cr. Investment in Sub-P 340,000

* Assume 40,000 differential → G.W.

Dr. CoS - S 200,000

R.E - S 100,000

Record → Goodwill - S 40,000

Cr. Investment in Sub-P 340,000

Treatment of a positive Differential

- FMV > BV
- Goodwill
- Errors or omission on So Books

example page 161

Complex Differential

↑ Inventory 15,000

↑ land 60,000

↓ B & E 10,000

↑ Bond Payable 35,000 → الوجوبه بفاتر Sub.

⑧

FMV of consideration exchange = \$400,000

↳ 300,000 Cash
↳ 100,000 FMV of Bonds

BoU of So net asset = 300,000

↳ 200,000 C.S - S
↳ 100,000 R.E - S

$400,000 - 300,000 = 100,000$
[differential]

P.V > F.V → Premium

P.V < F.V → Discount

FMV of consideration given up

= FMV of the Net identifiable asset
[Assets-liabilities]

= BoU of the Net Asset

\$ 400,000		\$ 330,000	\$ 300,000
	Goodwill		
	\$ 70,000		
		Differential	
		100,000	

$FMV > BU$
\$ 30,000

P. records:

Dr. Investment in sub. stock	400,000
Cr. Bond payable	100,000
Cash	300,000

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Differential = \$100,000

+	→ ↑	Inventory	\$ 15,000
+	→ ↑	land	\$ 60,000
+	→	Goodwill	\$ 70,000
-	→ ↓	Building	\$ 10,000
-	→ ↑	Bond payable	\$ 35,000

[الزيادة في Liab. يُخرج]

∴ 100,000 = 15,000 + 60,000 + 70,000 - 10,000 - 35,000

* Bond payable $\begin{matrix} \text{تم اقل من} \\ \text{Par} \end{matrix} > \text{Par} \rightarrow \text{Premium}$
 Cr. ~~Liability~~ ← Basic & ~~classification~~ \leftarrow ~~القوة في~~ \leftarrow Elimination entries

Dr. CoS - S	200,000
R.E - S	100,000
Inventory - S	15,000
land - S	60,000
Goodwill - S	70,000
Cr. Building - S	10,000
premium on BIP - S	35,000
Investment in sub - P	40,000

Assume → Bond $\begin{matrix} \text{تم اقل من} \\ \text{Par} \end{matrix} < \text{Par} \rightarrow \text{discount}$
 Cr. ~~Liability~~ ← ~~القوة في~~ \leftarrow ~~القوة في~~ \leftarrow ~~القوة في~~ \leftarrow

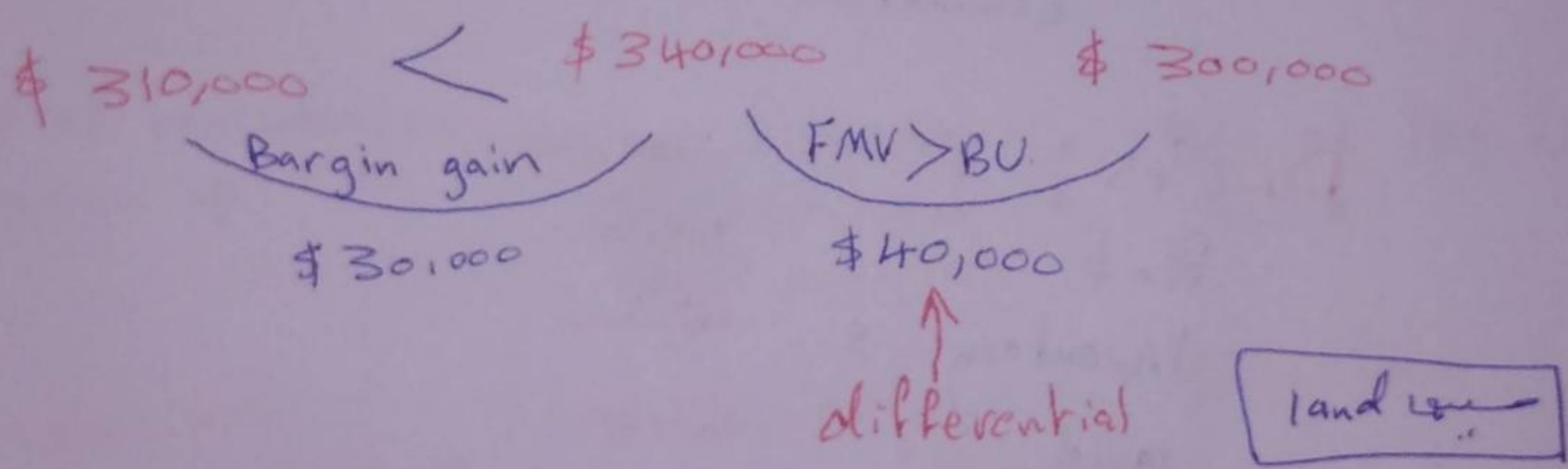
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قيمة الالتزام / ارفق يكون في حاله
Cr. ~~كطعم~~ ← premium or Discount

قيمة الالتزام ~~كطعم~~ قلت
Dr. ← premium
Dr. ← discount

FMV of consolidation given up : FMV of Net Identifiable Assets : B.O.U of Net Asset



P. Book

Dr. Investment in sub. [FMV]	340,000
Cr. Cash	310,000
Gain on Bargain purchase	30,000

Elimination Entries:

Optional Entry

Dr. Acc. depts	300,000
Cr. B & F-s	300,000

②

Basic & Reclassification Elimination Entry:

Dr. Co.S - S 200,000
 R.E - S 100,000
 Land - S 40,000
 Investment in Sub. - P 340,000

Example:

FMV of consolidation given up = 387,500
 → Cash \$300,000
 → Note payable \$87,500
 (60-day term note)

FMV of consolidation given up FMV Net Identifiable Asset B.U Net Asset

\$387,500 \$375,000 \$300,000

Goodwill \$12,500 FMV > BU \$75,000

Differential \$87,500

FMV > B.U → \$75,000

	B.U	FMV	difference
Inventory	\$60,000	\$65,000	\$ ↑ 5,000
land	40,000	50,000	↑ 10,000
B & E	300,000	360,000	↑ 60,000
			}] \$75,000

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P. record

Dr. Investment in sub	387,500
Cr. Cash	300,000
Note payable	87,500

Elimination Entries:

① optional entry

Dr. Acc. dep - S	300,000
Cr. B & E - S	300,000

② Basic & classification elimination entry:

Reclassification	Dr. CoS - S	200,000
	R.E - S	100,000
	Inventory - S	5,000
	land - S	10,000
	B & E - S	60,000
	Goodwil - S	12,500
	Investment in subo - P	387,500

Combination of ...

No I	Dividends
140,000	60,000
50,000	30,000

P.

S.

P. Record

* Subo NI

Dr. Investment in sub.	50,000
Cr. Income from sub.	50,000

* Subo Dividends

Dr. Cash	30,000
Cr. Investment in sub.	30,000

* Differential Amortization

Dr. Income from sub	14,000
Cr. Investment in sub	14,000

(Note: A red arrow points from the 14,000 in the credit entry to the next section.)

* Differential Amortization

$$B \& E (Dep. = \frac{FV - BV}{UL}) = \frac{60,000}{10,000} = \$ 6,000$$

Impairment on Goodwill

3,000
5,000

Total

\$ 14,000

حساب باقى كل
النهاية بعد الباقي
كل الزيادة الباقيها → Inventory

Consolidated Net Income 2011

P. separate Income	140,000	
Add: S. Net Income	50,000	
write-off diff. (Inventory)	(5,000)	
Amortization diff. (B&E)	(6,000)	
Goodwill Impairment	(3,000)	
<hr/>		
Consolidated Net Income	\$176,000	← NCI في 100%

Consolidated RoE

Bego Parent → P.	RoE on date of combination	300,000
	Consolidated Net Income	176,000
	less: Dividends Declared by P.	(60,000)
	<hr/>	
	Consolidated RoE in 2011	\$416,000

2012 ~~2011~~ 2012

	NI	Dividends
P.	160,000	60,000
S.	75,000	40,000

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Po record

S. Net Income

Dr. Investment in Sub. 75,000

Cr. Income From Sub. 75,000

S. Dividends

Dr. Cash 40,000

Cr. Investment in Sub 40,000

Diff. Amortization:

Dr. Income from Sub 6,000

Cr. Investment in Sub 6,000

Buildind Dep. → 6,000

B.S Account

Income Statement account

Investment in Sub.

Income from Sub

B.B 393,500

Div. 40,000

D.A 6,000

NI 75,000

NI 75,000

D.A 6,000

69,000

422,500

Elimination Entries:

Optional Entry:

Dr. Acc. dep. 300,000

300,000

Cr. B & E 300,000

300,000

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② Basic & Reclassification Elimination Entries:

Dr. Co S - S	200,000	
End Begو R.E - S	120,000	
Income from Subs - P	69,000	← T-account →
land - S	10,000	
B & E - S	60,000	
Goodwil - S	9,150	
Dep. exp. - S	6,000	
Cr. Dividend declared - S	40,000	
Investment in sub - P	422,500	
Acc. dep. - S	12,000	
		2 years

Consolidated Net Income 2012

P. separate Income	160,000
add: S Net Income	75,000
less: A.D (B & E)	(6,000)
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Consolidated Net Income 2012	229,000

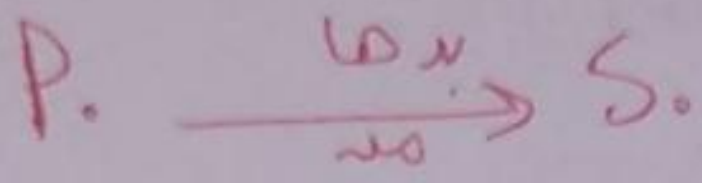
Consolidate RE 2012

P. R.E (Begو) ^{End الفترة السابقة 2011}	416,000
Add: Consolidated NI	229,000
less: Dividend declared by P.	(60,000)
<hr/>	<hr/>
Consolidated R.E 2012	\$585,000

Intercompany receivables and payables

معاملات مع ذوي العلاقة

Assume that S. owes P. \$1,000 on account
عند



Elimination entry:

Dr. Account payable - S	1000
Cr. Account Receivable - P	1000
	+

للتصحيح على ورقة عمل خارجية

APPENDIX OF CH. 4

Push-down accounting

لـ بعض العمل اعارة تقسيم للأصول والالتزامات عشان
ما يضل عند Differential

S. Record

Dr. Inventory	5,000
land	10,000
B & E	60,000
Goodwill	12,500
Cr. <u>Revaluation Capital</u>	87,500

RUBA MTOOR

بـ عمل قيود الاقسط بـ عند ولا تبجل diff
Reclassification Elimination وتخص القيمة مرة واحدة.

Basic Elimination Entry →

Dr. CoS - S	200,000
RoE - S	100,000
Revaluation capital - S	87,500
Cr. Investment in sub-P	387,500