

Ch. 4

(1)

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MTDOR

Consolidation of wholly owned subsidiaries acquired at more than Book Value

$BU \neq FMV$ الفرق بين القيمة 100% من
يعني عند Differential

Acquisition price - Book value = Differential

FMV of the whole Bus. > FMV of Net Identifiable Asset : BU of Net Asset
 $\underbrace{\text{Goodwill} + \text{FMV} > \text{BV}}_{\text{Differential}}$

A mortization لا يتم
[write off or write down]

* فنحن حاسب فاق لل differential لا يتم
تأثيرها في حاسب الاستشراك
Investment in sub.
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 بقى، ارجله يوم Combination بقى بقى مرور

P. Books

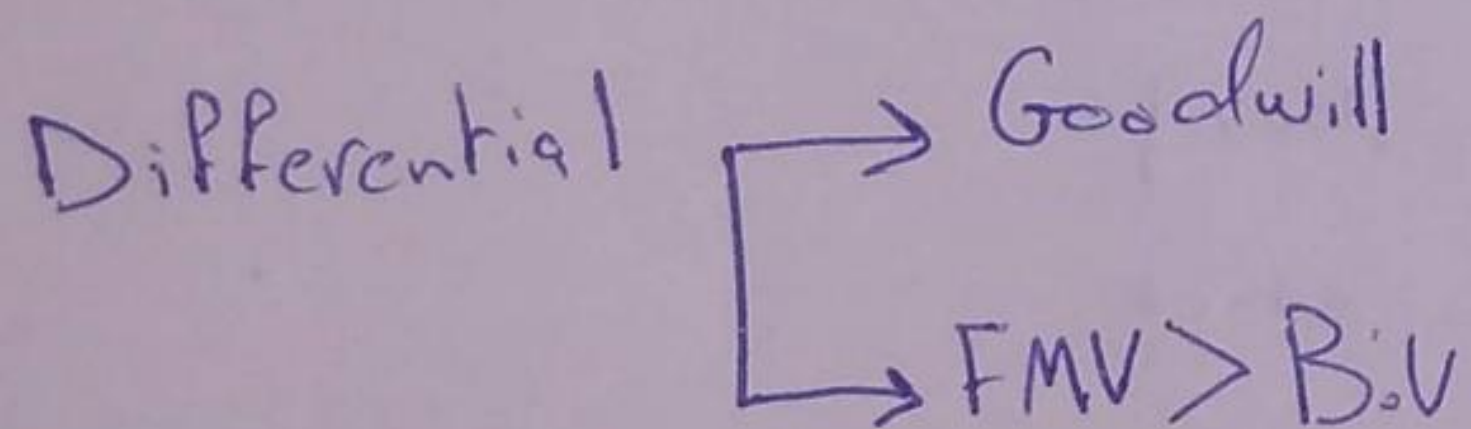
B.S Account

Income Statement account

Investment in Sub.	
Initial Investment	Dividends
Net Income	Differential Amortization

Income From Sub	
Differential Amortization	Net Income

Ch. 2+3 حور حور
FMV = BV 08



احسن اولها

③

FMV of the whole Bus.

FMV of Net Identifiable Asset

B.U. of Net Asset

$$\begin{array}{ccc}
 \$500,000 & & \$465,000 \\
 & \text{Goodwill} & \text{FMV} > \text{B.U.} \\
 & \$35,000 & 65,000
 \end{array}$$

Total differential

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

Sign. influence لو كانت نسبة الملكية [20% 50%] يكون عندي
Investor ← يعني شركة أم وشركة تابعة يكون عندي
Investee ←

مثال التابع لكن لو نسبة الملكية 40%

$$\begin{array}{ccc}
 500,000 \times 40\% & & 465,000 \times 40\% & & 400,000 \times 40\% \\
 \$200,000 & & \$186,000 & & \$160,000 \\
 & \text{Goodwill} & \text{FMV} > \text{B.U.} & & \\
 & \$14,000 & \$26,000 & &
 \end{array}$$

Differential

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

← مايفتت سوى في حال Consolidation في هذا مثال فتبين لأن
فتر عندي Consolidation و Bus. combination

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$$FMV > B.O \rightarrow 65,000 \times 40\%$$

لازم السؤال يوضح الألباب

$$\begin{aligned} \rightarrow \uparrow \text{land} &= \$15,000 \times 40\% = 6,000 \\ \rightarrow \uparrow \text{Equipment} &= \$50,000 \times 40\% = 20,000 \end{aligned} \rightarrow 65,000 (100\%)$$

$$6,000 + 20,000 = \$26,000$$

$$\therefore \text{Total Differential} = \$40,000 \begin{aligned} &\rightarrow \text{Goodwill} \quad \$14,000 \\ &\rightarrow \uparrow \text{land} \quad \$6,000 \\ &\rightarrow \uparrow \text{Equipment} \quad \$20,000 \end{aligned}$$

الشركة التي اشترت A. entry

$$\begin{aligned} \text{Dr. Investment in B stock} & 200,000 \\ \text{Cr. Cash} [40\% \times 500,000] & 200,000 \\ & \text{FMV} \end{aligned}$$

مفوض علافة شركة أم ومشاركات تابعة

مفوض قيمة Differential موجودة ضمياً في باب الاستحقاق
عن طريق لازم تعديل Amortization

20% → 50% [equity method]

$$\begin{aligned} \text{B. Income} & 80,000 \times 40\% = \$32,000 \\ \text{Dr. Investment in B Stock} & 32,000 \\ \text{Cr. Income from B} & 32,000 \end{aligned}$$

$$\begin{aligned} \text{B. Dividends} & 20,000 \times 40\% = \$8,000 \\ \text{Dr. Cash} & 8,000 \\ \text{Cr. Investment in B} & 8,000 \end{aligned}$$

Differential Amortization

$$\frac{\text{FMV equipment}}{\text{UoL}} \times 40\%$$

بِقِلِّ حَابِ الْاِسْتِمَارِ وَحَابِ Income

Dr. Income From B 4000

Cr. Investment in B stock 4000

Initial Investment

Investment in B stock

Diu 8060

NI 321000

2201000

Income from B

DA 4000

NI 32000

28,000

الشركة، باعت الأثر الذي قيمته الفترة \$ 75,000 بقيمة \$ 125,000

بعض حقیقت یہ $\$50,000 \leftarrow$ ای 40% بعض $\$20,000$

السؤال ١٥ الى رفعت 6000 دفترتاليها

20,000
(6000)

\$14,000 Gain to be recognized

By A. → حالها فيه [تأثيرها بفتح NoI الى الشركة بتوخذ حصة خاصة
نقطة الفترة]

⑥

بما اني لغيت حصه الأ، في Differential

Dr. Income from B 6000

Cr. Investment in B stock 6000

لو مثلاً عندي diff. في Inventory وبعدها
برضو لازم ألقى حصتها في Diff. في القيد الباقى

Example :

P. acquire S.

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

C.S - 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

340,000

Cr. Cash

Elimination Entries

① Optional Entry

Dr. Acc. dep. 300,000

Cr. B & E 300,000

⑦

* 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

↑ في الميزانية العامة
تعالف

example page 161

Complex Differential

↑ Inventory 15,000

↑ land 60,000

↓ B & E 10,000

↑ Bond Payable 35,000 → في الميزانية العامة
Sub.

FMV of consideration exchange = \$400,000

→ 300,000 Cash
→ 100,000 FMV of Bonds

B.V. of 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]

B.V. of the Net
Asset

\$400,000
\$330,000
\$300,000
Goodwill
FMV > BV
\$70,000
\$30,000
Differential
100,000

P. records:

Dr. Investment in sub. stock

Cr. Bond payable

Cash

400,000

100,000

300,000

④

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 $\frac{\text{م, ل, ل, ل}}{\text{م, ل, ل, ل}} > \text{Par} \rightarrow \text{Premium}$

Cr. ~~Liability~~ ← Basic & ~~classification~~ $\frac{\text{م, ل, ل, ل}}{\text{م, ل, ل, ل}}$ 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 $\frac{\text{م, ل, ل, ل}}{\text{م, ل, ل, ل}} < \text{Par} \rightarrow \text{discount}$

Cr. ~~Liability~~ ← $\frac{\text{م, ل, ل, ل}}{\text{م, ل, ل, ل}}$

~~XXXXXX~~

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قيمة الالتزام / ارفق يكون في حالة

Cr. \leftarrow premium or Discount

قيمة الالتزام ~~التي~~ قلت

Dr. \leftarrow premium

Dr. \leftarrow discount

FMV of consolidation
given up

FMV of Net
Identifiable Assets

B.V. of Net
Asset

\$ 310,000 < \$ 340,000 \$ 300,000

Bargain gain \$ 30,000

FMV > BV \$ 40,000

differential

land

P. Book

Dr. Investment in sub. [FMV] 340,000

Cr. Cash 310,000

Gain on Bargain purchase 30,000

Elimination Entries:

① Optional Entry

Dr. Acc. depts 300,000

Cr. B & F-s 300,000

②

Basic & Reclassification Elimination Entry:

Dr. C.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) قرض قصير الأجل مدته 60 يوم

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

\$387,500 \$375,000 \$300,000
 Goodwill \$12,500 FMV > B.V
 \$75,000
 Differential \$87,500

FMV > B.V → \$75,000

	B.V	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
Goodwill - S	12,500

Investment in subo - P 387,500

Combination is as follows

NoI	Dividends
140,000	60,000
50,000	30,000

P.

S.

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P. Record

* Sub. NI

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

* Sub. 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

* Differential Amortization

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

Impairment on Goodwill

3,000

5,000

حساب باي كل
الضاعة بحسب الباقي
كل الزيادة الباقيها

→ Inventory

Total

\$ 14,000

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B.S Account

Investment in Sub	
II 387,000	Div 30,000
NI 50,000	Diff. Amor. 14,000
393,500	

I.S Account

Income from Sub	
DoA 14,000	NI 50,000
36,000	

Elimination Entries :

① Optional Entry :

Dr. Acc. deo 300,000
Cr. B & E 300,000

② Basic & Reclassification Elimination Entries

Dr. CoS -s 200,000
RoE -s 100,000

Income from sub -P 36,000

Record diff
land -s 10,000
B & E -s 60,000
Goodwill -s 9,500

Combination with, 10,000
diff. amortization
Dep. exp. -s 6,000
Impairment loss -s 3,000
Cost of Good sold -s 5,000
Inventory 10,000

Cr. Dividend declared -s 30,000
Investment in Sub -P 393,500

Acc. Dep. 6,000

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	<hr/> \$176,000

← NCI 100% في!

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	<hr/> \$416,000

2012 ~~2011~~ 1999

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

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Po record

So Net Income

Dr. Investment in Sub.

75,000

cr. Income From Sub.

75,000

So 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

Investment in Sub.

B.B 393,500

Div. 40,000

NI 75,000

D.A 6,000

422,500

Income Statement account

Income from Sub

D.A 6,000

NI 75,000

69,000

Elimination Entries:

① Optional Entry:

Dr. Acc. dep.

300,000

cr. B & E

300,000

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② Basic & Reclassification Elimination Entries:

Dr. Co S - S	200,000
End of Beg. R.E - S	120,000
Income from Subo - P	69,000 ← T-account
land - S	10,000
B & E - S	60,000
Goodwill - S	9,500
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)
Consolidated Net Income 2012	229,000

Consolidate RE 2012

P. R.E (Beg.)	416,000
Add: Consolidated NI	229,000
less: Dividend declared by P.	(60,000)
Consolidated R.E 2012	\$585,000

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Intercompany receivables and payables

معاملات مع ذوي العلاقة

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

عليه

P. $\xrightarrow[\text{من}]{\text{بالحساب}} \rightarrow$ S.

Elimination entry:

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

عمل فاصلة

APPENDIX OF CH. 4

Push-down accounting

لإيضاح عمل إعادة تقييم للأصول والالتزامات عند
ما يظل 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

بأساس قيود لا قسرية يظل عند ولا سجل diff
Reclassification Elimination وتخفيض القيمة مرة واحدة.

Basic Elimination Entry \rightarrow

Dr. Cos - S	200,000
R.O.B - S	100,000
Revaluation capital - S	87,500
Cr. Investment in sub - P	387,500

RUBA
MTOR