Chapter 4

E4-1 → Roller purchased 100% of Steam Company on Jan 1, 2015 for $270,000

المعطيات على الكتاب ←

1. using Cost method

		Dr	Cr
2015	Dr investment in steam Company	270,000	
	Cr Cash		270,000
	Dr Cash	5000	
	Cr Dividend ~~Income~~		5000
2016	Dr Cash	15,000	
	Cr Dividend income		15,000
2017	Dr Cash	35,000	
	Cr Dividend income		35,000

---

2. using Equity method

2015

	Dr	Cr
Dr investment in steam Comp	270,000	
Cr Cash		270,000
Dr investment in S comp	20,000	
Cr income from S comp		20,000
Dr Cash	5000	
Cr investment in S comp		5000
Dr income from S comp	7000	
Cr investment in S comp		7000

2016

	Dr	Cr
Dr investment in S comp	40,000	
Cr income from S comp		40,000
Dr Cash	15,000	
Cr investment in S comp		15,000
Dr income from S comp	7000	
Cr investment in S comp		7000

2017

	Dr	Cr
Dr investment in S comp	20,000	
Cr income from S comp		20,000
Dr Cash	35,000	
Cr investment in S comp		35,000
Dr income from S comp	7000	
Cr investment in S comp		7000

2

E4-2 Power acquired 100% of snow company by

issing 45,000 Common stock

$6 par value x = 270,000

$24 M-value x = 1,080,000

Fair market value of consideration given up 1,080,000

Book value of net Assets of snow Camp 980,000

Total Differential = 100,000

100,000/8 = 12,500 patents Differential Amortization

لما يعطي الكتاب

2012

1) Dr investment in snow comp 1080,000
Cr Common stock 270,000
Cr APIC 810,000

2) Dr investment in snow comp 56,000
Cr income from snow comp 56,000

3) Dr Cash 20,000
Cr investment in snow comp 20,000

4) Dr income from snow Comp 12,500
Cr investment in snow comp 12,500

2013

1) Dr income from snow comp 44,000
Cr investment in snow comp 44,000

2) Dr Cash 10,000
Cr investment in snow comp 10,000

3) Dr income from snow Comp 12,500
Cr investment in snow comp 12,500

E4-3 Best Comp Acquired 100% of Flair Comp

by issuing Bond 670,000 Fair and Book value
and Cash payment by 24,000

↳ 670,000 + 24,000
= 694,000

Net Assets of Flair = 600,000
+ 16,000 increased in the FMV of the land

= 616,000

694,000 − 616,000 = 78,000/8 = 9,750 Differential Amortization

لباقي المعطيات على الكتاب

For 2017

Dr investment in sub	694,000	
Cr Cash		24,000
Cr Bond payable		670,000

Dr income from sub	88,000	
Cr investment in sub		88,000

Dr Cash	24,000	
Cr investment in sub		24,000

Dr income from sub	9,750	
Cr investment in sub		9,750

For 2018

Dr investment in sub	120,000	
Cr income from sub		120,000

Dr Cash	24,000	
Cr investment in sub		24,000

Dr income from sub	9,750	
Cr investment in sub		9,750

E 4-4 Capital Company Acquired 100% of Cook Company For 340,000

↳ The Cook's Assets = 300,000 Book value
340,000 Fair value

40,000 is increased in Building FMV For 10 useful life

$40,000 / 10 = 4,000$ Differential Amortization

ما في يعطينا سنة على الكتاب ←

1) useing equity Method

2014

↳ Dr investment in sub 340,000
Cr Cash 340,000

↳ Dr investment in sub 10,000
Cr income from sub 10,000

↳ Dr Cash 6000
Cr investment in sub 6000

↳ Dr income from sub 4000
Cr investment in sub 4,000

For 2015

Dr investment in sub 20,000
Cr income from sub 20,000

Dr Cash 9000
Cr investment in sub 9,000

Dr income from sub 4000
Cr investment in sub 4000

2) useing Cost Method

2014

↳ Dr investment in sub 340,000
Cr cash 340,000

Dr Cash 6000
Cr Dividend income 6000

2015

Dr Cash 9000
Cr Dividend income 9000

E4-B Branch acquired 100% of Hardy Company common stock on 1/1, 2015 → and paid 28,000 above the Book value

↳ 28,000/8 = 3,500   باقي المعطيات على الكتاب

on 2016

investment ending Balance =	161,000
less income from sub	(6,000)
+ Amortization Differential	3,500
+ Dividend ~~paid~~ incom	12,000
	170,500 → ending for 2015

on 2015

ending Balance	170,500
less income from sub	(33,000)
+ Amortization D.F	3,500
+ Dividend ~~paid~~ income	15,000
	156,000

↓ investment Account Balance at the Date of purchased

E4-7

المطلوب: [illegible]

↳ The income from subsidiary
2016 + 2017 + 2018 = 72,000

less Dividend paid by sub
2016 + 2017 + 2018 = (22,000)

= 50,000

less The Differential Amortization
(56,000 - 40,000) [(16,000/8) x 3] = (6000)

Required investment account = 44,000

↳ Compute the Required Retained Earning → for Grand using the equity method

2016 → 16,000 - 2000 = 14,000
2017 → 24,000 - 2000 = 22,000 → 36,000

less → Dividend income useing Cost M
2016 + 2017 → 6000 + 8000 → (14,000)

Required Retained Earning = 22,000

for 2018

entry → Dr investment in sub 44,000
Dr Dividend income 8,000
Cr income from sub 30,000 (32,000 - 2000)
Cr Retained Earning 22,000

Dr في
على العكس

E4-9

– [illegible]

- write off the Differential assigned to inventory
  130,000 - 120,000 = 10,000

- Differential amortization for Building and Equipment

300,000 - 150,000 = 150,000
↓
240,000 - 150,000 = 90,000/10 = 9000

entry

- Dr investment in sub 437,500
  Cr Cash 437,500

- Dr investment in sub 16,000
  Cr income from sub 16,000

- Dr Cash 3,200
  Cr investment in sub 3,200

- Differential amortization for B & E

  Dr income from sub 9000
  Cr investment in sub 9000

- write off the Differential for inventory

  Dr income from sub 10,000
  Cr investment in sub 10,000

E4-12 المعطيات على الكتاب

↳ investment in sub → 100,000
less FMV of net identifiable Assets (82,000)

Goodwil 18,000

[illegible]
inventory 5000 ↑
Building & Eq 20,000 ↑
Goodwill 18,000

Total Diff 43,000

or

100,000 - 57,000
= 43,000

باقي المعطيات على الكتاب

Basic and Reclassification entry

Dr Common stock - s	20,000	
Dr Retained Earning - s	37,000	
Dr inventory - s	5,000	
Dr Building & Equipment - s	20,000	
Dr Goodwill s	18,000	
Cr investment in sub - P		100,000

Dr = Cr

= 100,000

E4-13 الاعطيات على الكتاب

Dr investment in sub 395,000
Cr Cash 395,000

Good will →
- inventory increased by 36,000
- Building decreased by 20,000

↳ New FMV net identifiable Assets = 376,000

395,000
-(376,000) => = 19,000

Basic and Reclassification entry

Dr Common stock-S	120,000	
Dr Retained Earning-S	240,000	
Dr inventory-S	36,000	
Dr Good will-S	19,000	
Cr investment in sub-P		395,000
Cr Building-S		20,000

Dr = Cr

= 415,000

10

E 4-16 Gold acquired 100% of Premium Builder Company
for 167,000 لم بالضبط حساب الكتاب

↳ Dr investment in sub 167,000
Cr Cash 167,000

Total Fair Market value for P-Builders = 167,000
↳ so no Good will

Basic and Reclassification entry

Dr = Cr
169,000

Dr Common stock - s	140,000	
Dr Retained Earning - s	10,000	
Dr Inventory - s	7000	
Dr Building & Equipments	12,000	
Cr investment in sub - P		167,000
Cr Cash & Recivable - s		2000

Gold Company and subsidiary
Consolidated Balance sheet
Jan, 1, 2015

Cash & Rec (80,000 + 30,000 - 2000)	108,000	Current liability (100,000 + 110,000)		210,000
Inventory (150,000 + 350,000 + 7000)	507,000	long term Debt (400,000 + 200,000)		600,000
B & Eq (430,000 + 80,000 + 12,000)	522,000	Common stock		200,000
		Retained Earning		127,000
Total Assets	= 1,137,000	Total lia & Equity	= 1,137,000	

E4-19 Canton Company acquired 100% of winston company

winston Company had
- Common stock 60,000
- Retained Earning 90,000

Total	150,000
+ Above it's Book value	28,000
Total investment	178,000

Differential Amortization = 28,000/7 = 4000 per year

باقي المعطيات على الكتاب

Dr investment in sub	178,000	
Cr Cash		178,000

Dr investment in sub	30,000	
Cr income from sub		30,000

Dr Cash	12,000	
Cr investment in sub		12,000

Dr income from sub	4,000	
Cr investment in sub		4,000

investment in sub

Dr	Cr
178,000	12,000
30,000	4,000
192,000	

income from sub

Dr	Cr
	30,000
4,000	
	26,000

Basic and Reclassification entry

Dr Common stock-s	60,000	
Dr Retained Earning-s	90,000	
Dr income from sub-P	26,000	
Dr Equipment-s	28,000	
Dr Depreciation exp-s	4,000	
Cr Dividend Declared-s		12,000
C investment in sub-P		192,000
C Accumulated Dep-s		4,000

E 4-22

المعطيات على الكتاب

- investment 100% in short Company for 180,000 and Net Book valu = 150,000 يعني total Difference = 30,000/6 = 5000

Differantial Amortization

- Dr investment in sub 180,000
  - Cr Cash 180,000

- Dr investment in sub 30,000
  - Cr income from sub 30,000

- Dr Cash 10,000
  - Cr investment in sub 10,000

- Dr income from sub 5,000
  - Cr investment in sub 5,000

investment in sub	
180,000	10,000
30,000	5,000
195,000	

income from sub	
	30,000
5000	
	25,000

Basic and reclassification entry

Dr common stock-s	100,000	
Dr Retained Earning-s	50,000	
Dr income from sub-P	25,000	
Dr Depracitable Assets-s	30,000	
Dr Depreciation expens-s	5000	
Cr Dividend Dec-s		10,000
Cr investment in sub-P		195,000
Cr Accumulated Dep-s		5,000

P4-25 Assignment of Differential in worksheet

total Cash paid to acquir the whole Common stock	= 290,000	>	FMV of Net identifiable Assets of sally Corp 260,000

↳ Good will = 30,000

Building & Equipment increase by 10,000

- Dr investment in sub 290,000
  - Cr Cash 290,000

- optional elimination entry
  - Dr Accumulated Dep - S 65,000
    - Cr Building & Equipment - S 65,000

- Basic and Reclassification entry
  - Dr Common stock - S 100,000
  - Dr Retained Earning - S 150,000
  - Dr Building & Equipment - S 10,000
  - Dr Good will - S 30,000
    - Cr investment in sub - P 290,000

in the Consolidated Balance sheet

Total Assets = Total liability and Equity

= 795,000

b

Teresa and subsidiary
Consolidated Balance sheet
Jan 1, 2014

Cash and Receivables	60,000
inventory	135,000
land	170,000
Building & Equipment	575,000
-Acc. Depreciation	(175,000)
Good will	30,000
Total Assets	= 795,000
Account payable	75,000
Note payable	150,000
Common stock	300,000
Retained Earning	270,000
Total liability and Equity	= 795,000

13

P4-27 Case acquired all outstanding shares of Frey Company for 2,260,000

- Dr investment in sub 2,260,000
  Cr Cash 2,260,000

- Dr investment in sub 580,000
  Cr income from sub 580,000

- Dr Cash 160,000
  Cr investment in sub 160,000

investment in sub	
2,260,000	
580,000	160,000
2,680,000	

income from sub	
	580,000

L Basic and Reclassification entry

Dr Common stock-s	1,000,000	
Dr Retained Earning-s	820,000	
Dr income from sub-P	580,000	
Dr Land-s	250,000	
Dr APIC-s	190,000	
Cr Dividend Dec-s		160,000
Cr investment in sub-P		2,680,000

Dr = Cr ⟹ 2,840,000

18

P4-28 المعطيات في السؤال

⇒ Thompson acquire all Common stock of lake Company for 240,000 on 1,1, 2012

The Differential → 240,000
- (200,000)
40,000 → 40,000/10 = 4000

make the Calculation need to make a Consolidation Balance sheet on 31/12/2013

↳ Differential Amortization = 4000 × 2
= 8000

لما في المعطى الثالث → investment acc on Dec, 31, 2013 = 252,000

- optional elimination entry

D, Accumulated Dep-s	25,000	
C, Building & Equipment-s		25,000

- Basic and Reclassification entry

D, Common stock-s	100,000	
D, Retained Earning-s	120,000	
D, Building & Eq-s	40,000	
C, investment in sub-P		252,000
C, Ac-Dep-s		8000

P4-29 →

تكملة على السؤال
لي قبل ← بعطيناه علي الكتاب ←

- Dr investment in sub 32,000
  - Cr income from sub 32,000

- Dr Cash 12,000
  - Cr investment in sub 12,000

- Dr income from sub 4,000
  - Cr investment in sub 4,000

investment in sub

252,000	12,000
32,000	4000
268,000	

income from sub

	32,000
4000	
	28000

- Optional elimination entry
  - Dr Acc - Dep-s 25,000
    - Cr Building & Eq-s 25,000

- Basic and Reclassification entry
  - Dr Common stock -s 100,000
  - Dr Retained Earning -s 120,000
  - Dr income from sub - P 28,000
  - Dr Building & Equipment-s 40,000
  - Dr Depreciation expense-s 4000
  - Dr Account payable -s 2,500
    - Cr Dividend Dec-s 12,000
    - Cr investment in sub-P 268,000
    - Cr Accumulated Dep-s 12,000
    - Cr Account Rec - P 2,500

- Consolidated net income

service revenue	850,000
- Cost of service revenue	(600,000)
Dep. expense + 4000	(57,000)
Other expense	(117,000)
Consolidated net income	76,000

- Consolidated Retained Earning

	من السؤال كامل بنقدر نشوفه
- Beginning R.E	292,000
+ Con. net income	76,000
- Dividend Dec by parent	(30,000)
Consolidated Retained Earning	338,000

- Cash	116,000
Acc. Receivable - 2,500	180,500
land	110,000
Building & Equipment	890,000
less - Acc Dep + 12,000	(370,000)
Total Assets	926,500

- Account payable - 2,500	85,000
Taxes payable	118,000
Note payable	185,000
Common stock	200,000
	338,000
Total liability and Equity	926,500

P4-30 → a

↳ The land increased by 20,000
inventory Decreased by 7,000

↳ 255,000 + 13,000 = 268,000

[A] Acquired by → 280,000 > 268,000

↳ Good will = 12,000

D. investment in sub 280,000
Cr Cash 280,000

Basic and Reclassification entry

Dr Common stock - s	80,000	
Dr Retained Earning - s	175,000	
Dr land - s	20,000	
Dr Goodwill - s	12,000	
Cr inventory - s		7,000
Cr investment in sub - P		280,000

Dr = Cr
= 287,000

[B] Acquired by → 251,000 < 268,000
↳ Bargain purchased = 17,000

Dr investment in sub 251,000
Cr Cash 251,000

Basic and Reclassification entry

Dr Common stock - s	80,000	
Dr Retained Earning - s	175,000	
Dr land - s	20,000	
Cr investment in sub - P		251,000
Cr inventory - s		7,000
Cr Gain on pargin purchased - P		17,000

Dr = Cr
275,000

P4-31 → Kim Company acquired 100% of Normal Company on January, 1, 2017 for 305,000

Kim purchased $50,000 of Normal Bonds
Normal owes the Kim 10,000

D. investment in sub	305,000	
C. Cash		305,000

A) optional elimination entry

D. Accumulated Depreciation-s	75,000	
C Building & Equipments		75,000

Basic and Reclassification entry

D. Common stock-s	150,000	
D. APIC-s	140,000	
D. Goodwill-s	20,000	
D. Bond payable-s	50,000	
D. Account payable-s	10,000	
C. Retained Earning-s		5,000
C. investment in sub-P		305,000
C. investment in sub's Bonds-P		50,000
C. Account Receivable-P		10,000

Dr, Cr = 370,000

B)

Kim Corporation and Sub
Consolidated Balance sheet
Jan 1, 2017

Cash	105,000	Account payable	60,000
Account Receivable	145,000	Bond payable	250,000
inventory	164,000	Common stock	300,000
Building & Equipment	625,000	Retained Earning	289,000
- Acc Dep	(160,000)		
Goodwill	20,000		
Total	899,000		899,000

P4-32 Primary Company Acquired 100% of Street Company for $650,000 in exchange with Bond issued

↳ 650,000
(602,000) → Goodwill = 48,000

- Dr investment in sub 650,000
  Cr Bond Payable 650,000

- optional elimination entry
  Dr Accumulated Dep-s 220,000
  Cr Building & Equipment-s 220,000

- Basic and Reclassification entry

Dr Common stock-s	200,000	
Dr APIC-s	130,000	
Dr Retained Earning-s	148,000	
Dr land-s	20,000	
Dr inventory-s	4,000	
Dr Building & Eq-s	50,000	
Dr Patent-s	40,000	
Dr Goodwill-s	48,000	
Dr Discount on B/P-s	10,000	
Dr Allowance for Bad Debt-s	1,000	
Dr Current payable-s	6,500	
Cr Receivables-P		7,500
Cr investment in sub-P		650,000
Cr		

Dr = Cr
= 657,500

Primary Comp and subsidiary
Consolidated Balance sheet
Jan, 2, 2018

Cash		21,000
Receivables	65,500	
- Allowance For Bad Debt	(3000)	62,500
Inventory		158,000
land		125,000
Building & Equip	1,460,000	
- Acc. Dep	(411,000)	1,049,000
Patent		40,000
Goodwill		48,000
Total Assets		1,503,500
Current payable		60,500
Bond payable	950,000	
- Discount on B/P	(10,000)	940,000
Common stock		300,000
APIC		100,000
Retained Earning		103,000
Total liability and Equity		1,503,500

P4-33

Corporation acquired 100 percent of Roller Company for $128,000

Goodwill → 128,000
(120,000) ⇒ = 8,000

Goodwill	
	8000
5,500	
2,500	

CV = 2,500 ⇝ 5,500 impairment

- Dr investment in sub 128,000
  - Cr Cash 128,000
- Dr investment in sub 24,000
  - Cr income from sub 24,000
- Dr Cash 16,000
  - Cr investment in sub 16,000
- Dr income from sub 7,500
  - Cr investment in sub 7,500

investment in sub	
128,000	16,000
24,000	7,500
128,500	

income from sub	
	24,000
7,500	
	16,500

- Optional elimination entry
  - Dr Accumulated Depreciation-s 30,000
  - Cr Building & Equipment-s 30,000
- Basic and Reclassification entry

	Dr	Cr
Dr Common stock-s	60,000	
Dr Retained Earning-s	40,000	
Dr income from sub-P	16,500	
Dr Goodwill-s	2,500	
Dr Building & Equipment-s	20,000	
Dr Depreciation expense-s	2,000	
Dr impairment on G.W-s	5,500	
Cr Dividend Dec-s		16,000
Cr investment in sub-P		128,500
Cr Acc-Dep-s		2,000

Dr = Cr = 146,500

- Consolidated income statement

Sales	440,000
- CCGs	(235,000)
- wage exp	(69,000)
- Dep exp + 2000	(37,000)
- Intrest exp	(16,000)
- Oth exp	(18,500)
- impairment loss	(5,500)
Consolidated Net income	59,000

- Consolidated Retained Earning

- Beg. RE	102,000
+ Con. Net income	59,000
- Dividend Dec	(30,000)
Consolidated Retained Earning	131,000

Total Assets = Total liab & Equity

= 618,000

P4-34 →

ذكرنا عليها السؤال بأول
↳ Consolidated worksheet at End of the seconed year of ownership → 31/12/2019

- D. investment in sub 36,000
  C income from sub 36,000
- D. Cash 20,000
  Cr investment in sub 20,000
- D. income from sub 2,000
  Cr investment in sub 2000

investment in sub	
128,500	20,000
36,000	2,000
142,500	

income from sub	
	36,000
2,000	
	34,000

- optional elimination entry
  Dr Accumulated Depreciation -s 30,000
  Cr Building & Equipment -s 30,000
- Basic and Reclassification entry
  D. Common stock -s 60,000
  Dr Retained Earning -s 48,000
  D Goodwill -s 2,500
  D income from sub -P 34,000
  D. Building & Equipment -s 20,000
  D. Depreciation expense -s 2,000

  Cr Dividend Decleared -s 20,000
  Cr Investment in sub -P 142,500
  Cr Accumulated Dep -s 4,000

Retained Earning → 40,000 + 24,000
= 64,000
(16,000)
48,000

Mill Corporation and Sub
Consolidated Balance sheet
Dec, 31, 2019

Cash	77,500
Account Recivable	99,000
Inventory	121,000
land	75,000
Building of Equipment	490,000
- Acc - Depreciation	(194,000)
Good will	2,500
Total Assets	671,000
Account payable	66,000
wages payable	20,000
Notes payable	200,000
Common Stock	200,000
Retained Earning	185,000
Total liability and Equity	671,000

Consolidated Net income

sales	490,000
- COGs	(259,000)
- wages exp	(55,000)
- Dep. exp	(37,000)
- Intrest exp	(16,000)
- Othe exp	(39,000)
Consolidated Net income	84,000

Consolidated Retained Earning

Beg R.E	131,000
Con-Net income	84,000
- Dividend Dec	(30,000)
Consolidated R.E	185,000

P4-35 Power Company acquired 100% of Upland products Company in 1/1/2011 ~~at~~ for 200,000

on that date → Retained Earning = 50,000 , Common stock = 100,000

The Fair market value was more than Book value by 50,000 ~~to be~~ assigned to depreciable assets that has useful life <u>10 years</u>

50,000/10 = 5,000

There was 10,000 of intercorporate recivable and payable at the end of <u>2015</u>

On 31/12/2015

- Dr investment in sub 30,000 — جمعها علشان ه
  - Cr income from sub 30,000
- Dr Cash 10,000
  - Cr investment in sub 10,000
- Dr income from sub 5,000
  - Cr investment in sub 5,000

income from sub	
	30,000
5,000	
	25,000

- Basic and Reclassification <u>entry</u>

	Dr	Cr
Dr Common Stock-S	100,000	
Dr Retained Earning-S	90,000	
Dr Depreciable Assets-S	50,000	
Dr Income from Sub-P	25,000	
Dr Depreciation expens-S	5,000	
Dr Account payable-S	10,000	
Cr Dividend Dec-S		10,000
Cr Investment in sub-P		235,000
Cr Accumulated Dep-S		25,000
Cr Cash and Recivable-P		10,000

Dr = Cr

280,000

P4-37 A

[illegible]

Greenly Company Acquired %100 of Lindy's Common Stock for 935,000 → [illegible]

- Dr. investment in sub 935,000
  - Cr. Cash 935,000

- Dr. Inventory 5,000
  - Dr. land 85,000
  - Dr. Buildings 100,000
  - Dr. Equipment 70,000
  - Cr. Revaluation Capital 260,000

- at Business Combination Date
  ↳ Basic and Reclassification entry

Dr. Common Stock-S 100,000
Dr. API-Capital-S 400,000
Dr. Retained Earning-S 175,000
Dr. Revaluation Capital-S 260,000
Cr. investment in sub-P 935,000

During 2017

- Dr. investment in sub 88,000
  - Cr. income from sub 88,000

- Dr. Cash 50,000
  - Cr. investment in sub 50,000

investment in sub	
935,000	
88,000	50,000
973,000	

income from sub	
	88,000
	88,000

Basic and Reclassification entry For 2017

Dr Common Stock-S	100,000	
Dr Retained Earning-S	175,000	
Dr APIC-S	400,000	
Dr Income From Sub-P	88,000	
Dr Revaluation Capital-S	260,000	
Cr Dividend Dec-S		50,000
Cr investment in Sub-P		973,000

During 2018

Investment in Sub

973,000	
90,000	50,000
1,013,000	

Dr Investment in Sub	90,000	
Cr income From Sub		90,000
Dr Cash	50,000	
Cr Investment in Sub		50,000

R.E → 175,000 + 88,000 - 50,000

↳ 213,000

Basic and Reclassification entry

D Common stock-S	100,000	
D Retained Earning-S	213,000	
D APIC-S	400,000	
D Income From Sub-P	90,000	
D Revaluation Capital-S	260,000	
Cr Dividend Dec-S		50,000
Cr Investment in Sub-P		1,013,000