

Chapter 5

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

↳ The Fair value of noncontrolling interest = 32,800

لـ باقي الملاك 40% لـ 32,800

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

↳ Goodwill

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. لـ 100% لـ 140,000

[a] Inventory = 140,000

[b] Land = 60,000

[c] Building & Equipment = 550,000

[d] Goodwill = FMV of Consideration given up by Controlling interest
+ FMV of noncontrolling interest

470,000

117,500

= 587,500

(530,000)

= 57,500

[e] Investment Account
لـ 50% لـ 140,000
لـ 50% لـ 140,000

less FMV of net identifiable Assets

= Goodwill

[f] noncontrolling interest = 117,500

E5-5 → Power Company acquired 90% of Pleasantdale Company for 270,000 أو 270,000 = 300,000 × 0.9

$$270,000 / 0.9 = 300,000 \times 0.1 = \boxed{30,000} \rightarrow \text{nonControlling interest}$$

↳ FMV of net identifiable assets = 280,000

↳ The difference = 20,000 → Reported For Land

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

↳ 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

C. investment in sub-P 270,000

C. nonControlling interest in UA 30,000

C. Cash and Receivables - P 8,900

Dr = Cr

= 308,900

Total Assets = 1,232,000

Total liab & Equity = 1,232,000

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مطلوبة
لإزالة

Reporting

elimination

elimination

E5-6

Zenith Corporation acquired 70% of Dawn Corporation for 102,200 → a little bit of debt

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

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 -	80,000
Cr Building & Equipment -	80,000

↳ Basic and Reclassification entry

Dr Common Stock -

Dr Retained Earnings -

Dr Inventory -

Dr Building & Equipment -

Dr Account payable -

Reporting

elimination

Cr investment in sub-P 102,200

Cr noncontrolling interest in A 43,800

Cr Account Receivable - P 12,500

elimination

$$\begin{aligned} \text{Dr} &= \text{Cr} \\ &= 158,500 \end{aligned}$$

$$\begin{aligned} \text{Total A} &= \text{Total L} + \text{E} \\ &= 938,800 \end{aligned}$$

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)
	= 938,800

Total Assets

Account payable	175,000
Mortgage payable	430,000
Common stock	80,000
Retained Earning	210,000
Non controlling interest	43,800
	938,800

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

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

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

$$\rightarrow 390,000 \div 0.75 = 520,000 \times 0.25 = 130,000 \rightarrow \text{non controlling interest}$$

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

Total Differential = 160,000

Building = 80,000

Dr Investment in Sub
 Cr Cash

390,000
 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

E5-9 → west acquired 75% of Canton Common stock for
 133,500 → $133,500 \div 0.75 = 178,000$

133,500 / 0.75 = 178,000 $\times 0.25 = 44,500$ non controlling interest

12. Depreciation
 Equipment 28,000 ↑ with useful life (Remaining) 7 years
 $\rightarrow 28,000 / 7 = 4,000$

Canton report net income = 30,000
 Dividend = 12,000
 $\rightarrow$ D.P. Amortization

Dr investment in sub 133,500
 Cr Cash 133,500

Dr investment in sub 22,500
 Cr income from sub 22,500

Dr Cash 9,000
 Cr investment in sub 9,000

Dr income from sub 3,000
 Cr investment in sub 3,000

investment in sub	
133,500	9,000
22,500	3,000
144,000	

income from sub	
	22,500
3,000	
	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

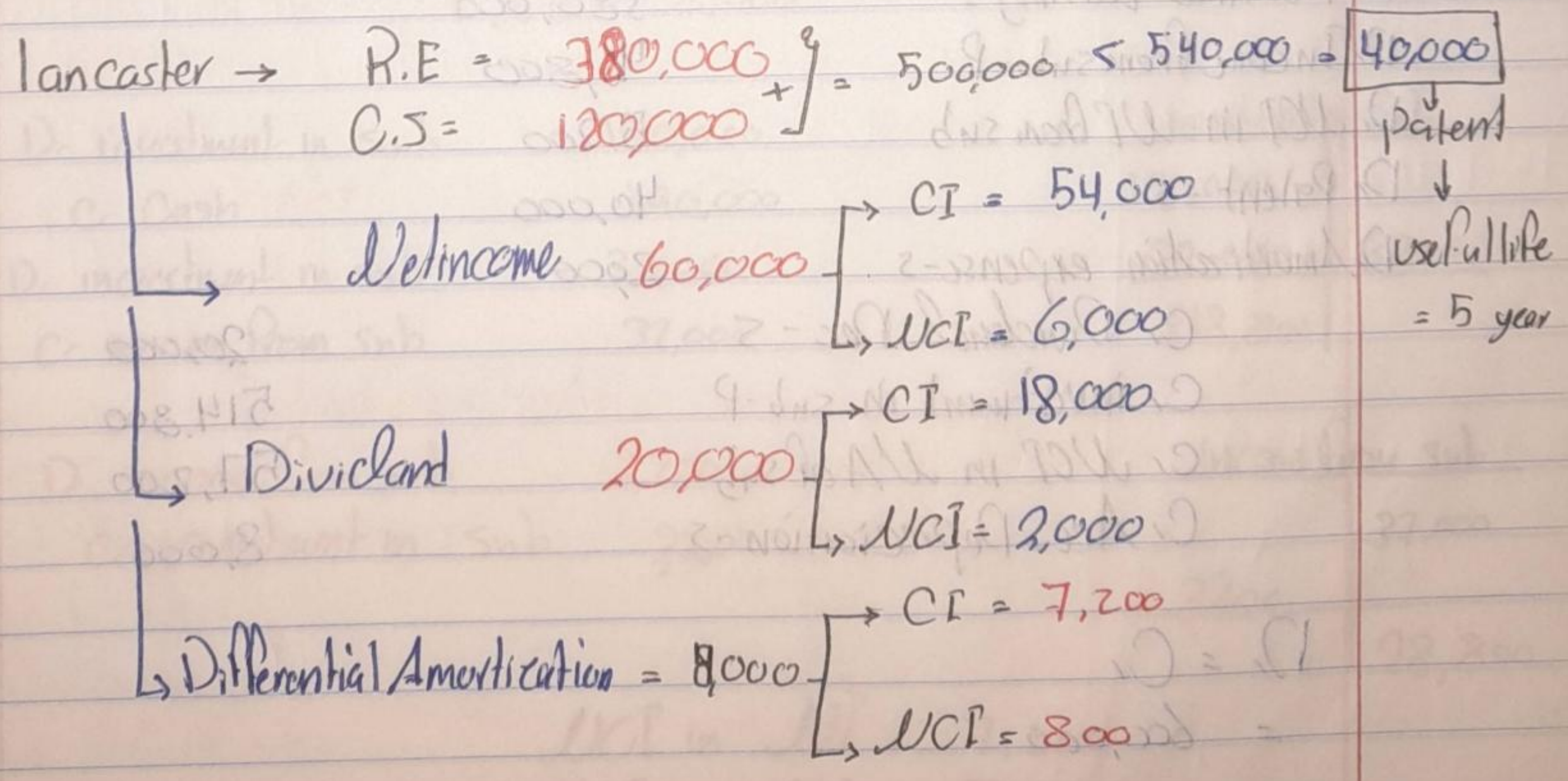
Basic and Reclassification entry

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

D. = Cr
= 208,000

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

$486,000 / 0.9 = 540,000$ total = 54,000 → NCI

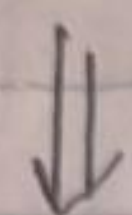


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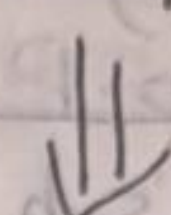
(B)

investment in sub	
486,000	18,000
54,000	7,200
514,800	

income from sub	
	54,000
7,200	
	46,800



NCI in N/A
= 57,200



NCI in NI
= 5,200

D. investment in sub 486,000
 Cr Cash 486,000

D. income from sub 7,200
 Cr investment in sub 7,200

D. investment in sub 54,000
 Cr income from sub 54,000

D. Cash 18,000
 Cr investment in sub 18,000

Basic and Reclassification entry

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

D = Cr
= 600,000

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

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

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

FMV of Con. Given up
237,500

FMV of NI Assets
232,000

Book value of NI Assets
200,000

47,500 → Goodwill = 5,500
FMV > BV = 32,000

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

4,000
CI 3,200 NCI 800

D. Differential Amortization

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

Dr. investment in sub 190,000
Cr. Cash 190,000
Dr. investment in sub 32,000
Cr. income from sub 32,000

investment in sub	
190,000	
32,000	32,000
218,800	

Dr. income from sub 3,200
Cr. investment in sub 32,000

income from sub	
	32,000
32,000	
	28,800

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

LP

Basic and Reclassification entry

D, Common stock-s	120,000
D, Retained Earning-s	80,000
D, Income from sub-P	28,800
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 → $\frac{277,500}{0.6} = 462,500$

$277,500 / 0.6 = 462,500 \times 0.4 = \boxed{185,000}$ → noncontrolling interest

Conway

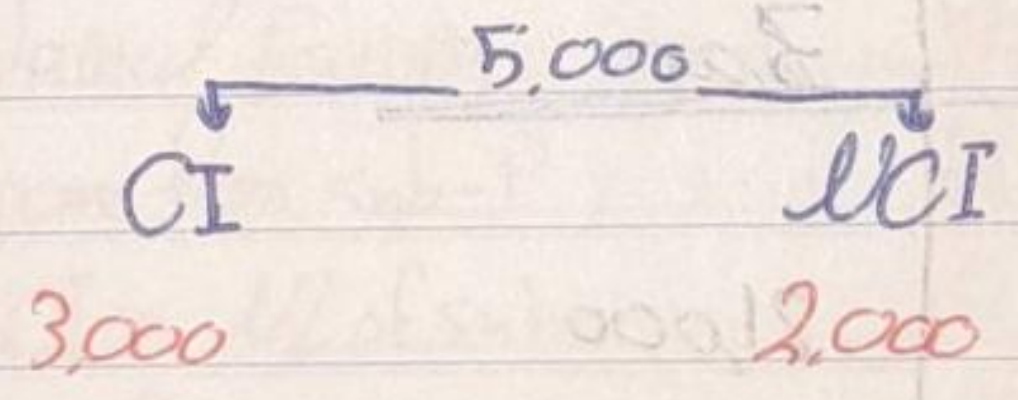
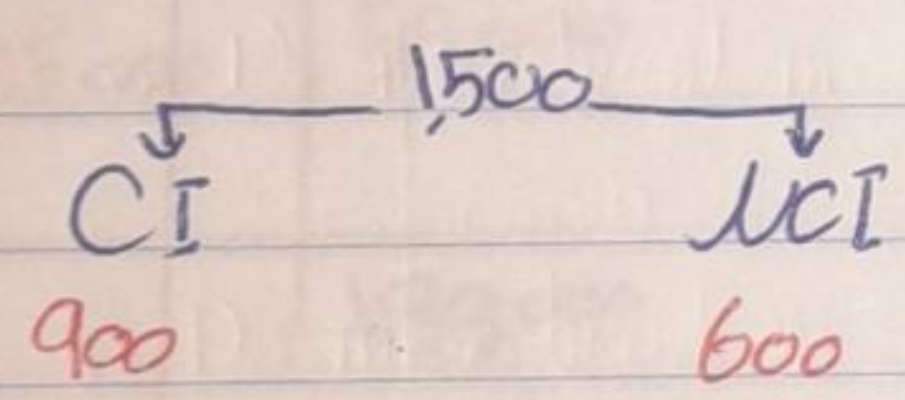
- Common Stock = 250,000
- Retained Earning = 150,000
- increase in land B.V. = 7,500
- increase in Equipment B.V. = 40,000

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

increase in patent 15,000 → 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

- | | |
|-------------------------|---------|
| 1) Common Stock - S | 250,000 |
| 1) Retained Earning - S | 150,000 |
| 1) Land - S | 7,500 |
| 1) Equipment - S | 40,000 |
| 1) Patent - S | 15,000 |

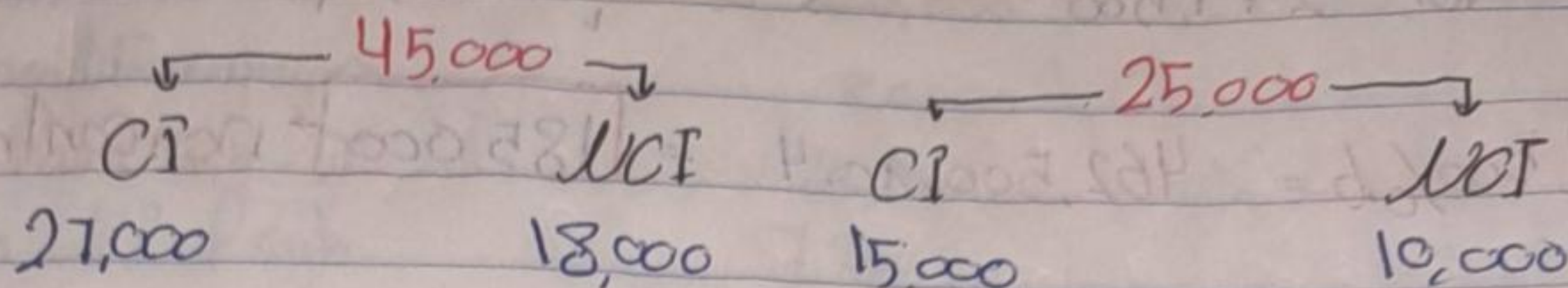
C investment in sub - P	277,500
C LCI in NA of sub	185,000

Con way

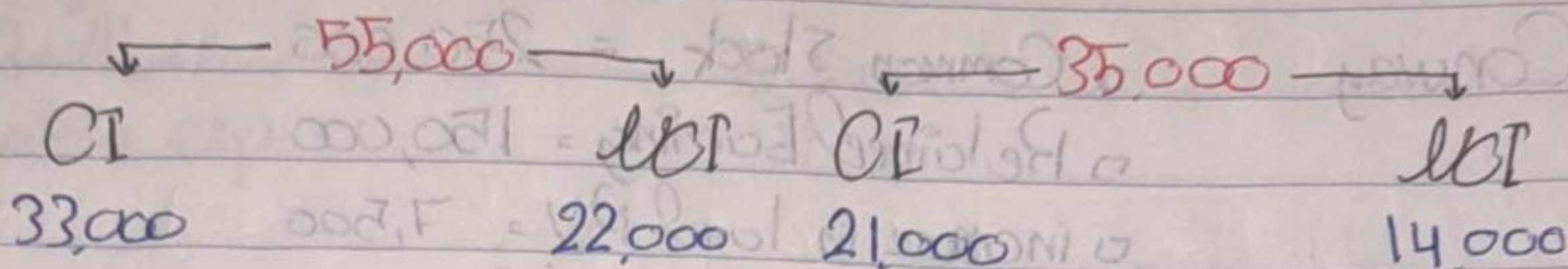
Net income

Dividend

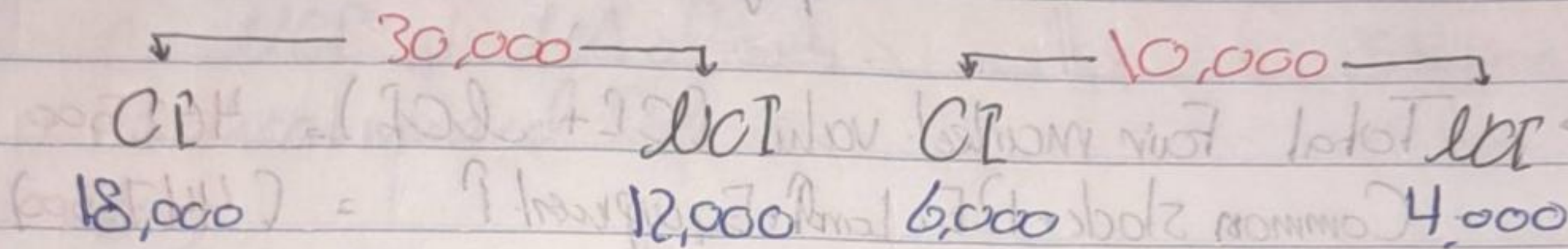
2017



2018



2019



→ (C) investment Balance at Dec 31, 2018

investment in sub

277,500

27,000

15,000

900

300

Dec 31/2017 → 285,600

33,000

21,000

900

Dec 31/2018 → 293,700

18,000

6,000

900

300

Dec 31/2019 301,800

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

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

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

e)

investment Balance = 301,800

Income From sub	
18,000	
3,900	
	14,100

For NCI

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

$$= 201,200$$

R.E	
150,000	
25,000	175,000
	170,000
35,000	55,000
	190,000

N 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 N/A 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

C Dividend Dec - S 10,000

C investment in sub - P 301,800

C NCI in N/A of sub 201,200

C Acc Dep - S 15,000

Dr = C
 $= 532,500$

$(5000 \times 3) \rightarrow$
 $= 15,000$

E5-13 Proul Company acquired 80% of Stergis Company

Non Controlling Interest = 20%

31/12/2013 "investment" حساباً اياه آخر السنة يعني
 كنه توقف ال Beginning Balance ؟

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

$$120,000 / 0.88 = 150,000 \times 0.2 = \boxed{30,000} \text{ NCI}$$

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 → Dr Accumulated Dep - S
 Cr Building & Eq - S

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

60,000
 60,000

Basic and Reclassification entry

Dr Common stock - S	100,000
Dr Retained Earning - S	50,000
Dr income from sub - P	24,000
Dr NCI in I/A of sub	6,000

Cr investment in sub - P	136,000
Cr NCI in I/A of sub	34,000
Cr Dividend Dec - S	10,000

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 MCI	(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	100,000
Retained Earning	284,000
MCI 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

$$435,000 / 0.75 = 580,000 \times 0.25 = \boxed{145,000} \text{ Noncontrolling interest}$$

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

$$80,000 / 10 = \boxed{8,000}$$

$\rightarrow$ Amortization Differential

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

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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)
 40,000 - 8,000 = 32,000 × 0.25 = 8,000
 144,000 → 144,000
 (70,000) → parent Dividend
 504,000

Consolidated Net Income for UCI

for 2019

Beg R.E. 504,000
 + Con. NI Available for Controlling interest 179,000
 192,000
 (70,000) ← Dividend
 UCI ← (60,000 - 8,000) × 0.25 = 13,000
 179,000
 R.E. = 613,000

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prepare OCI in Net Assets

2018

2019

Beg OCI
 + OCI in Comprehensive Income
 - OCI in Dividends paid
 $15,000 \times 0.25$
 $30,000 \times 0.25$

145,000
 10,500
 (3750)

151,750
 14,250
 (7500)

OCI in NA

151,750

158,500

o Consolidated Stockholder Equity

Common stock
 + R.E.
 + Acc OCI ($10,000 \times 0.75$)
 ($5,000 \times 0.75$)

320,000
 504,000
 7,500

320,000
 613,000
 11,250

2019, 2018

Total Controlling interest
 + OCI in NA of sub

831,500
 151,750

944,250
 158,500

Total Stockholder Equity

983,250

1,102,750

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
OCI 30,000
NCI 9,000

Dividend
OCI 6,000
CI 4,200
NCI 17,500
CI 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

investment in sub		income from sub	
140,000			21,000
21,000	17,500		
4,200			
147,700			

Acc-OCI	
	0
	6,000
	6,000

NCI in NA
= 63,300

NCI in NI
= 9,000

Basic and Be classification entry

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

Cr. Dividend Rec-s	25,000
Cr. Investment in sub-P	147,700
Cr. MCI in M of sub	63,300

$$Dr = Cr$$

$$= 236,000$$

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

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

Strap had → 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 no Differential

$$\text{Goodwill} = 172,500 - 145,000 = \boxed{27,500}$$

Dr Investment in sub 138,000
Cr Cash 138,000

Dr Basic and Reclassification entry

Dr Common stock -s 100,000
Dr APIC -s 75,000
Dr Goodwill -s 27,500

Dr = Cr

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

Cr Retained Earnings 30,000
Cr Investment in sub - P 138,000
Cr MCI in M of sub 34,500

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

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

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

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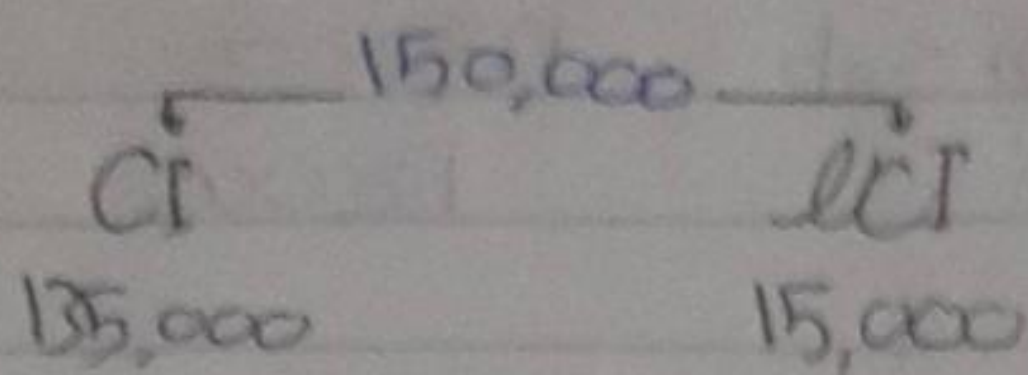
$$240,000 > 190,000 = 50,000 \text{ Goodwill}$$

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

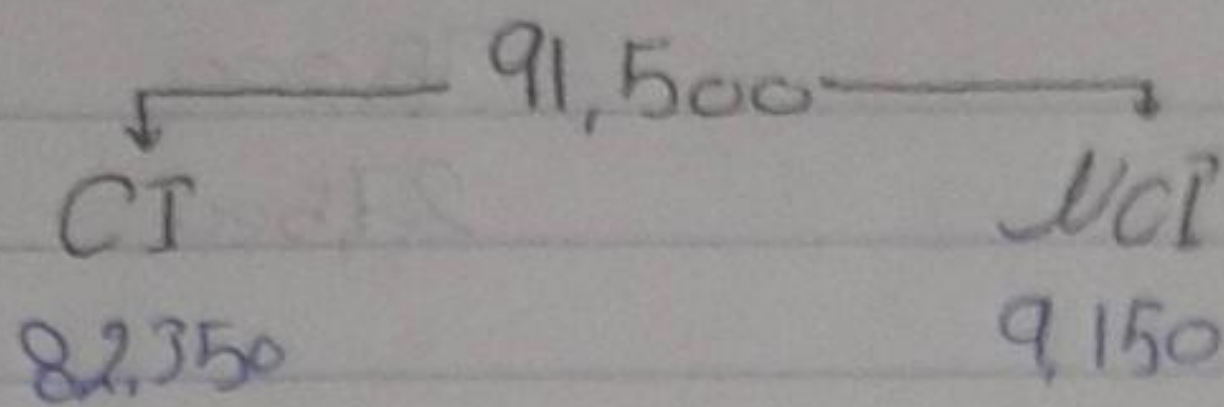
Differential Amort 91,500

Dr = Cr

Income =



Differential Amortization



investment in sub		income from sub	
864,000			135,000
135,000	82,350	82,350	
916,650			52,650
↓		↓	
LCI = 101,850		LCI = 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
12 Retained Earning-s	120,000
12 premium on common stock-s	100,000
D. Income from sub-P	52,650
12 NCI in NI of sub	5,850
12 Goodwill-s	50,000
D. Equipment-s	60,000
12 Cost of Good sold-s	5,000
D. Gain on sale of land-s	75,000
D. Interest expense - s	7,500
12 Discount on note payable-s	42,500
D. Depreciation expense-s	4,000

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

D. = C.

1,022,500

Note payable

50,000

(7,500) →

42,500

Amortization Differential → a benefit