Chapter 5

E5-3 → Game Comp. Acquired 60% of Amber Comp.
↳ The Fair value of noncontrolling intrest = 32,800
له باقي المعلومات على الكتاب

32,800/0.4 = 82,000 × 0.6 = 49,200

No Good will

D investment in sub 49,200
C Cash 49,200

↳ Basic and Reclassification entry
D Common Stock - s 20,000
D Retained Earning - s 37,000
D Inventory - s 5,000
D Building of Equipment - s 20,000
C investment in sub - P 49,200
C NCI in NA of sub 32,800

E 5-4 → المعطيات على الكتاب

[a] Inventory = 140,000
[b] Land = 60,000
[c] Building of Equipment = 550,000

[D] Goodwill = FMV of Consideration given up by Controlling intrest 470,000
+ FMV of noncontrolling intrest 117,500
= 587,500
less FMV of net identifiable Assets (530,000)
= Goodwill = 57,500

[E] investment Account — ما بدل في القوائم المالية الموحدة

[F] noncontrolling intrest = 117,500

E5-5 → Power Company acquired 90% of Pleasantdale Company for 270,000

باقي المعطيات عادي انا به

$270{,}000 / 0.9 = 300{,}000 \times 0.1 = \boxed{30{,}000}$ → noncontrolling intrest

↳ FMV of Net identifiable assets = 280,000

↳ The difference = $\boxed{20{,}000}$ → Reported for land

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

هاي الدكتور سجلها لأنه بالمعطيات حاكي انه الشركة مسجلة الفائدة

↳ 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 intrest in NA		30,000
C. Cash and Recivables-P		8,900

Reporting

elimination

elimination

Dr = Cr

= 308,900

Total Assets = 1,232,000

Total liab & Equity = 1,232,000

E5-6 Zenith Corporation acquired 70% of Down Corporation for 102,200 → [illegible]

102,200/0.7 = 146,000 × 0.3 = $\boxed{43,800}$ → non controlling intrest

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

↳ Basic and Reclassification entry

Dr Common Stock -S	40,000	
Dr Retained Earning -S	85,000	
Dr Inventory -S	6,000	
Dr Building & Equipment -S	15,000	
Dr Account payable -S	12,500	
Cr investment in Sub-P		102,200
Cr non controlling intrest in NA		43,800
Cr Account Recivable -P		12,500

Reporting (Inventory, Building & Equipment)

elimination (Account payable)

elimination (Account Recivable)

Dr = Cr
= 158,500

Total A = Total L + E
= 938,800

C

Zenith Comp and Subsidory
Consolidated Balance sheet
Dec. 31, 2014

Cash	71,300
Account Recivable	121,500
Inventory	211,000
Land	90,000
Building & Equipment	595,000
les Acc Dep	(150,000)
Total Assets	= 938,800
Account payable	175,000
Mortgage payable	430,000
Common stock	80,000
Retained Earning	210,000
Non controlling intrest	43,800
	938,800

* Account payable ((152,500 + 35,000) - 12,500)

↳ = 175,000

* Account Recivable ((90,000 + 44,000) - 12,500)

↳ = 121,500

E5-7 → Temple Company acquired 75% of Dynamic Company for 390,000 باقي يملكها ناس عادية

↳ $390{,}000 / 0.75 = 520{,}000 \times 0.25 = \boxed{130{,}000}$ → non Controlling Intrest

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
Building = 80,000

Total Differential = 160,000

D. investment in sub	390,000	
C. Cash		390,000

↳ Basic and Reclassification entry

Dr Common stock-s	120,000	
Dr Retained Earning-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 → [illegible]

$133500 / 0.75 = 178{,}000 \times 0.25 = \boxed{44{,}500}$ non controlling intrest

Differential

Equipment 28,000 ↑ with useful life (Remmaining) 7 years

↳ $28{,}000 / 7 = 4{,}000$
↳ Dif. Amortization

Canton report net income = 30,000
Dividend = 12,000

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

Dr	Cr
133,500	9,000
22,500	3,000
144,000	

income from sub

Dr	Cr
	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

Dr Common stock-s	60,000	
Dr Retained Earning-s	90,000	
Dr Income from sub-P	19,500	
Dr NCI in NI of sub	6,500	
Dr Equipment-s	28,000	
Dr Depreciation exp-s	4,000	
Cr Dividend Dec-s		12,000
Cr investment in sub-P		144,000
Cr NCI in NA of sub		48,000
Cr Accumulated Dep-s		4,000

Dr = Cr
= 208,000

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

486,000/0.9 = 540,000 × 0.1 = $\boxed{54,000}$ → NCI

Lancaster → R.E = 380,000 + C.S = 120,000 = 500,000 < 540,000 = $\boxed{40,000}$ → Patent → usefullife = 5 year

- Net income 60,000 → CI = 54,000, NCI = 6,000
- Dividend 20,000 → CI = 18,000, NCI = 2,000
- Differential Amortization = 8,000 → CI = 7,200, NCI = 800

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

⇓

NCI in NA
= 57,200

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

⇓

NCI in NI
= 5,200

D. investment in sub	486,000	
Cr. Cash		486,000
D. investment in sub	54,000	
Cr. income from sub		54,000
D. Cash	18,000	
Cr. investment in sub		18,000
D. income from sub	7,200	
Cr. investment in sub		7,200

Basic and Reclassification entry

D. Common Stock-S	120,000	
D. Retained Earning-S	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 Dec-S		20,000
Cr. investment in sub-P		514,800
Cr. NCI in NA of sub		57,200
Cr. Acc. Depreciation-S		8,000

Dr = Cr
= 600,000

E5-11 → Pioneer acquired 80% of Lowe Company's Common share for 190,000 → [illegible]

$190{,}000 / .8 = 237{,}500 \times 0.2 = \boxed{47{,}500}$ → NCI

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

FMV of Con. Given up	FMV of NI Assets	Book value of NI Asset
237,500	232,000	200,000

Goodwill = 5,500

FMV > BV = 32,000

Building → 32,000/8 = 4,000 D. Depreciation Amortization

4,000 → CI 3,200 ; NCI 800

NI income 40,000 → CI = 32,000 ; NCI = 8,000

D. investment in sub	190,000	
C. Cash		190,000
D. investment in sub	32,000	
C. income from sub		32,000
D. income from sub	3,200	
C. investment in sub		3,200

investment in sub

Dr	Cr
190,000	
32,000	3200
218,800	

income from sub

Dr	Cr
	32,000
3200	
	28,800

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

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□ Basic and Reclassification entry

Dr Common stock-s	120,000	
Dr Retained Earning-s	80,000	
Dr Income from sub-P	28,800	
Dr NCI in NI of sub	7,200	
Dr Building-s	32,000	
Dr Good will-s	5.500	
Dr Depreciation exp-s	4,000	
Cr Investment in sub-P		218,800
Cr NCI in NA of sub		54,700
Cr Accumulated Dep-s		4,000

Dr = Cr

= 277,500

E5-12 → Knox Company acquired 60% of Conway Company for 277,500 → باقي بعطيا ـه على كلها ـه

277,500/0.6 = 462,500 x 0.4 = $\boxed{185,000}$ → non controlling intrest

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 (CI + NCI) = 462,500
− Common stock + R.E. Land + Equipment P = (447,500)

increase in patent 15,000 → صوأج $\boxed{9}$
↳ 10 years useful life

15,000/10 = 1,500 Differential Amortization for patent

40,000/8 = 5,000 Differential Amortization for Equipment

1500: CI 900, NCI 600

5,000: CI 3,000, NCI 2,000

Basic and Reclassification entry on Jan 1, 2017 صوأج 2

D Common stock - S	250,000	
D Retained Earning - S	150,000	
D Land - S	7,500	
D Equipment - S	40,000	
D Patent - S	15,000	
C investment in sub - P		277,500
C NCI in NA of sub		185,000

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Conway — Net income — Dividend

	Net income		Dividend	
2017	45,000		25,000	
	CI	NCI	CI	NCI
	27,000	18,000	15,000	10,000
2018	55,000		35,000	
	CI	NCI	CI	NCI
	33,000	22,000	21,000	14,000
2019	30,000		10,000	
	CI	NCI	CI	NCI
	18,000	12,000	6,000	4,000

$\boxed{C}$ investment Balance at Dec 31, 2018

investment in sub

	Debit	Credit
	277,500	
	27,000	15,000
		900
		3,000
Dec 31/2017 →	285,600	
	33,000	21,000
		900
		3000
Dec 31/2018 →	293,700	
	18,000	6,000
		900
		3000
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

NAssets = ((301,800/0.6)×0.4)
= 201,200

N Income = ((14,100/0.6)×0.4)
= 9,400

R.E	
	150,000
25,000	45,000
	170,000
35,000	55,000
	190,000

Dr = Cr
= 532,800

Basic and Reclassification entry

Dr Common Stock-S	250,000	
Dr Retained Earning-S	190,000	
Dr Income from sub-P	14,100	
Dr NCI in NI of sub	9,400	
Dr Land-S	7,500	
Dr Equipment-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 NA of sub		201,200
C. Acc Dep-S		15,000

(5000×3) = 15,000

E5-13 Proud Company acquired 80% of Stergis Company

non Controlling intrest = 20%

31/12/2013 "حاسابل "investment" معطينا اياه آخر السنة بدي
كيف توصل للـ Beginning Balance ؟

$(136,000 - 24,000) + 8,000 = \boxed{120,000}$ → Controlling intrest

$120,000 / 0.8 = 150,000 \times 0.2 = \boxed{30,000}$ NCI

لما في عطيناك حلها ح

- 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

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

- optional elimination entry → Dr Accumulated Dep-S 60,000
  - Cr Building & Eq-S 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 NI of sub 6,000
    - Cr investment in sub-P 136,000
    - Cr NCI in NA of sub 34,000
    - Cr Dividend Dec-S 10,000

- Consolidated Net income

Sales	320,000
- Depreciation expense	(40,000)
- Other expense	(180,000)
Consolidated Net income	100,000
- NI available for NCI	(6,000)
Net income available for Controlling intrest	94,000

- Consolidated Retained Earning

B - Retained Earning for parent	230,000
+ Net income available for CI	94,000
- Dividend for Parent	(40,000)
Consolidated Retained Earning	284,000

Prod Comp and Sub
Consolidated Balance sheet
Dec 31, 2013

Current Assets	278,000
Depreciable Assets	740,000
- Acc. Dep	(190,000)
Total Assets	828,000
Current liability	90,000
long term Debt	220,000
Common stock	200,000
Retained Earning	284,000
NCI in NA of sub	34,000
Total liability and Equity	828,000

E5-15 Broadmore Corporation acquired 75% of Steam Company for 435,000

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

Steam Company had → R.E = 200,000
C.S = 300,000

Total Book value = 500,000

580,000 > 500,000 → 80,000 for Other intangable Assets
↳ 10 years remaining useful life

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

اذا عطيا تعملها كتابة

- 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)
Consolidated Net income	152,000	192,000
+ Comperhensive gain by Steam → (Net income < Comperhensive Income)	10,000	5,000
Consolidated Comperhensive income	162,000	197,000
- NCI in NI of sub ((40,000 - 8000) x 0.25) + (10,000 x 0.25) [2018]	(10,500)	
- NCI in OCI ((60,000 - 8000) x 0.25) + (5,000 x 0.25) [2019]		(14,250)
Comperhansive income attributable for Controlling intrest	151,500	182,750

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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 C I	152,000	
	(8,000)	
	144,000 →	144,000
		(70,000) → parent Dividend
		504,000

40,000 - 8,000
= 32,000 x 0.25
= 8,000

Consolidated Net income for NCI

For 2019

Beg R.E	504,000
+ Con N.I Available for Controlling intrest	179,000
	(70,000) ← Dividend
	R.E = 613,000

192,000
NCI ← ((60,000 - 8000) x 0.25)
179,000

خطوة

② → ② prepare NCI in Net Assets

	2018	2019
Beg NCI	145,000	151,750
+ NCI in Comperhansive income	10,500	14,250
- NCI in Dividend paid		
15,000 x 0.25	(3750)	
30,000 x 0.25		(7500)
NCI in NA	151,750	158,500

- Consolidated Stock holder Equity

	2018	2019
Common stock	320,000	320,000
+ R.E	504,000	613,000
+ Acc OCI (10,000 x 0.75) (5000 x 0.75)	7,500	11,250
مجمعة في 2019		
Total Controling intrest	831,500	944,250
+ NCI in NA of sub	151,750	158,500
Total Stock holder Equity	983,250	1,102,750

E5-16 Palmer Comp acquired 70% of Krown Company for 140,000

$140,000/0.7 = 200,000 \times 0.2$
$= 60,000$

Krown → C.S 120,000
R.E 80,000

N/income 30,000
CI 21,000
NCI 9000

OCI 6000
CI 4,200
NCI 1,800

Dividend 25,000
CI 17,500
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 4200
Cr OCI from sub 4200

Dr OCI from sub 4,200
Cr Acc OCI from sub 4,200
← Closing entry

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

Acc - OCI	
	0
	6,000
	6,000

income from sub	
	21,000

NCI in NA
= 63,300

NCI in NI
= 9,000

- Basic and Reclassification entry

Dr Common stock-s	120,000	
Dr Retained Earning-s	80,000	
Dr Income from sub-P	21,000	
Dr NCI in NI of sub	9000	
Dr OCI from sub-P	4,200	
Dr NCI in OCI of sub	1,800	
Dr Acc-OCI-s	0	
Cr Dividend Dec-s		25,000
Cr investment in sub-P		147,700
Cr NCI in NA of sub		63,300

Dr = Cr
= 236,000

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

$138{,}000 / 0.8 = 172{,}500 \times 0.2 = \boxed{34{,}500}$ → Noncontrolling intrest

Strap had → Common stock 100,000
APIC 75,000
Retained Earning (30,000) Negative R.E

= 145,000 → B.V = FMV

so their is No Differential

Goodwill = 172,500 − 145,000 = $\boxed{27500}$

- Dr Investment in Sub 138,000
  - Cr Cash 138,000

- Basic and Reclassification entry

Dr = Cr = 202,500

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

Cr Retained Earning-S 30,000
Cr Investment in Sub-P 138,000
Cr NCI in NA of Sub 34,500

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

864,000 / 0.9 = 960,000 x 0.1 = $\boxed{96,000}$ NCI

Brinker → Differential → Total = 240,000

5,000	inventory
75,000	land → Gain on sale of land
60,000	Equipment → 15 year remaining usefull life
Discount on note payable ← 50,000	notes payable
190,000	

240,000 > 190,000 = 50,000 Goodwill

60,000/15 = 4,000	Depreciation expense
5,000	Cost of Good sold
75,000	Gain on sale of land
7,500	Intrest expense
Differential Amort 91,500	

باقي يعطيك شي على بالك ج

- NCI income = 150,000 → CI 135,000 ; NCI 15,000

- Differential Amortization 91,500 → CI 82,350 ; NCI 9,150

investment in sub

864,000	
135,000	82,350
916,650	

⇓

NCI = 101,850

income from sub

	135,000
82,350	
	52,650

⇓

NCI = 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

Dr Common stock-s	500,000	
Dr Retained Earning-s	120,000	
Dr premium on Common stock-s	100,000	
Dr Income from sub-P	52,650	
Dr NCI in NI of sub	5,850	
Dr Goodwill-s	50,000	
Dr Equipment-s	60,000	
Dr Cost of Good sold-s	5,000	
Dr Gain on sale of land-s	75,000	
Dr Intrest expense-s	7,500	
Dr Discount on note payable-s	42,500	
Dr Depreciation expense-s	4,000	
Cr Investment in sub-P		916,850
Cr NCI in NA of sub		101,850
Cr Accumulated Dep-s		4,000

Dr = Cr

1,022,500

Note payable

50,000
(7,500) → Amortication Differential → [illegible]
42,500