TT TEXTBOOK TESTBANKS

Test Bank for Advanced Accounting 15th Hoyle

TEST BANK SAMPLE PREVIEW

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Advanced Accounting Author: Hoyle Edition: 15e

CORRECT ANSWERS ARE LOCATED IN THE 2ND HALF OF THIS DOC.

MULTIPLE CHOICE - Choose the one alternative that best completes the statement or answers the question.

1) At the date of an acquisition which is not a bargain purchase, the acquisition method
   - A) Consolidates the subsidiary's assets at fair value and the liabilities at book value.
   - B) Consolidates all subsidiary assets and liabilities at book value.
   - C) Consolidates all subsidiary assets and liabilities at fair value.
   - D) Consolidates current assets and liabilities at book value, and long-term assets and liabilities at fair value.
   - E) Consolidates the subsidiary's assets at book value and the liabilities at fair value.

2) In an acquisition where 100% control is acquired, how would the land accounts of the parent and the land accounts of the subsidiary be reported on consolidated financial statements?

	Parent	Subsidiary
A)	Book Value	Book Value
B)	Book Value	Fair Value
C)	Fair Value	Fair Value
D)	Fair Value	Book Value
E)	Cost	Cost

   - A) Option A
   - B) Option B
   - C) Option C
   - D) Option D
   - E) Option E

3) Lisa Company paid cash for all of the voting common stock of Victoria Corporation. Victoria will continue to exist as a separate corporation. Entries for the consolidation of Lisa and Victoria would be recorded in
   - A) A worksheet.
   - B) Lisa's general journal.
   - C) Victoria's general journal.
   - D) Victoria's secret consolidation journal.
   - E) The general journals of both companies.

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4) Using the acquisition method for a business combination, goodwill is generally calculated as the:
   A) Cost of the investment less the subsidiary's book value at the beginning of the year.
   B) Cost of the investment less the subsidiary's book value at the acquisition date.
   C) Cost of the investment less the subsidiary's fair value at the beginning of the year.
   D) Cost of the investment less the subsidiary's fair value at acquisition date.
   E) Zero, it is no longer allowed under federal law.

5) How should direct combination costs and amounts incurred to register and issue stock in connection with a business combination be accounted for in a pre-2009 business combination?

	Direct Combination Cost	**Stock Issuance Costs**
A)	Increase Investment	Decrease Investment
B)	Increase Investment	Decrease Additional paid-in Capital
C)	Increase Investment	Increase Expenses
D)	Decrease Additional paid-in Capital	Increase Investment
E)	Increase Expenses	Decrease Investment

   A) Option A
   B) Option B
   C) Option C
   D) Option D
   E) Option E

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6) How are direct and indirect costs accounted for when applying the acquisition method for a business combination?

	Direct Costs	Indirect Costs
A.	Expensed	Expensed
B.	Increase investment account	Decrease additional paid-in Capital
C.	Expensed	Decrease additional paid-in capital
D.	Increase investment account	Expensed
E.	Increase investment account	Increase investment account

A) Option A
B) Option B
C) Option C
D) Option D
E) Option E

7) What is the ***primary*** difference between: (i) accounting for a business combination when the subsidiary is dissolved; and (ii) accounting for a business combination when the subsidiary retains its incorporation?

A) If the subsidiary is dissolved, it will not be operated as a separate division.
B) If the subsidiary is dissolved, assets and liabilities are consolidated at their book values.
C) If the subsidiary retains its incorporation, there will be no goodwill associated with the acquisition.
D) If the subsidiary retains its incorporation, assets and liabilities are consolidated at their book values.
E) If the subsidiary retains its incorporation, the consolidation is not formally recorded in the accounting records of the acquiring company.

8) According to GAAP, which of the following is true with respect to the pooling of interest method of accounting for business combinations?

A) It was the only method used prior to 2002.
B) It must be used for all new acquisitions.
C) GAAP allowed its use prior to 2002.
D) It, or the acquisition method, may be used at the acquirer's discretion.
E) GAAP requires it to be used instead of the acquisition method for business combinations for which $50 billion or more in consideration is transferred.

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9) Which of the following examples accurately describes a difference in the types of business combinations?
   A) A statutory merger can only be effected through an asset acquisition while a statutory consolidation can only be effected through a capital stock acquisition.
   B) A statutory merger can only be effected through a capital stock acquisition while a statutory consolidation can only be effected through an asset acquisition.
   C) A statutory merger requires the dissolution of the acquired company while a statutory consolidation requires dissolution of the companies involved in the combination following the transfer of assets or stock to a newly formed entity.
   D) A statutory consolidation requires dissolution of the acquired company while a statutory merger does not require dissolution.
   E) Both a statutory merger and a statutory consolidation can only be effected through an asset acquisition but only a statutory consolidation requires dissolution of the acquired company.

10) Acquired in-process research and development is considered as
   A) a definite-lived asset subject to amortization.
   B) a definite-lived asset subject to testing for impairment.
   C) an indefinite-lived asset subject to amortization.
   D) an indefinite-lived asset subject to testing for impairment.
   E) a research and development expense at the date of acquisition.

11) Which of the following statements is true regarding the acquisition method of accounting for a business combination?
   A) The combination must involve the exchange of equity securities only.
   B) The transaction establishes an acquisition fair value basis for the company being acquired.
   C) The two companies may be about the same size, and it is difficult to determine the acquired company and the acquiring company.
   D) The transaction may be considered to be the uniting of the ownership interests of the companies involved.
   E) The acquired subsidiary must be smaller in size than the acquiring parent.

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12) With respect to recognizing and measuring the fair value of a business combination in accordance with the acquisition method of accounting, which of the following should the acquirer consider when determining fair value?
    - A) Only assets received by the acquirer.
    - B) Only consideration transferred by the acquirer.
    - C) The consideration transferred by the acquirer and the fair value of assets received less liabilities assumed.
    - D) The par value of stock transferred by the acquirer, and the book value of identifiable assets transferred by the entity acquired.
    - E) The book value of identifiable assets transferred to the acquirer as part of the business combination less any liabilities assumed.

13) A *statutory merger* is a(n)
    - A) Business combination in which only one of the two companies continues to exist as a legal corporation.
    - B) Business combination in which both companies continue to exist.
    - C) Acquisition of a competitor.
    - D) Acquisition of a supplier or a customer.
    - E) Legal proposal to acquire outstanding shares of the target's stock.

14) In a business combination where a subsidiary retains its incorporation and which is accounted for under the acquisition method, how should *stock issuance costs* and *direct combination costs* be treated?
    - A) Stock issuance costs and direct combination costs are expensed as incurred.
    - B) Direct combination costs are ignored, and the stock issuance costs result in a reduction to additional paid-in capital.
    - C) Direct combination costs are expensed as incurred and stock issuance costs result in a reduction to additional paid-in capital.
    - D) Both are treated as part of the acquisition consideration transferred.
    - E) Both reduce additional paid-in capital.

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15) Wilkins Incorporated acquired 100% of the voting common stock of Granger Incorporated on January 1, 2024. The book value and fair value of Granger's accounts on that date (prior to creating the combination) are as follows, along with the book value of Wilkins's accounts:

	Wilkins Book Value	Granger Book Value	Granger Fair Value
Retained earnings, 1/1/24	$ 250,000	$ 240,000	
Cash & Receivables	170,000	70,000	$ 70,000
Inventory	230,000	180,000	210,000
Land	320,000	220,000	240,000
Buildings (net)	480,000	240,000	280,000
Equipment (net)	120,000	90,000	90,000
Liabilities	650,000	440,000	430,000
Common Stock	360,000	80,000	
Additional paid-in capital	60,000	40,000	

Assume that Wilkins issued 13,000 shares of common stock, with a $5 par value and a $46 fair value, to obtain all of Granger's outstanding stock. In this acquisition transaction, how much goodwill should be recognized?

A) $178,000
B) $138,000
C) $98,000
D) $94,000
E) $0

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16) Wilkins Incorporated acquired 100% of the voting common stock of Granger Incorporated on January 1, 2024. The book value and fair value of Granger's accounts on that date (prior to creating the combination) are as follows, along with the book value of Wilkins's accounts:

	Wilkins Book Value	Granger Book Value	Granger Fair Value
Retained earnings, 1/1/24	$ 250,000	$ 240,000	
Cash & Receivables	170,000	70,000	$ 70,000
Inventory	230,000	180,000	210,000
Land	320,000	220,000	240,000
Buildings (net)	480,000	240,000	280,000
Equipment (net)	120,000	90,000	90,000
Liabilities	650,000	440,000	430,000
Common Stock	360,000	80,000	
Additional paid-in capital	60,000	40,000	

Assume that Wilkins issued 13,000 shares of common stock with a $5 par value and a $46 fair value for all of the outstanding stock of Granger. What is the consolidated balance for Land as a result of this acquisition transaction?

A) $500,000
B) $550,000
C) $540,000
D) $560,000
E) $530,000

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17) Wilkins Incorporated acquired 100% of the voting common stock of Granger Incorporated on January 1, 2024. The book value and fair value of Granger's accounts on that date (prior to creating the combination) are as follows, along with the book value of Wilkins's accounts:

	Wilkins Book Value	Granger Book Value	Granger Fair Value
Retained earnings, 1/1/24	$ 250,000	$ 240,000	
Cash & Receivables	170,000	70,000	$ 70,000
Inventory	230,000	180,000	210,000
Land	320,000	220,000	240,000
Buildings (net)	480,000	240,000	280,000
Equipment (net)	120,000	90,000	90,000
Liabilities	650,000	440,000	430,000
Common Stock	360,000	80,000	
Additional paid-in capital	60,000	40,000	

Assume that Wilkins issued 13,000 shares of common stock with a $5 par value and a $46 fair value for all of the outstanding shares of Granger. What will be the consolidated Additional Paid-In Capital and Retained Earnings (January 1, 2024 balances) as a result of this acquisition transaction?

A) $60,000 and $490,000
B) $60,000 and $250,000
C) $380,000 and $250,000
D) $593,000 and $250,000
E) $593,000 and $490,000

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18) Wilkins Incorporated acquired 100% of the voting common stock of Granger Incorporated on January 1, 2024. The book value and fair value of Granger's accounts on that date (prior to creating the combination) are as follows, along with the book value of Wilkins's accounts:

	Wilkins Book Value	Granger Book Value	Granger Fair Value
Retained earnings, 1/1/24	$ 250,000	$ 240,000	
Cash & Receivables	170,000	70,000	$ 70,000
Inventory	230,000	180,000	210,000
Land	320,000	220,000	240,000
Buildings (net)	480,000	240,000	280,000
Equipment (net)	120,000	90,000	90,000
Liabilities	650,000	440,000	430,000
Common Stock	360,000	80,000	
Additional paid-in capital	60,000	40,000	

Assume that Wilkins issued preferred stock with a par value of $260,000 and a fair value of $500,000 for all of the outstanding shares of Granger in an acquisition business combination. What will be the balance in the consolidated Inventory and Land accounts?

A) $440,000, $540,000
B) $440,000, $560,000
C) $410,000, $540,000
D) $410,000, $560,000
E) $390,000, $460,000

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19) Wilkins Incorporated acquired 100% of the voting common stock of Granger Incorporated on January 1, 2024. The book value and fair value of Granger's accounts on that date (prior to creating the combination) are as follows, along with the book value of Wilkins's accounts:

	Wilkins Book Value	**Granger Book Value**	**Granger Fair Value**
Retained earnings, 1/1/24	$ 250,000	$ 240,000	
Cash & Receivables	170,000	70,000	$ 70,000
Inventory	230,000	180,000	210,000
Land	320,000	220,000	240,000
Buildings (net)	480,000	240,000	280,000
Equipment (net)	120,000	90,000	90,000
Liabilities	650,000	440,000	430,000
Common Stock	360,000	80,000	
Additional paid-in capital	60,000	40,000	

Assume that Wilkins paid a total of $500,000 in cash for all of the shares of Granger. In addition, Wilkins paid $42,000 for secretarial and management time allocated to the acquisition transaction. What will be the balance in consolidated goodwill?

A) $0
B) $20,000
C) $40,000
D) $42,000
E) $82,000

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20) Prior to being united in a business combination, Taunton Incorporated and Eubanks Corporation had the following stockholders' equity figures:

	Taunton	Eubanks
Common stock ($1 par value)	$ 240,000	$ 64,000
Additional paid-in capital	120,000	30,000
Retained earnings	370,000	14,000

Taunton issued 62,000 new shares of its common stock valued at $2.75 per share for all of the outstanding stock of Eubanks.

Assume that Taunton acquired Eubanks on January 1, 2023, and that Eubanks maintains a separate corporate existence. At what amount did Taunton record the investment in Eubanks?

A) $62,000
B) $108,000
C) $170,500
D) $201,500
E) $234,000

21) Prior to being united in a business combination, Taunton Incorporated and Eubanks Corporation had the following stockholders' equity figures:

	Taunton	Eubanks
Common stock ($1 par value)	$ 240,000	$ 64,000
Additional paid-in capital	120,000	30,000
Retained earnings	370,000	14,000

Taunton issued 62,000 new shares of its common stock valued at $2.75 per share for all of the outstanding stock of Eubanks.

Assume that Taunton acquired Eubanks on January 1, 2023. Immediately afterwards, what is the reported amount of the consolidated Common Stock?

A) $240,000
B) $302,000
C) $304,000
D) $366,000
E) $410,500

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22) Crown Company had common stock of $360,000 and retained earnings of $510,000. Baker Incorporated had common stock of $750,000 and retained earnings of $970,000. On January 1, 2024, Baker issued 32,000 shares of common stock with a $13 par value and a $37 fair value for all of Crown's outstanding common stock. This combination was accounted for using the acquisition method. Immediately after the combination, what was the amount of total consolidated net assets?
   A) $2,054,000
   B) $2,136,000
   C) $2,590,000
   D) $2,904,000
   E) $3,006,000

23) Which of the following is a *not* a reason for a business combination to take place?
   A) Cost savings through elimination of duplicate facilities.
   B) Quick entry for new and existing products into domestic and foreign markets.
   C) Diversification of business risk.
   D) Vertical integration.
   E) Increase in stock price of the acquired company.

24) Which of the following statements is true regarding a statutory merger?
   A) The original companies dissolve while remaining as separate divisions of a newly created company.
   B) Both companies remain in existence as legal corporations with one corporation now a subsidiary of the acquiring company.
   C) The acquired company dissolves as a separate corporation and becomes a division of the acquiring company.
   D) The acquiring company acquires the stock of the acquired company as an investment.
   E) A statutory merger is no longer a legal option.

25) Which of the following statements is true regarding a statutory consolidation?
   A) The original companies dissolve while remaining as separate divisions of a newly created company.
   B) Both companies remain in existence as legal corporations with one corporation now a subsidiary of the acquiring company.
   C) The acquired company dissolves as a separate corporation and becomes a division of the acquiring company.
   D) The acquiring company acquires the stock of the acquired company as an investment.
   E) A statutory consolidation is no longer a legal option.

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26) In a transaction accounted for using the acquisition method where consideration transferred exceeds book value of the acquired company, which statement is true for the acquiring company with regard to its investment?
    - A) Net assets of the acquired company are revalued to their fair values and any excess of consideration transferred over fair value of net assets acquired is allocated to goodwill.
    - B) Net assets of the acquired company are maintained at book value and any excess of consideration transferred over book value of net assets acquired is allocated to goodwill.
    - C) Acquired assets are revalued to their fair values. Acquired liabilities are maintained at book values. Any excess is allocated to goodwill.
    - D) Acquired long-term assets are revalued to their fair values. Any excess is allocated to goodwill.
    - E) Net assets of the acquired company are revalued to their fair values and any excess of consideration transferred over fair value of net assets acquired is deducted from additional paid-in capital.

27) In a transaction accounted for using the acquisition method where consideration transferred is less than fair value of net assets acquired, which statement is true?
    - A) Negative goodwill is recorded.
    - B) A deferred credit is recorded.
    - C) A gain on bargain purchase is recorded.
    - D) Long-term assets of the acquired company are reduced in proportion to their fair values. Any excess is recorded as a deferred credit.
    - E) Long-term assets and liabilities of the acquired company are reduced in proportion to their fair values. Any excess is recorded as gain.

28) Which of the following statements is true regarding the acquisition method of accounting for a business combination?
    - A) Net assets of the acquired company are reported at their fair values.
    - B) Net assets of the acquired company are reported at their book values.
    - C) Any goodwill associated with the acquisition is reported as a development cost.
    - D) The acquisition can only be effected by a mutual exchange of voting common stock.
    - E) Indirect costs of the combination reduce additional paid-in capital.

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29) Which of the following statements is true?

A) The pooling of interests for business combinations is an alternative to the acquisition method.

B) The purchase method for business combinations is an alternative to the acquisition method.

C) Neither the purchase method nor the pooling of interests method is allowed for new business combinations.

D) Any previous business combination originally accounted for under purchase or pooling of interests accounting method will now be accounted for under the acquisition method of accounting for business combinations.

E) Companies previously using the purchase or pooling of interests accounting method must report a change in accounting principle when consolidating those subsidiaries with new acquisition combinations.

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30) The financial statements for Campbell Incorporated and Newton Company for the year ended December 31, 2024, prior to the business combination whereby Campbell acquired Newton, are as follows (in thousands):

	Campbell	Newton
Revenues	$ 2,600	$ 700
Expenses	1,880	400
Net income	$ 720	$ 300
Retained earnings, 1/1	$ 2,400	$ 500
Net income	720	300
Dividends	(270)	0
Retained earning, 12/31	$ 2,850	$ 800
Cash	$ 240	$ 230
Receivables and inventory	1,200	360
Buildings (net)	2,700	650
Equipment (net)	2,100	1,300
Total assets	$ 6,240	$ 2,540
Liabilities	$ 1,500	$ 720
Common stock	1,080	400
Additional paid-in capital	810	620
Retained earnings	2,850	800
Total liabilities & stockholders' equity	$ 6,240	$ 2,540

On December 31, 2024, Campbell obtained a loan for $650 and used the proceeds, along with the transfer of 35 shares of its $10 par value common stock, in exchange for all of Newton's common stock. At the time of the transaction, Campbell's common stock had a fair value of $40 per share.

In connection with the business combination, Campbell paid $25 to a broker for arranging the transaction and $30 in stock issuance costs. At the time of the transaction, Newton's equipment was actually worth $1,450 but its buildings were only valued at $590.

Assuming that Newton retains a separate corporate existence after this acquisition, at what amount is the investment recorded on Campbell's books?

A) $1,000
B) $1,055
C) $1,995
D) $2,050
E) $2,105

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31) The financial statements for Campbell Incorporated and Newton Company for the year ended December 31, 2024, prior to the business combination whereby Campbell acquired Newton, are as follows (in thousands):

	Campbell	Newton
Revenues	$ 2,600	$ 700
Expenses	1,880	400
Net income	$ 720	$ 300
Retained earnings, 1/1	$ 2,400	$ 500
Net income	720	300
Dividends	(270)	0
Retained earning, 12/31	$ 2,850	$ 800
Cash	$ 240	$ 230
Receivables and inventory	1,200	360
Buildings (net)	2,700	650
Equipment (net)	2,100	1,300
Total assets	$ 6,240	$ 2,540
Liabilities	$ 1,500	$ 720
Common stock	1,080	400
Additional paid-in capital	810	620
Retained earnings	2,850	800
Total liabilities & stockholders' equity	$ 6,240	$ 2,540

On December 31, 2024, Campbell obtained a loan for $650 and used the proceeds, along with the transfer of 35 shares of its $10 par value common stock, in exchange for all of Newton's common stock. At the time of the transaction, Campbell's common stock had a fair value of $40 per share.

In connection with the business combination, Campbell paid $25 to a broker for arranging the transaction and $30 in stock issuance costs. At the time of the transaction, Newton's equipment was actually worth $1,450 but its buildings were only valued at $590.

What total amount of additional paid-in capital will Campbell recognize from this acquisition?

A) $1,020
B) $1,050
C) $1,080
D) $1,105
E) $1,400

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32) The financial statements for Campbell Incorporated and Newton Company for the year ended December 31, 2024, prior to the business combination whereby Campbell acquired Newton, are as follows (in thousands):

	Campbell	**Newton**
Revenues	$ 2,600	$ 700
Expenses	1,880	400
Net income	$ 720	$ 300
Retained earnings, 1/1	$ 2,400	$ 500
Net income	720	300
Dividends	(270)	0
Retained earning, 12/31	$ 2,850	$ 800
Cash	$ 240	$ 230
Receivables and inventory	1,200	360
Buildings (net)	2,700	650
Equipment (net)	2,100	1,300
Total assets	$ 6,240	$ 2,540
Liabilities	$ 1,500	$ 720
Common stock	1,080	400
Additional paid-in capital	810	620
Retained earnings	2,850	800
Total liabilities & stockholders' equity	$ 6,240	$ 2,540

On December 31, 2024, Campbell obtained a loan for $650 and used the proceeds, along with the transfer of 35 shares of its $10 par value common stock, in exchange for all of Newton's common stock. At the time of the transaction, Campbell's common stock had a fair value of $40 per share.

In connection with the business combination, Campbell paid $25 to a broker for arranging the transaction and $30 in stock issuance costs. At the time of the transaction, Newton's equipment was actually worth $1,450 but its buildings were only valued at $590.

Compute the consolidated revenues for 2024.

A) $300
B) $700
C) $720
D) $2,600
E) $3,300

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33) The financial statements for Campbell Incorporated and Newton Company for the year ended December 31, 2024, prior to the business combination whereby Campbell acquired Newton, are as follows (in thousands):

	Campbell	Newton
Revenues	$ 2,600	$ 700
Expenses	1,880	400
Net income	$ 720	$ 300
Retained earnings, 1/1	$ 2,400	$ 500
Net income	720	300
Dividends	(270)	0
Retained earning, 12/31	$ 2,850	$ 800
Cash	$ 240	$ 230
Receivables and inventory	1,200	360
Buildings (net)	2,700	650
Equipment (net)	2,100	1,300
Total assets	$ 6,240	$ 2,540
Liabilities	$ 1,500	$ 720
Common stock	1,080	400
Additional paid-in capital	810	620
Retained earnings	2,850	800
Total liabilities & stockholders' equity	$ 6,240	$ 2,540

On December 31, 2024, Campbell obtained a loan for $650 and used the proceeds, along with the transfer of 35 shares of its $10 par value common stock, in exchange for all of Newton's common stock. At the time of the transaction, Campbell's common stock had a fair value of $40 per share.

In connection with the business combination, Campbell paid $25 to a broker for arranging the transaction and $30 in stock issuance costs. At the time of the transaction, Newton's equipment was actually worth $1,450 but its buildings were only valued at $590.

Compute the consolidated receivables and inventory for 2024.

A) $470
B) $1,200
C) $1,440
D) $1,560
E) $2,030

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34) The financial statements for Campbell Incorporated and Newton Company for the year ended December 31, 2024, prior to the business combination whereby Campbell acquired Newton, are as follows (in thousands):

	Campbell	Newton
Revenues	$ 2,600	$ 700
Expenses	1,880	400
Net income	$ 720	$ 300
Retained earnings, 1/1	$ 2,400	$ 500
Net income	720	300
Dividends	(270)	0
Retained earning, 12/31	$ 2,850	$ 800
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Equipment (net)	2,100	1,300
Total assets	$ 6,240	$ 2,540
Liabilities	$ 1,500	$ 720
Common stock	1,080	400
Additional paid-in capital	810	620
Retained earnings	2,850	800
Total liabilities & stockholders' equity	$ 6,240	$ 2,540

On December 31, 2024, Campbell obtained a loan for $650 and used the proceeds, along with the transfer of 35 shares of its $10 par value common stock, in exchange for all of Newton's common stock. At the time of the transaction, Campbell's common stock had a fair value of $40 per share.

In connection with the business combination, Campbell paid $25 to a broker for arranging the transaction and $30 in stock issuance costs. At the time of the transaction, Newton's equipment was actually worth $1,450 but its buildings were only valued at $590.

Compute the consolidated expenses for 2024.

A) $1,880
B) $1,905
C) $2,280
D) $2,305
E) $2,335

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35) The financial statements for Campbell Incorporated and Newton Company for the year ended December 31, 2024, prior to the business combination whereby Campbell acquired Newton, are as follows (in thousands):

	Campbell	Newton
Revenues	$ 2,600	$ 700
Expenses	1,880	400
Net income	$ 720	$ 300
Retained earnings, 1/1	$ 2,400	$ 500
Net income	720	300
Dividends	(270)	0
Retained earning, 12/31	$ 2,850	$ 800
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Buildings (net)	2,700	650
Equipment (net)	2,100	1,300
Total assets	$ 6,240	$ 2,540
Liabilities	$ 1,500	$ 720
Common stock	1,080	400
Additional paid-in capital	810	620
Retained earnings	2,850	800
Total liabilities & stockholders' equity	$ 6,240	$ 2,540

On December 31, 2024, Campbell obtained a loan for $650 and used the proceeds, along with the transfer of 35 shares of its $10 par value common stock, in exchange for all of Newton's common stock. At the time of the transaction, Campbell's common stock had a fair value of $40 per share.

In connection with the business combination, Campbell paid $25 to a broker for arranging the transaction and $30 in stock issuance costs. At the time of the transaction, Newton's equipment was actually worth $1,450 but its buildings were only valued at $590.

Compute the consolidated cash account at December 31, 2024.

A) $230
B) $240
C) $415
D) $445
E) $470

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36) The financial statements for Campbell Incorporated and Newton Company for the year ended December 31, 2024, prior to the business combination whereby Campbell acquired Newton, are as follows (in thousands):

	Campbell	Newton
Revenues	$ 2,600	$ 700
Expenses	1,880	400
Net income	$ 720	$ 300
Retained earnings, 1/1	$ 2,400	$ 500
Net income	720	300
Dividends	(270)	0
Retained earning, 12/31	$ 2,850	$ 800
Cash	$ 240	$ 230
Receivables and inventory	1,200	360
Buildings (net)	2,700	650
Equipment (net)	2,100	1,300
Total assets	$ 6,240	$ 2,540
Liabilities	$ 1,500	$ 720
Common stock	1,080	400
Additional paid-in capital	810	620
Retained earnings	2,850	800
Total liabilities & stockholders' equity	$ 6,240	$ 2,540

On December 31, 2024, Campbell obtained a loan for $650 and used the proceeds, along with the transfer of 35 shares of its $10 par value common stock, in exchange for all of Newton's common stock. At the time of the transaction, Campbell's common stock had a fair value of $40 per share.

In connection with the business combination, Campbell paid $25 to a broker for arranging the transaction and $30 in stock issuance costs. At the time of the transaction, Newton's equipment was actually worth $1,450 but its buildings were only valued at $590.

Compute the consolidated buildings (net) account at December 31, 2024.

A) $2,700
B) $3,290
C) $3,350
D) $3,400
E) $4,150

Advanced Accounting Author: Hoyle Edition: 15e

37) The financial statements for Campbell Incorporated and Newton Company for the year ended December 31, 2024, prior to the business combination whereby Campbell acquired Newton, are as follows (in thousands):

	Campbell	Newton
Revenues	$ 2,600	$ 700
Expenses	1,880	400
Net income	$ 720	$ 300
Retained earnings, 1/1	$ 2,400	$ 500
Net income	720	300
Dividends	(270)	0
Retained earning, 12/31	$ 2,850	$ 800
Cash	$ 240	$ 230
Receivables and inventory	1,200	360
Buildings (net)	2,700	650
Equipment (net)	2,100	1,300
Total assets	$ 6,240	$ 2,540
Liabilities	$ 1,500	$ 720
Common stock	1,080	400
Additional paid-in capital	810	620
Retained earnings	2,850	800
Total liabilities & stockholders' equity	$ 6,240	$ 2,540

On December 31, 2024, Campbell obtained a loan for $650 and used the proceeds, along with the transfer of 35 shares of its $10 par value common stock, in exchange for all of Newton's common stock. At the time of the transaction, Campbell's common stock had a fair value of $40 per share.

In connection with the business combination, Campbell paid $25 to a broker for arranging the transaction and $30 in stock issuance costs. At the time of the transaction, Newton's equipment was actually worth $1,450 but its buildings were only valued at $590.

Compute the consolidated equipment (net) account at December 31, 2024.

A) $1,300

B) $1,450

C) $2,100

D) $3,400

E) $3,550

Advanced Accounting Author: Hoyle Edition: 15e

38) The financial statements for Campbell Incorporated and Newton Company for the year ended December 31, 2024, prior to the business combination whereby Campbell acquired Newton, are as follows (in thousands):

	Campbell	Newton
Revenues	$ 2,600	$ 700
Expenses	1,880	400
Net income	$ 720	$ 300
Retained earnings, 1/1	$ 2,400	$ 500
Net income	720	300
Dividends	(270)	0
Retained earning, 12/31	$ 2,850	$ 800
Cash	$ 240	$ 230
Receivables and inventory	1,200	360
Buildings (net)	2,700	650
Equipment (net)	2,100	1,300
Total assets	$ 6,240	$ 2,540
Liabilities	$ 1,500	$ 720
Common stock	1,080	400
Additional paid-in capital	810	620
Retained earnings	2,850	800
Total liabilities & stockholders' equity	$ 6,240	$ 2,540

On December 31, 2024, Campbell obtained a loan for $650 and used the proceeds, along with the transfer of 35 shares of its $10 par value common stock, in exchange for all of Newton's common stock. At the time of the transaction, Campbell's common stock had a fair value of $40 per share.

In connection with the business combination, Campbell paid $25 to a broker for arranging the transaction and $30 in stock issuance costs. At the time of the transaction, Newton's equipment was actually worth $1,450 but its buildings were only valued at $590.

Compute the consideration transferred for this acquisition at December 31, 2024.

A) $1,000
B) $1,055
C) $1,995
D) $2,050
E) $2,105

Advanced Accounting Author: Hoyle Edition: 15e

39) The financial statements for Campbell Incorporated and Newton Company for the year ended December 31, 2024, prior to the business combination whereby Campbell acquired Newton, are as follows (in thousands):

	Campbell	Newton
Revenues	$ 2,600	$ 700
Expenses	1,880	400
Net income	$ 720	$ 300
Retained earnings, 1/1	$ 2,400	$ 500
Net income	720	300
Dividends	(270)	0
Retained earning, 12/31	$ 2,850	$ 800
Cash	$ 240	$ 230
Receivables and inventory	1,200	360
Buildings (net)	2,700	650
Equipment (net)	2,100	1,300
Total assets	$ 6,240	$ 2,540
Liabilities	$ 1,500	$ 720
Common stock	1,080	400
Additional paid-in capital	810	620
Retained earnings	2,850	800
Total liabilities & stockholders' equity	$ 6,240	$ 2,540

On December 31, 2024, Campbell obtained a loan for $650 and used the proceeds, along with the transfer of 35 shares of its $10 par value common stock, in exchange for all of Newton's common stock. At the time of the transaction, Campbell's common stock had a fair value of $40 per share.

In connection with the business combination, Campbell paid $25 to a broker for arranging the transaction and $30 in stock issuance costs. At the time of the transaction, Newton's equipment was actually worth $1,450 but its buildings were only valued at $590.

Compute the goodwill arising from this acquisition at December 31, 2024.

A) $0

B) $55

C) $100

D) $140

E) $230

Advanced Accounting Author: Hoyle Edition: 15e

40) The financial statements for Campbell Incorporated and Newton Company for the year ended December 31, 2024, prior to the business combination whereby Campbell acquired Newton, are as follows (in thousands):

	Campbell	Newton
Revenues	$ 2,600	$ 700
Expenses	1,880	400
Net income	$ 720	$ 300
Retained earnings, 1/1	$ 2,400	$ 500
Net income	720	300
Dividends	(270)	0
Retained earning, 12/31	$ 2,850	$ 800
Cash	$ 240	$ 230
Receivables and inventory	1,200	360
Buildings (net)	2,700	650
Equipment (net)	2,100	1,300
Total assets	$ 6,240	$ 2,540
Liabilities	$ 1,500	$ 720
Common stock	1,080	400
Additional paid-in capital	810	620
Retained earnings	2,850	800
Total liabilities & stockholders' equity	$ 6,240	$ 2,540

On December 31, 2024, Campbell obtained a loan for $650 and used the proceeds, along with the transfer of 35 shares of its $10 par value common stock, in exchange for all of Newton's common stock. At the time of the transaction, Campbell's common stock had a fair value of $40 per share.

In connection with the business combination, Campbell paid $25 to a broker for arranging the transaction and $30 in stock issuance costs. At the time of the transaction, Newton's equipment was actually worth $1,450 but its buildings were only valued at $590.

Compute the consolidated common stock account at December 31, 2024.

A) $750
B) $1,080
C) $1,430
D) $1,480
E) $1,830

Advanced Accounting Author: Hoyle Edition: 15e

41) The financial statements for Campbell Incorporated and Newton Company for the year ended December 31, 2024, prior to the business combination whereby Campbell acquired Newton, are as follows (in thousands):

	Campbell	Newton
Revenues	$ 2,600	$ 700
Expenses	1,880	400
Net income	$ 720	$ 300
Retained earnings, 1/1	$ 2,400	$ 500
Net income	720	300
Dividends	(270)	0
Retained earning, 12/31	$ 2,850	$ 800
Cash	$ 240	$ 230
Receivables and inventory	1,200	360
Buildings (net)	2,700	650
Equipment (net)	2,100	1,300
Total assets	$ 6,240	$ 2,540
Liabilities	$ 1,500	$ 720
Common stock	1,080	400
Additional paid-in capital	810	620
Retained earnings	2,850	800
Total liabilities & stockholders' equity	$ 6,240	$ 2,540

On December 31, 2024, Campbell obtained a loan for $650 and used the proceeds, along with the transfer of 35 shares of its $10 par value common stock, in exchange for all of Newton's common stock. At the time of the transaction, Campbell's common stock had a fair value of $40 per share.

In connection with the business combination, Campbell paid $25 to a broker for arranging the transaction and $30 in stock issuance costs. At the time of the transaction, Newton's equipment was actually worth $1,450 but its buildings were only valued at $590.

Compute the consolidated additional paid-in capital at December 31, 2024.

A) $810

B) $1,400

C) $1,430

D) $1,830

E) $1,860

Advanced Accounting Author: Hoyle Edition: 15e

42) The financial statements for Campbell Incorporated and Newton Company for the year ended December 31, 2024, prior to the business combination whereby Campbell acquired Newton, are as follows (in thousands):

	Campbell	Newton
Revenues	$ 2,600	$ 700
Expenses	1,880	400
Net income	$ 720	$ 300
Retained earnings, 1/1	$ 2,400	$ 500
Net income	720	300
Dividends	(270)	0
Retained earning, 12/31	$ 2,850	$ 800
Cash	$ 240	$ 230
Receivables and inventory	1,200	360
Buildings (net)	2,700	650
Equipment (net)	2,100	1,300
Total assets	$ 6,240	$ 2,540
Liabilities	$ 1,500	$ 720
Common stock	1,080	400
Additional paid-in capital	810	620
Retained earnings	2,850	800
Total liabilities & stockholders' equity	$ 6,240	$ 2,540

On December 31, 2024, Campbell obtained a loan for $650 and used the proceeds, along with the transfer of 35 shares of its $10 par value common stock, in exchange for all of Newton's common stock. At the time of the transaction, Campbell's common stock had a fair value of $40 per share.

In connection with the business combination, Campbell paid $25 to a broker for arranging the transaction and $30 in stock issuance costs. At the time of the transaction, Newton's equipment was actually worth $1,450 but its buildings were only valued at $590.

Compute the consolidated liabilities at December 31, 2024.

A) $1,500
B) $2,150
C) $2,200
D) $2,870
E) $3,550

Advanced Accounting Author: Hoyle Edition: 15e

43) The financial statements for Campbell Incorporated and Newton Company for the year ended December 31, 2024, prior to the business combination whereby Campbell acquired Newton, are as follows (in thousands):

	Campbell	Newton
Revenues	$ 2,600	$ 700
Expenses	1,880	400
Net income	$ 720	$ 300
Retained earnings, 1/1	$ 2,400	$ 500
Net income	720	300
Dividends	(270)	0
Retained earning, 12/31	$ 2,850	$ 800
Cash	$ 240	$ 230
Receivables and inventory	1,200	360
Buildings (net)	2,700	650
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Liabilities	$ 1,500	$ 720
Common stock	1,080	400
Additional paid-in capital	810	620
Retained earnings	2,850	800
Total liabilities & stockholders' equity	$ 6,240	$ 2,540

On December 31, 2024, Campbell obtained a loan for $650 and used the proceeds, along with the transfer of 35 shares of its $10 par value common stock, in exchange for all of Newton's common stock. At the time of the transaction, Campbell's common stock had a fair value of $40 per share.

In connection with the business combination, Campbell paid $25 to a broker for arranging the transaction and $30 in stock issuance costs. At the time of the transaction, Newton's equipment was actually worth $1,450 but its buildings were only valued at $590.

Compute the consolidated retained earnings at December 31, 2024.

A) $2,825

B) $2,875

C) $2,900

D) $3,625

E) $3,650

Advanced Accounting Author: Hoyle Edition: 15e

44) On January 1, 2024, the Moody Company entered into a transaction for 100% of the outstanding common stock of Osorio Company. To acquire these shares, Moody issued $400 in long-term liabilities and also issued 40 shares of common stock having a par value of $1 per share but a fair value of $10 per share. Moody paid $20 to lawyers, accountants, and brokers for assistance in bringing about this acquisition. Another $15 was paid in connection with stock issuance costs. Prior to these transactions, the balance sheets for the two companies were as follows:

	Moody	Osorio
Cash	$ 180	$ 40
Receivables	810	180
Inventories	1,080	280
Land	600	360
Buildings (net)	1,260	440
Equipment (net)	480	100
Accounts payable	(450)	(80)
Long-term liabilities	(1,290)	(400)
Common stock ($1 par)	(330)	
Common stock ($20 par)		(240)
Additional paid-in capital	(1,080)	(340)
Retained earnings	(1,260)	(340)

Note: Parentheses indicate a credit balance.

In Moody's appraisal of Osorio, three assets were deemed to be undervalued on the subsidiary's books: Inventory by $10, Land by $40, and Buildings by $60.

If Osorio retains a separate corporate existence, what amount was recorded as the investment in Osorio?

A) $400
B) $440
C) $800
D) $820
E) $1,030

Advanced Accounting Author: Hoyle Edition: 15e

45) On January 1, 2024, the Moody Company entered into a transaction for 100% of the outstanding common stock of Osorio Company. To acquire these shares, Moody issued $400 in long-term liabilities and also issued 40 shares of common stock having a par value of $1 per share but a fair value of $10 per share. Moody paid $20 to lawyers, accountants, and brokers for assistance in bringing about this acquisition. Another $15 was paid in connection with stock issuance costs. Prior to these transactions, the balance sheets for the two companies were as follows:

	Moody	Osorio
Cash	$ 180	$ 40
Receivables	810	180
Inventories	1,080	280
Land	600	360
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Equipment (net)	480	100
Accounts payable	(450)	(80)
Long-term liabilities	(1,290)	(400)
Common stock ($1 par)	(330)	
Common stock ($20 par)		(240)
Additional paid-in capital	(1,080)	(340)
Retained earnings	(1,260)	(340)

Note: Parentheses indicate a credit balance.

In Moody's appraisal of Osorio, three assets were deemed to be undervalued on the subsidiary's books: Inventory by $10, Land by $40, and Buildings by $60.

What is the amount of goodwill arising from this acquisition?

A) $230

B) $120

C) $520

D) None. There is a gain on bargain purchase of $230.

E) None. There is a gain on bargain purchase of $265.

Advanced Accounting Author: Hoyle Edition: 15e

46) On January 1, 2024, the Moody Company entered into a transaction for 100% of the outstanding common stock of Osorio Company. To acquire these shares, Moody issued $400 in long-term liabilities and also issued 40 shares of common stock having a par value of $1 per share but a fair value of $10 per share. Moody paid $20 to lawyers, accountants, and brokers for assistance in bringing about this acquisition. Another $15 was paid in connection with stock issuance costs. Prior to these transactions, the balance sheets for the two companies were as follows:

	Moody	**Osorio**
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Receivables	810	180
Inventories	1,080	280
Land	600	360
Buildings (net)	1,260	440
Equipment (net)	480	100
Accounts payable	(450)	(80)
Long-term liabilities	(1,290)	(400)
Common stock ($1 par)	(330)	
Common stock ($20 par)		(240)
Additional paid-in capital	(1,080)	(340)
Retained earnings	(1,260)	(340)

Note: Parentheses indicate a credit balance.

In Moody's appraisal of Osorio, three assets were deemed to be undervalued on the subsidiary's books: Inventory by $10, Land by $40, and Buildings by $60.

Compute the amount of consolidated inventories at date of acquisition.

A) $1,080
B) $1,350
C) $1,360
D) $1,370
E) $290

Advanced Accounting Author: Hoyle Edition: 15e

47) On January 1, 2024, the Moody Company entered into a transaction for 100% of the outstanding common stock of Osorio Company. To acquire these shares, Moody issued $400 in long-term liabilities and also issued 40 shares of common stock having a par value of $1 per share but a fair value of $10 per share. Moody paid $20 to lawyers, accountants, and brokers for assistance in bringing about this acquisition. Another $15 was paid in connection with stock issuance costs. Prior to these transactions, the balance sheets for the two companies were as follows:

	Moody	Osorio
Cash	$ 180	$ 40
Receivables	810	180
Inventories	1,080	280
Land	600	360
Buildings (net)	1,260	440
Equipment (net)	480	100
Accounts payable	(450)	(80)
Long-term liabilities	(1,290)	(400)
Common stock ($1 par)	(330)	
Common stock ($20 par)		(240)
Additional paid-in capital	(1,080)	(340)
Retained earnings	(1,260)	(340)

Note: Parentheses indicate a credit balance.

In Moody's appraisal of Osorio, three assets were deemed to be undervalued on the subsidiary's books: Inventory by $10, Land by $40, and Buildings by $60.

Compute the amount of consolidated buildings (net) at date of acquisition.

A) $1,700
B) $1,760
C) $1,640
D) $1,320
E) $500

Advanced Accounting Author: Hoyle Edition: 15e

48) On January 1, 2024, the Moody Company entered into a transaction for 100% of the outstanding common stock of Osorio Company. To acquire these shares, Moody issued $400 in long-term liabilities and also issued 40 shares of common stock having a par value of $1 per share but a fair value of $10 per share. Moody paid $20 to lawyers, accountants, and brokers for assistance in bringing about this acquisition. Another $15 was paid in connection with stock issuance costs. Prior to these transactions, the balance sheets for the two companies were as follows:

	Moody	Osorio
Cash	$ 180	$ 40
Receivables	810	180
Inventories	1,080	280
Land	600	360
Buildings (net)	1,260	440
Equipment (net)	480	100
Accounts payable	(450)	(80)
Long-term liabilities	(1,290)	(400)
Common stock ($1 par)	(330)	
Common stock ($20 par)		(240)
Additional paid-in capital	(1,080)	(340)
Retained earnings	(1,260)	(340)

Note: Parentheses indicate a credit balance.

In Moody's appraisal of Osorio, three assets were deemed to be undervalued on the subsidiary's books: Inventory by $10, Land by $40, and Buildings by $60.

Compute the amount of consolidated land at date of acquisition.

A) $1,000
B) $960
C) $920
D) $400
E) $320

Advanced Accounting Author: Hoyle Edition: 15e

49) On January 1, 2024, the Moody Company entered into a transaction for 100% of the outstanding common stock of Osorio Company. To acquire these shares, Moody issued $400 in long-term liabilities and also issued 40 shares of common stock having a par value of $1 per share but a fair value of $10 per share. Moody paid $20 to lawyers, accountants, and brokers for assistance in bringing about this acquisition. Another $15 was paid in connection with stock issuance costs. Prior to these transactions, the balance sheets for the two companies were as follows:

	Moody	Osorio
Cash	$ 180	$ 40
Receivables	810	180
Inventories	1,080	280
Land	600	360
Buildings (net)	1,260	440
Equipment (net)	480	100
Accounts payable	(450)	(80)
Long-term liabilities	(1,290)	(400)
Common stock ($1 par)	(330)	
Common stock ($20 par)		(240)
Additional paid-in capital	(1,080)	(340)
Retained earnings	(1,260)	(340)

Note: Parentheses indicate a credit balance.
In Moody's appraisal of Osorio, three assets were deemed to be undervalued on the subsidiary's books: Inventory by $10, Land by $40, and Buildings by $60.
Compute the amount of consolidated equipment at date of acquisition.

A) $480
B) $580
C) $559
D) $570
E) $560

Advanced Accounting Author: Hoyle Edition: 15e

50) On January 1, 2024, the Moody Company entered into a transaction for 100% of the outstanding common stock of Osorio Company. To acquire these shares, Moody issued $400 in long-term liabilities and also issued 40 shares of common stock having a par value of $1 per share but a fair value of $10 per share. Moody paid $20 to lawyers, accountants, and brokers for assistance in bringing about this acquisition. Another $15 was paid in connection with stock issuance costs. Prior to these transactions, the balance sheets for the two companies were as follows:

	Moody	Osorio
Cash	$ 180	$ 40
Receivables	810	180
Inventories	1,080	280
Land	600	360
Buildings (net)	1,260	440
Equipment (net)	480	100
Accounts payable	(450)	(80)
Long-term liabilities	(1,290)	(400)
Common stock ($1 par)	(330)	
Common stock ($20 par)		(240)
Additional paid-in capital	(1,080)	(340)
Retained earnings	(1,260)	(340)

Note: Parentheses indicate a credit balance.

In Moody's appraisal of Osorio, three assets were deemed to be undervalued on the subsidiary's books: Inventory by $10, Land by $40, and Buildings by $60.

Compute the amount of consolidated common stock at date of acquisition.

A) $370
B) $570
C) $610
D) $330
E) $530

Advanced Accounting Author: Hoyle Edition: 15e

51) On January 1, 2024, the Moody Company entered into a transaction for 100% of the outstanding common stock of Osorio Company. To acquire these shares, Moody issued $400 in long-term liabilities and also issued 40 shares of common stock having a par value of $1 per share but a fair value of $10 per share. Moody paid $20 to lawyers, accountants, and brokers for assistance in bringing about this acquisition. Another $15 was paid in connection with stock issuance costs. Prior to these transactions, the balance sheets for the two companies were as follows:

	Moody	Osorio
Cash	$ 180	$ 40
Receivables	810	180
Inventories	1,080	280
Land	600	360
Buildings (net)	1,260	440
Equipment (net)	480	100
Accounts payable	(450)	(80)
Long-term liabilities	(1,290)	(400)
Common stock ($1 par)	(330)	
Common stock ($20 par)		(240)
Additional paid-in capital	(1,080)	(340)
Retained earnings	(1,260)	(340)

Note: Parentheses indicate a credit balance.
In Moody's appraisal of Osorio, three assets were deemed to be undervalued on the subsidiary's books: Inventory by $10, Land by $40, and Buildings by $60.
Compute the amount of consolidated additional paid-in capital at date of acquisition.

A) $1,080
B) $1,420
C) $1,065
D) $1,425
E) $1,440

Advanced Accounting Author: Hoyle Edition: 15e

52) On January 1, 2024, the Moody Company entered into a transaction for 100% of the outstanding common stock of Osorio Company. To acquire these shares, Moody issued $400 in long-term liabilities and also issued 40 shares of common stock having a par value of $1 per share but a fair value of $10 per share. Moody paid $20 to lawyers, accountants, and brokers for assistance in bringing about this acquisition. Another $15 was paid in connection with stock issuance costs. Prior to these transactions, the balance sheets for the two companies were as follows:

	Moody	Osorio
Cash	$ 180	$ 40
Receivables	810	180
Inventories	1,080	280
Land	600	360
Buildings (net)	1,260	440
Equipment (net)	480	100
Accounts payable	(450)	(80)
Long-term liabilities	(1,290)	(400)
Common stock ($1 par)	(330)	
Common stock ($20 par)		(240)
Additional paid-in capital	(1,080)	(340)
Retained earnings	(1,260)	(340)

Note: Parentheses indicate a credit balance.

In Moody's appraisal of Osorio, three assets were deemed to be undervalued on the subsidiary's books: Inventory by $10, Land by $40, and Buildings by $60.

Compute the amount of consolidated cash after recording the acquisition transaction.

A) $220
B) $185
C) $200
D) $205
E) $215

Advanced Accounting Author: Hoyle Edition: 15e

53) McCoy has the following account balances as of December 31, 2023, before an acquisition transaction takes place.

Inventory	$ 125,000
Land	450,000
Buildings	575,000
Liabilities	(590,000)
Common stock ($10 par)	(75,000)
Additional Paid-In Capital	(200,000)
Retained earnings (12/31/23)	(285,000)

The fair value of McCoy's Land and Buildings are $650,000 and $600,000, respectively. On December 31, 2023, Ferguson Company issues 30,000 shares of its $10 par value ($30 fair value) common stock in exchange for all of the shares of McCoy's common stock. Ferguson paid $12,000 for costs to issue the new shares of stock. Before the acquisition, Ferguson has $800,000 in its common stock account and $350,000 in its additional paid-in capital account. On December 31, 2023, assuming that McCoy will retain its separate corporate existence, what value is assigned to Ferguson's investment account?

A) $150,000
B) $300,000
C) $600,000
D) $900,000
E) $912,000

Advanced Accounting Author: Hoyle Edition: 15e

54) McCoy has the following account balances as of December 31, 2023, before an acquisition transaction takes place.

Inventory	$ 125,000
Land	450,000
Buildings	575,000
Liabilities	(590,000)
Common stock ($10 par)	(75,000)
Additional Paid-In Capital	(200,000)
Retained earnings (12/31/23)	(285,000)

The fair value of McCoy's Land and Buildings are $650,000 and $600,000, respectively. On December 31, 2023, Ferguson Company issues 30,000 shares of its $10 par value ($30 fair value) common stock in exchange for all of the shares of McCoy's common stock. Ferguson paid $12,000 for costs to issue the new shares of stock. Before the acquisition, Ferguson has $800,000 in its common stock account and $350,000 in its additional paid-in capital account. At the date of acquisition, by how much does Ferguson's additional paid-in capital increase or decrease?

A) $0
B) $588,000 increase
C) $600,000 increase
D) $612,000 increase
E) $900,000 decrease

Advanced Accounting Author: Hoyle Edition: 15e

55) McCoy has the following account balances as of December 31, 2023, before an acquisition transaction takes place.

Inventory	$ 125,000
Land	450,000
Buildings	575,000
Liabilities	(590,000)
Common stock ($10 par)	(75,000)
Additional Paid-In Capital	(200,000)
Retained earnings (12/31/23)	(285,000)

The fair value of McCoy's Land and Buildings are $650,000 and $600,000, respectively. On December 31, 2023, Ferguson Company issues 30,000 shares of its $10 par value ($30 fair value) common stock in exchange for all of the shares of McCoy's common stock. Ferguson paid $12,000 for costs to issue the new shares of stock. Before the acquisition, Ferguson has $800,000 in its common stock account and $350,000 in its additional paid-in capital account. What will be the consolidated common stock account be as a result of this acquisition?

A) $300,000
B) $800,000
C) $1,100,000
D) $1,400,000
E) $1,700,000

Advanced Accounting Author: Hoyle Edition: 15e

56) McCoy has the following account balances as of December 31, 2023, before an acquisition transaction takes place.

Inventory	$ 125,000
Land	450,000
Buildings	575,000
Liabilities	(590,000)
Common stock ($10 par)	(75,000)
Additional Paid-In Capital	(200,000)
Retained earnings (12/31/23)	(285,000)

The fair value of McCoy's Land and Buildings are $650,000 and $600,000, respectively. On December 31, 2023, Ferguson Company issues 30,000 shares of its $10 par value ($30 fair value) common stock in exchange for all of the shares of McCoy's common stock. Ferguson paid $12,000 for costs to issue the new shares of stock. Before the acquisition, Ferguson has $800,000 in its common stock account and $350,000 in its additional paid-in capital account. What will be the consolidated additional paid-in capital as a result of this acquisition?

A) $350,000
B) $650,000
C) $938,000
D) $950,000
E) $962,000

Advanced Accounting Author: Hoyle Edition: 15e

57) The financial statement amounts for the Atwood Company and the Franz Company as of December 31, 2024, are presented below. Also included are the fair values for Franz Company's net assets (all numbers are in thousands).

	Atwood Book Value 12/31/2024	Franz Book Value 12/31/2024	Franz Fair Value 12/31/2024
Cash	$ 870	$ 240	$ 240
Receivables	660	600	600
Inventory	1,230	420	580
Land	1,800	260	250
Buildings (net)	1,800	540	650
Equipment (net)	660	380	400
Accounts payable	(570)	(240)	(240)
Accrued expenses	(270)	(60)	(60)
Long-term liabilities	(2,700)	(1,020)	(1,120)
Common stock ($20 par)	(1,980)		
Common stock ($5 par)		(420)	
Additional paid-in capital	(210)	(180)	
Retained earnings 1/1/24	(1,170)	(480)	
Revenues	(2,880)	(660)	
Expenses	2,760	620	

Note: Parenthesis indicate a credit balance

Assume an acquisition business combination took place at December 31, 2024. Atwood issued 50 shares of its common stock with a fair value of $35 per share for all of the outstanding common shares of Franz. Stock issuance costs of $15 (in thousands) and direct costs of $10 (in thousands) were paid.

Compute the amount of the consideration transferred by Atwood to acquire Franz.

A) $1,750
B) $1,760
C) $1,775
D) $1,300
E) $1,120

Advanced Accounting Author: Hoyle Edition: 15e

58) The financial statement amounts for the Atwood Company and the Franz Company as of December 31, 2024, are presented below. Also included are the fair values for Franz Company's net assets (all numbers are in thousands).

	Atwood Book Value 12/31/2024	Franz Book Value 12/31/2024	Franz Fair Value 12/31/2024
Cash	$ 870	$ 240	$ 240
Receivables	660	600	600
Inventory	1,230	420	580
Land	1,800	260	250
Buildings (net)	1,800	540	650
Equipment (net)	660	380	400
Accounts payable	(570)	(240)	(240)
Accrued expenses	(270)	(60)	(60)
Long-term liabilities	(2,700)	(1,020)	(1,120)
Common stock ($20 par)	(1,980)		
Common stock ($5 par)		(420)	
Additional paid-in capital	(210)	(180)	
Retained earnings 1/1/24	(1,170)	(480)	
Revenues	(2,880)	(660)	
Expenses	2,760	620	

Note: Parenthesis indicate a credit balance

Assume an acquisition business combination took place at December 31, 2024. Atwood issued 50 shares of its common stock with a fair value of $35 per share for all of the outstanding common shares of Franz. Stock issuance costs of $15 (in thousands) and direct costs of $10 (in thousands) were paid.

Compute the consolidated common stock at the date of acquisition.

A) $1,000
B) $2,980
C) $2,400
D) $3,400
E) $3,730

Advanced Accounting Author: Hoyle Edition: 15e

59) The financial statement amounts for the Atwood Company and the Franz Company as of December 31, 2024, are presented below. Also included are the fair values for Franz Company's net assets (all numbers are in thousands).

	Atwood Book Value 12/31/2024	Franz Book Value 12/31/2024	Franz Fair Value 12/31/2024
Cash	$ 870	$ 240	$ 240
Receivables	660	600	600
Inventory	1,230	420	580
Land	1,800	260	250
Buildings (net)	1,800	540	650
Equipment (net)	660	380	400
Accounts payable	(570)	(240)	(240)
Accrued expenses	(270)	(60)	(60)
Long-term liabilities	(2,700)	(1,020)	(1,120)
Common stock ($20 par)	(1,980)		
Common stock ($5 par)		(420)	
Additional paid-in capital	(210)	(180)	
Retained earnings 1/1/24	(1,170)	(480)	
Revenues	(2,880)	(660)	
Expenses	2,760	620	

Note: Parenthesis indicate a credit balance

Assume an acquisition business combination took place at December 31, 2024. Atwood issued 50 shares of its common stock with a fair value of $35 per share for all of the outstanding common shares of Franz. Stock issuance costs of $15 (in thousands) and direct costs of $10 (in thousands) were paid.

Compute consolidated inventory at the date of the acquisition.

A) $1,650
B) $1,810
C) $1,230
D) $580
E) $1,830

Advanced Accounting Author: Hoyle Edition: 15e

60) The financial statement amounts for the Atwood Company and the Franz Company as of December 31, 2024, are presented below. Also included are the fair values for Franz Company's net assets (all numbers are in thousands).

	Atwood Book Value 12/31/2024	Franz Book Value 12/31/2024	Franz Fair Value 12/31/2024
Cash	$ 870	$ 240	$ 240
Receivables	660	600	600
Inventory	1,230	420	580
Land	1,800	260	250
Buildings (net)	1,800	540	650
Equipment (net)	660	380	400
Accounts payable	(570)	(240)	(240)
Accrued expenses	(270)	(60)	(60)
Long-term liabilities	(2,700)	(1,020)	(1,120)
Common stock ($20 par)	(1,980)		
Common stock ($5 par)		(420)	
Additional paid-in capital	(210)	(180)	
Retained earnings 1/1/24	(1,170)	(480)	
Revenues	(2,880)	(660)	
Expenses	2,760	620	

Note: Parenthesis indicate a credit balance

Assume an acquisition business combination took place at December 31, 2024. Atwood issued 50 shares of its common stock with a fair value of $35 per share for all of the outstanding common shares of Franz. Stock issuance costs of $15 (in thousands) and direct costs of $10 (in thousands) were paid.

Compute consolidated land at the date of the acquisition.

A) $2,060
B) $1,800
C) $260
D) $2,050
E) $2,070

Advanced Accounting Author: Hoyle Edition: 15e

61) The financial statement amounts for the Atwood Company and the Franz Company as of December 31, 2024, are presented below. Also included are the fair values for Franz Company's net assets (all numbers are in thousands).

	Atwood Book Value 12/31/2024	Franz Book Value 12/31/2024	Franz Fair Value 12/31/2024
Cash	$ 870	$ 240	$ 240
Receivables	660	600	600
Inventory	1,230	420	580
Land	1,800	260	250
Buildings (net)	1,800	540	650
Equipment (net)	660	380	400
Accounts payable	(570)	(240)	(240)
Accrued expenses	(270)	(60)	(60)
Long-term liabilities	(2,700)	(1,020)	(1,120)
Common stock ($20 par)	(1,980)		
Common stock ($5 par)		(420)	
Additional paid-in capital	(210)	(180)	
Retained earnings 1/1/24	(1,170)	(480)	
Revenues	(2,880)	(660)	
Expenses	2,760	620	

Note: Parenthesis indicate a credit balance
Assume an acquisition business combination took place at December 31, 2024. Atwood issued 50 shares of its common stock with a fair value of $35 per share for all of the outstanding common shares of Franz. Stock issuance costs of $15 (in thousands) and direct costs of $10 (in thousands) were paid.
Compute consolidated buildings (net) at the date of the acquisition.

A) $2,450
B) $2,340
C) $1,800
D) $650
E) $1,690

Advanced Accounting Author: Hoyle Edition: 15e

62) The financial statement amounts for the Atwood Company and the Franz Company as of December 31, 2024, are presented below. Also included are the fair values for Franz Company's net assets (all numbers are in thousands).

	Atwood Book Value 12/31/2024	Franz Book Value 12/31/2024	Franz Fair Value 12/31/2024
Cash	$ 870	$ 240	$ 240
Receivables	660	600	600
Inventory	1,230	420	580
Land	1,800	260	250
Buildings (net)	1,800	540	650
Equipment (net)	660	380	400
Accounts payable	(570)	(240)	(240)
Accrued expenses	(270)	(60)	(60)
Long-term liabilities	(2,700)	(1,020)	(1,120)
Common stock ($20 par)	(1,980)		
Common stock ($5 par)		(420)	
Additional paid-in capital	(210)	(180)	
Retained earnings 1/1/24	(1,170)	(480)	
Revenues	(2,880)	(660)	
Expenses	2,760	620	

Note: Parenthesis indicate a credit balance
Assume an acquisition business combination took place at December 31, 2024. Atwood issued 50 shares of its common stock with a fair value of $35 per share for all of the outstanding common shares of Franz. Stock issuance costs of $15 (in thousands) and direct costs of $10 (in thousands) were paid.
Compute consolidated long-term liabilities at the date of the acquisition.

A) $2,600
B) $2,700
C) $2,800
D) $3,720
E) $3,820

Advanced Accounting Author: Hoyle Edition: 15e

63) The financial statement amounts for the Atwood Company and the Franz Company as of December 31, 2024, are presented below. Also included are the fair values for Franz Company's net assets (all numbers are in thousands).

	Atwood Book Value 12/31/2024	Franz Book Value 12/31/2024	Franz Fair Value 12/31/2024
Cash	$ 870	$ 240	$ 240
Receivables	660	600	600
Inventory	1,230	420	580
Land	1,800	260	250
Buildings (net)	1,800	540	650
Equipment (net)	660	380	400
Accounts payable	(570)	(240)	(240)
Accrued expenses	(270)	(60)	(60)
Long-term liabilities	(2,700)	(1,020)	(1,120)
Common stock ($20 par)	(1,980)		
Common stock ($5 par)		(420)	
Additional paid-in capital	(210)	(180)	
Retained earnings 1/1/24	(1,170)	(480)	
Revenues	(2,880)	(660)	
Expenses	2,760	620	

Note: Parenthesis indicate a credit balance
Assume an acquisition business combination took place at December 31, 2024. Atwood issued 50 shares of its common stock with a fair value of $35 per share for all of the outstanding common shares of Franz. Stock issuance costs of $15 (in thousands) and direct costs of $10 (in thousands) were paid.
Compute consolidated goodwill at the date of the acquisition.

A) $360
B) $450
C) $460
D) $440
E) $475

Advanced Accounting Author: Hoyle Edition: 15e

64) The financial statement amounts for the Atwood Company and the Franz Company as of December 31, 2024, are presented below. Also included are the fair values for Franz Company's net assets (all numbers are in thousands).

	Atwood Book Value 12/31/2024	Franz Book Value 12/31/2024	Franz Fair Value 12/31/2024
Cash	$ 870	$ 240	$ 240
Receivables	660	600	600
Inventory	1,230	420	580
Land	1,800	260	250
Buildings (net)	1,800	540	650
Equipment (net)	660	380	400
Accounts payable	(570)	(240)	(240)
Accrued expenses	(270)	(60)	(60)
Long-term liabilities	(2,700)	(1,020)	(1,120)
Common stock ($20 par)	(1,980)		
Common stock ($5 par)		(420)	
Additional paid-in capital	(210)	(180)	
Retained earnings 1/1/24	(1,170)	(480)	
Revenues	(2,880)	(660)	
Expenses	2,760	620	

Note: Parenthesis indicate a credit balance
Assume an acquisition business combination took place at December 31, 2024. Atwood issued 50 shares of its common stock with a fair value of $35 per share for all of the outstanding common shares of Franz. Stock issuance costs of $15 (in thousands) and direct costs of $10 (in thousands) were paid.
Compute consolidated equipment (net) at the date of the acquisition.

A) $400
B) $660
C) $1,060
D) $1,040
E) $1,050

Advanced Accounting Author: Hoyle Edition: 15e

65) The financial statement amounts for the Atwood Company and the Franz Company as of December 31, 2024, are presented below. Also included are the fair values for Franz Company's net assets (all numbers are in thousands).

	Atwood Book Value 12/31/2024	Franz Book Value 12/31/2024	Franz Fair Value 12/31/2024
Cash	$ 870	$ 240	$ 240
Receivables	660	600	600
Inventory	1,230	420	580
Land	1,800	260	250
Buildings (net)	1,800	540	650
Equipment (net)	660	380	400
Accounts payable	(570)	(240)	(240)
Accrued expenses	(270)	(60)	(60)
Long-term liabilities	(2,700)	(1,020)	(1,120)
Common stock ($20 par)	(1,980)		
Common stock ($5 par)		(420)	
Additional paid-in capital	(210)	(180)	
Retained earnings 1/1/24	(1,170)	(480)	
Revenues	(2,880)	(660)	
Expenses	2,760	620	

Note: Parenthesis indicate a credit balance
Assume an acquisition business combination took place at December 31, 2024. Atwood issued 50 shares of its common stock with a fair value of $35 per share for all of the outstanding common shares of Franz. Stock issuance costs of $15 (in thousands) and direct costs of $10 (in thousands) were paid.
Compute fair value of the net assets acquired at the date of the acquisition.

A) $1,300
B) $1,340
C) $1,500
D) $1,750
E) $2,480

Advanced Accounting Author: Hoyle Edition: 15e

66) The preacquisition financial statement amounts for the Atwood Company and the Franz Company as of December 31, 2024, are presented below. Also included are the fair values for Franz Company's net assets (all numbers are in thousands).

	Atwood Book Value 12/31/2024	Franz Book Value 12/31/2024	Franz Fair Value 12/31/2024
Cash	$ 870	$ 240	$ 240
Receivables	660	600	600
Inventory	1,230	420	580
Land	1,800	260	250
Buildings (net)	1,800	540	650
Equipment (net)	660	380	400
Accounts payable	(570)	(240)	(240)
Accrued expenses	(270)	(60)	(60)
Long-term liabilities	(2,700)	(1,020)	(1,120)
Common stock ($20 par)	(1,980)		
Common stock ($5 par)		(420)	
Additional paid-in capital	(210)	(180)	
Retained earnings 1/1/24	(1,170)	(480)	
Revenues	(2,880)	(660)	
Expenses	2,760	620	

Note: Parenthesis indicate a credit balance
Assume an acquisition business combination took place at December 31, 2024. Atwood issued 50 shares of its common stock with a fair value of $35 per share for all of the outstanding common shares of Franz. Stock issuance costs of $15 (in thousands) and direct costs of $10 (in thousands) were paid.
Compute consolidated retained earnings at the date of the acquisition.

A) $1,160
B) $1,170
C) $1,280
D) $1,290
E) $1,640

Advanced Accounting Author: Hoyle Edition: 15e

67) The preacquisition financial statement amounts for the Atwood Company and the Franz Company as of December 31, 2024, are presented below. Also included are the fair values for Franz Company's net assets (all numbers are in thousands).

	Atwood Book Value 12/31/2024	Franz Book Value 12/31/2024	Franz Fair Value 12/31/2024
Cash	$ 870	$ 240	$ 240
Receivables	660	600	600
Inventory	1,230	420	580
Land	1,800	260	250
Buildings (net)	1,800	540	650
Equipment (net)	660	380	400
Accounts payable	(570)	(240)	(240)
Accrued expenses	(270)	(60)	(60)
Long-term liabilities	(2,700)	(1,020)	(1,120)
Common stock ($20 par)	(1,980)		
Common stock ($5 par)		(420)	
Additional paid-in capital	(210)	(180)	
Retained earnings 1/1/24	(1,170)	(480)	
Revenues	(2,880)	(660)	
Expenses	2,760	620	

Note: Parenthesis indicate a credit balance

Assume an acquisition business combination took place at December 31, 2024. Atwood issued 50 shares of its common stock with a fair value of $35 per share for all of the outstanding common shares of Franz. Stock issuance costs of $15 (in thousands) and direct costs of $10 (in thousands) were paid.

Compute consolidated revenues immediately following the acquisition.

A) $3,540
B) $2,880
C) $1,170
D) $1,650
E) $4,050

Advanced Accounting Author: Hoyle Edition: 15e

68) The preacquisition financial statement amounts for the Atwood Company and the Franz Company as of December 31, 2024, are presented below. Also included are the fair values for Franz Company's net assets (all numbers are in thousands).

	Atwood Book Value 12/31/2024	Franz Book Value 12/31/2024	Franz Fair Value 12/31/2024
Cash	$ 870	$ 240	$ 240
Receivables	660	600	600
Inventory	1,230	420	580
Land	1,800	260	250
Buildings (net)	1,800	540	650
Equipment (net)	660	380	400
Accounts payable	(570)	(240)	(240)
Accrued expenses	(270)	(60)	(60)
Long-term liabilities	(2,700)	(1,020)	(1,120)
Common stock ($20 par)	(1,980)		
Common stock ($5 par)		(420)	
Additional paid-in capital	(210)	(180)	
Retained earnings 1/1/24	(1,170)	(480)	
Revenues	(2,880)	(660)	
Expenses	2,760	620	

Note: Parenthesis indicate a credit balance
Assume an acquisition business combination took place at December 31, 2024. Atwood issued 50 shares of its common stock with a fair value of $35 per share for all of the outstanding common shares of Franz. Stock issuance costs of $15 (in thousands) and direct costs of $10 (in thousands) were paid.
Compute consolidated cash at the completion of the acquisition.

A) $1,350
B) $1,085
C) $1,110
D) $870
E) $845

Advanced Accounting Author: Hoyle Edition: 15e

69) The preacquisition financial statement amounts for the Atwood Company and the Franz Company as of December 31, 2024, are presented below. Also included are the fair values for Franz Company's net assets (all numbers are in thousands).

	Atwood Book Value 12/31/2024	Franz Book Value 12/31/2024	Franz Fair Value 12/31/2024
Cash	$ 870	$ 240	$ 240
Receivables	660	600	600
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Equipment (net)	660	380	400
Accounts payable	(570)	(240)	(240)
Accrued expenses	(270)	(60)	(60)
Long-term liabilities	(2,700)	(1,020)	(1,120)
Common stock ($20 par)	(1,980)		
Common stock ($5 par)		(420)	
Additional paid-in capital	(210)	(180)	
Retained earnings 1/1/24	(1,170)	(480)	
Revenues	(2,880)	(660)	
Expenses	2,760	620	

Note: Parenthesis indicate a credit balance

Assume an acquisition business combination took place at December 31, 2024. Atwood issued 50 shares of its common stock with a fair value of $35 per share for all of the outstanding common shares of Franz. Stock issuance costs of $15 (in thousands) and direct costs of $10 (in thousands) were paid.

Compute consolidated expenses immediately following the acquisition.

A) $2,760
B) $2,770
C) $2,785
D) $3,380
E) $3,390

Advanced Accounting Author: Hoyle Edition: 15e

70) Presented below are the financial balances for the Boxwood Company and the Tranz Company as of December 31, 2023, immediately before Boxwood acquired Tranz. Also included are the fair values for Tranz Company's net assets at that date (all amounts in thousands).

	Boxwood Book Value 12/31/2023	Tranz Book Value 12/31/2023	Tranz Fair Value 12/31/2023
Cash	$ 870	$ 240	$ 240
Receivables	660	600	600
Inventory	1,230	420	580
Land	1,800	260	250
Buildings (net)	1,800	540	650
Equipment (net)	660	380	400
Accounts payable	(570)	(240)	(240)
Accrued expenses	(270)	(60)	(60)
Long-term liabilities	(2,700)	(1,020)	(1,120)
Common stock ($20 par)	(1,980)		
Common stock ($5 par)		(420)	
Additional paid-in capital	(210)	(180)	
Retained earnings	(1,170)	(480)	
Revenues	(2,880)	(660)	
Expenses	2,760	620	

Note: Parenthesis indicate a credit balance
Assume a business combination took place at December 31, 2023. Boxwood issued 50 shares of its common stock with a fair value of $35 per share for all of the outstanding common shares of Tranz. Stock issuance costs of $15 (in thousands) and direct costs of $10 (in thousands) were paid to effect this acquisition transaction. To settle a difference of opinion regarding Tranz's fair value, Boxwood promises to pay an additional $5.2 (in thousands) to the former owners if Tranz's earnings exceed a certain sum during the next year. Given the probability of the required contingency payment and utilizing a 4% discount rate, the expected present value of the contingency is $5 (in thousands).
Compute the investment to be recorded at the date of acquisition.

A) $1,750
B) $1,755
C) $1,725
D) $1,760

E) $1,765

Advanced Accounting Author: Hoyle Edition: 15e

71) Presented below are the financial balances for the Boxwood Company and the Tranz Company as of December 31, 2023, immediately before Boxwood acquired Tranz. Also included are the fair values for Tranz Company's net assets at that date (all amounts in thousands).

	Boxwood Book Value 12/31/2023	Tranz Book Value 12/31/2023	Tranz Fair Value 12/31/2023
Cash	$ 870	$ 240	$ 240
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Equipment (net)	660	380	400
Accounts payable	(570)	(240)	(240)
Accrued expenses	(270)	(60)	(60)
Long-term liabilities	(2,700)	(1,020)	(1,120)
Common stock ($20 par)	(1,980)		
Common stock ($5 par)		(420)	
Additional paid-in capital	(210)	(180)	
Retained earnings	(1,170)	(480)	
Revenues	(2,880)	(660)	
Expenses	2,760	620	

Note: Parenthesis indicate a credit balance

Assume a business combination took place at December 31, 2023. Boxwood issued 50 shares of its common stock with a fair value of $35 per share for all of the outstanding common shares of Tranz. Stock issuance costs of $15 (in thousands) and direct costs of $10 (in thousands) were paid to effect this acquisition transaction. To settle a difference of opinion regarding Tranz's fair value, Boxwood promises to pay an additional $5.2 (in thousands) to the former owners if Tranz's earnings exceed a certain sum during the next year. Given the probability of the required contingency payment and utilizing a 4% discount rate, the expected present value of the contingency is $5 (in thousands).

Compute consolidated inventory immediately following the acquisition.

A) $1,650

B) $1,810

C) $1,230

D) $580

E) $1,830

Advanced Accounting Author: Hoyle Edition: 15e

72) Presented below are the financial balances for the Boxwood Company and the Tranz Company as of December 31, 2023, immediately before Boxwood acquired Tranz. Also included are the fair values for Tranz Company's net assets at that date (all amounts in thousands).

	Boxwood Book Value 12/31/2023	Tranz Book Value 12/31/2023	Tranz Fair Value 12/31/2023
Cash	$ 870	$ 240	$ 240
Receivables	660	600	600
Inventory	1,230	420	580
Land	1,800	260	250
Buildings (net)	1,800	540	650
Equipment (net)	660	380	400
Accounts payable	(570)	(240)	(240)
Accrued expenses	(270)	(60)	(60)
Long-term liabilities	(2,700)	(1,020)	(1,120)
Common stock ($20 par)	(1,980)		
Common stock ($5 par)		(420)	
Additional paid-in capital	(210)	(180)	
Retained earnings	(1,170)	(480)	
Revenues	(2,880)	(660)	
Expenses	2,760	620	

Note: Parenthesis indicate a credit balance

Assume a business combination took place at December 31, 2023. Boxwood issued 50 shares of its common stock with a fair value of $35 per share for all of the outstanding common shares of Tranz. Stock issuance costs of $15 (in thousands) and direct costs of $10 (in thousands) were paid to effect this acquisition transaction. To settle a difference of opinion regarding Tranz's fair value, Boxwood promises to pay an additional $5.2 (in thousands) to the former owners if Tranz's earnings exceed a certain sum during the next year. Given the probability of the required contingency payment and utilizing a 4% discount rate, the expected present value of the contingency is $5 (in thousands).

Compute consolidated land immediately following the acquisition.

A) $2,060
B) $1,800
C) $260
D) $2,050

Advanced Accounting Author: Hoyle Edition: 15e

E) $2,070

Advanced Accounting Author: Hoyle Edition: 15e

73) Presented below are the financial balances for the Boxwood Company and the Tranz Company as of December 31, 2023, immediately before Boxwood acquired Tranz. Also included are the fair values for Tranz Company's net assets at that date (all amounts in thousands).

	Boxwood Book Value 12/31/2023	Tranz Book Value 12/31/2023	Tranz Fair Value 12/31/2023
Cash	$ 870	$ 240	$ 240
Receivables	660	600	600
Inventory	1,230	420	580
Land	1,800	260	250
Buildings (net)	1,800	540	650
Equipment (net)	660	380	400
Accounts payable	(570)	(240)	(240)
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Common stock ($20 par)	(1,980)		
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Additional paid-in capital	(210)	(180)	
Retained earnings	(1,170)	(480)	
Revenues	(2,880)	(660)	
Expenses	2,760	620	

Note: Parenthesis indicate a credit balance

Assume a business combination took place at December 31, 2023. Boxwood issued 50 shares of its common stock with a fair value of $35 per share for all of the outstanding common shares of Tranz. Stock issuance costs of $15 (in thousands) and direct costs of $10 (in thousands) were paid to effect this acquisition transaction. To settle a difference of opinion regarding Tranz's fair value, Boxwood promises to pay an additional $5.2 (in thousands) to the former owners if Tranz's earnings exceed a certain sum during the next year. Given the probability of the required contingency payment and utilizing a 4% discount rate, the expected present value of the contingency is $5 (in thousands).

Compute consolidated buildings (net) immediately following the acquisition.

A) $2,450

B) $2,340

C) $1,800

D) $650

E) $1,690

Advanced Accounting Author: Hoyle Edition: 15e

74) Presented below are the financial balances for the Boxwood Company and the Tranz Company as of December 31, 2023, immediately before Boxwood acquired Tranz. Also included are the fair values for Tranz Company's net assets at that date (all amounts in thousands).

	Boxwood Book Value 12/31/2023	Tranz Book Value 12/31/2023	Tranz Fair Value 12/31/2023
Cash	$ 870	$ 240	$ 240
Receivables	660	600	600
Inventory	1,230	420	580
Land	1,800	260	250
Buildings (net)	1,800	540	650
Equipment (net)	660	380	400
Accounts payable	(570)	(240)	(240)
Accrued expenses	(270)	(60)	(60)
Long-term liabilities	(2,700)	(1,020)	(1,120)
Common stock ($20 par)	(1,980)		
Common stock ($5 par)		(420)	
Additional paid-in capital	(210)	(180)	
Retained earnings	(1,170)	(480)	
Revenues	(2,880)	(660)	
Expenses	2,760	620	

Note: Parenthesis indicate a credit balance
Assume a business combination took place at December 31, 2023. Boxwood issued 50 shares of its common stock with a fair value of $35 per share for all of the outstanding common shares of Tranz. Stock issuance costs of $15 (in thousands) and direct costs of $10 (in thousands) were paid to effect this acquisition transaction. To settle a difference of opinion regarding Tranz's fair value, Boxwood promises to pay an additional $5.2 (in thousands) to the former owners if Tranz's earnings exceed a certain sum during the next year. Given the probability of the required contingency payment and utilizing a 4% discount rate, the expected present value of the contingency is $5 (in thousands).
Compute consolidated goodwill immediately following the acquisition.

A) $440
B) $442
C) $450
D) $455

E) $452

Advanced Accounting Author: Hoyle Edition: 15e

75) Presented below are the financial balances for the Boxwood Company and the Tranz Company as of December 31, 2023, immediately before Boxwood acquired Tranz. Also included are the fair values for Tranz Company's net assets at that date (all amounts in thousands).

	Boxwood Book Value 12/31/2023	Tranz Book Value 12/31/2023	Tranz Fair Value 12/31/2023
Cash	$ 870	$ 240	$ 240
Receivables	660	600	600
Inventory	1,230	420	580
Land	1,800	260	250
Buildings (net)	1,800	540	650
Equipment (net)	660	380	400
Accounts payable	(570)	(240)	(240)
Accrued expenses	(270)	(60)	(60)
Long-term liabilities	(2,700)	(1,020)	(1,120)
Common stock ($20 par)	(1,980)		
Common stock ($5 par)		(420)	
Additional paid-in capital	(210)	(180)	
Retained earnings	(1,170)	(480)	
Revenues	(2,880)	(660)	
Expenses	2,760	620	

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Compute consolidated equipment immediately following the acquisition.

A) $400
B) $660
C) $1,060
D) $1,040

E) $1,050

Advanced Accounting Author: Hoyle Edition: 15e

76) Presented below are the financial balances for the Boxwood Company and the Tranz Company as of December 31, 2023, immediately before Boxwood acquired Tranz. Also included are the fair values for Tranz Company's net assets at that date (all amounts in thousands).

	Boxwood Book Value 12/31/2023	Tranz Book Value 12/31/2023	Tranz Fair Value 12/31/2023
Cash	$ 870	$ 240	$ 240
Receivables	660	600	600
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Equipment (net)	660	380	400
Accounts payable	(570)	(240)	(240)
Accrued expenses	(270)	(60)	(60)
Long-term liabilities	(2,700)	(1,020)	(1,120)
Common stock ($20 par)	(1,980)		
Common stock ($5 par)		(420)	
Additional paid-in capital	(210)	(180)	
Retained earnings	(1,170)	(480)	
Revenues	(2,880)	(660)	
Expenses	2,760	620	

Note: Parenthesis indicate a credit balance
Assume a business combination took place at December 31, 2023. Boxwood issued 50 shares of its common stock with a fair value of $35 per share for all of the outstanding common shares of Tranz. Stock issuance costs of $15 (in thousands) and direct costs of $10 (in thousands) were paid to effect this acquisition transaction. To settle a difference of opinion regarding Tranz's fair value, Boxwood promises to pay an additional $5.2 (in thousands) to the former owners if Tranz's earnings exceed a certain sum during the next year. Given the probability of the required contingency payment and utilizing a 4% discount rate, the expected present value of the contingency is $5 (in thousands).
Compute consolidated retained earnings as a result of this acquisition.

A) $1,160
B) $1,170
C) $1,265
D) $1,280

E) $1,650

Advanced Accounting Author: Hoyle Edition: 15e

77) Presented below are the financial balances for the Boxwood Company and the Tranz Company as of December 31, 2023, immediately before Boxwood acquired Tranz. Also included are the fair values for Tranz Company's net assets at that date (all amounts in thousands).

	Boxwood Book Value 12/31/2023	Tranz Book Value 12/31/2023	Tranz Fair Value 12/31/2023
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Common stock ($5 par)		(420)	
Additional paid-in capital	(210)	(180)	
Retained earnings	(1,170)	(480)	
Revenues	(2,880)	(660)	
Expenses	2,760	620	

Note: Parenthesis indicate a credit balance
Assume a business combination took place at December 31, 2023. Boxwood issued 50 shares of its common stock with a fair value of $35 per share for all of the outstanding common shares of Tranz. Stock issuance costs of $15 (in thousands) and direct costs of $10 (in thousands) were paid to effect this acquisition transaction. To settle a difference of opinion regarding Tranz's fair value, Boxwood promises to pay an additional $5.2 (in thousands) to the former owners if Tranz's earnings exceed a certain sum during the next year. Given the probability of the required contingency payment and utilizing a 4% discount rate, the expected present value of the contingency is $5 (in thousands).
Compute consolidated revenues immediately following the acquisition.

A) $3,540
B) $2,880
C) $1,170
D) $1,650

E) $4,050

Advanced Accounting Author: Hoyle Edition: 15e

78) Presented below are the financial balances for the Boxwood Company and the Tranz Company as of December 31, 2023, immediately before Boxwood acquired Tranz. Also included are the fair values for Tranz Company's net assets at that date (all amounts in thousands).

	Boxwood Book Value 12/31/2023	Tranz Book Value 12/31/2023	Tranz Fair Value 12/31/2023
Cash	$ 870	$ 240	$ 240
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Accounts payable	(570)	(240)	(240)
Accrued expenses	(270)	(60)	(60)
Long-term liabilities	(2,700)	(1,020)	(1,120)
Common stock ($20 par)	(1,980)		
Common stock ($5 par)		(420)	
Additional paid-in capital	(210)	(180)	
Retained earnings	(1,170)	(480)	
Revenues	(2,880)	(660)	
Expenses	2,760	620	

Note: Parenthesis indicate a credit balance
Assume a business combination took place at December 31, 2023. Boxwood issued 50 shares of its common stock with a fair value of $35 per share for all of the outstanding common shares of Tranz. Stock issuance costs of $15 (in thousands) and direct costs of $10 (in thousands) were paid to effect this acquisition transaction. To settle a difference of opinion regarding Tranz's fair value, Boxwood promises to pay an additional $5.2 (in thousands) to the former owners if Tranz's earnings exceed a certain sum during the next year. Given the probability of the required contingency payment and utilizing a 4% discount rate, the expected present value of the contingency is $5 (in thousands).
Compute consolidated expenses immediately following the acquisition.

A) $2,735
B) $2,760
C) $2,770
D) $2,785

E) $3,380

Advanced Accounting Author: Hoyle Edition: 15e

79) Presented below are the financial balances for the Boxwood Company and the Tranz Company as of December 31, 2023, immediately before Boxwood acquired Tranz. Also included are the fair values for Tranz Company's net assets at that date (all amounts in thousands).

	Boxwood Book Value 12/31/2023	Tranz Book Value 12/31/2023	Tranz Fair Value 12/31/2023
Cash	$ 870	$ 240	$ 240
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Accounts payable	(570)	(240)	(240)
Accrued expenses	(270)	(60)	(60)
Long-term liabilities	(2,700)	(1,020)	(1,120)
Common stock ($20 par)	(1,980)		
Common stock ($5 par)		(420)	
Additional paid-in capital	(210)	(180)	
Retained earnings	(1,170)	(480)	
Revenues	(2,880)	(660)	
Expenses	2,760	620	

Note: Parenthesis indicate a credit balance
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Compute the consolidated cash upon completion of the acquisition.

A) $1,350
B) $1,110
C) $1,080
D) $1,085

Advanced Accounting Author: Hoyle Edition: 15e

E) $635

80) Flynn Incorporated acquires 100 percent of the outstanding voting shares of Macek Company on January 1, 2024. To obtain these shares, Flynn pays $400 cash (in thousands) and issues 10,000 shares of $20 par value common stock on this date. Flynn's stock had a fair value of $36 per share on that date. Flynn also pays $15 (in thousands) to a local investment firm for arranging the acquisition. An additional $10 (in thousands) was paid by Flynn in stock issuance costs.
The book values for both Flynn and Macek immediately preceding the acquisition follow. The fair value of each of Flynn and Macek accounts is also included. In addition, Macek holds a fully amortized trademark that still retains a $40 (in thousands) value. *The figures below are in thousands.* Any related question also is in thousands.

	Flynn	Macek	
		Book Value	Fair Value
Cash	$ 900	$ 80	$ 80
Receivables	480	180	160
Inventory	660	260	300
Land	300	120	130
Buildings (net)	1,200	220	280
Equipment	360	100	75
Accounts payable	480	60	60
Long-term liabilities	1,140	340	300
Common stock	1,000	80	
Additional paid-in capital	200	0	
Retained earnings	1,080	480	

By how much will Flynn's additional paid-in capital increase as a result of this acquisition?

A) $150,000
B) $160,000
C) $230,000
D) $350,000
E) $360,000

Advanced Accounting Author: Hoyle Edition: 15e

81) Flynn Incorporated acquires 100 percent of the outstanding voting shares of Macek Company on January 1, 2024. To obtain these shares, Flynn pays $400 cash (in thousands) and issues 10,000 shares of $20 par value common stock on this date. Flynn's stock had a fair value of $36 per share on that date. Flynn also pays $15 (in thousands) to a local investment firm for arranging the acquisition. An additional $10 (in thousands) was paid by Flynn in stock issuance costs.

The book values for both Flynn and Macek immediately preceding the acquisition follow. The fair value of each of Flynn and Macek accounts is also included. In addition, Macek holds a fully amortized trademark that still retains a $40 (in thousands) value. *The figures below are in thousands.* Any related question also is in thousands.

	Flynn	Macek	
		Book Value	**Fair Value**
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Inventory	660	260	300
Land	300	120	130
Buildings (net)	1,200	220	280
Equipment	360	100	75
Accounts payable	480	60	60
Long-term liabilities	1,140	340	300
Common stock	1,000	80	
Additional paid-in capital	200	0	
Retained earnings	1,080	480	

What amount will be reported for goodwill as a result of this acquisition?

A) $30,000
B) $55,000
C) $65,000
D) $175,000
E) $200,000

Advanced Accounting Author: Hoyle Edition: 15e

82) Flynn Incorporated acquires 100 percent of the outstanding voting shares of Macek Company on January 1, 2024. To obtain these shares, Flynn pays $400 cash (in thousands) and issues 10,000 shares of $20 par value common stock on this date. Flynn's stock had a fair value of $36 per share on that date. Flynn also pays $15 (in thousands) to a local investment firm for arranging the acquisition. An additional $10 (in thousands) was paid by Flynn in stock issuance costs.

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		Book Value	**Fair Value**
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Inventory	660	260	300
Land	300	120	130
Buildings (net)	1,200	220	280
Equipment	360	100	75
Accounts payable	480	60	60
Long-term liabilities	1,140	340	300
Common stock	1,000	80	
Additional paid-in capital	200	0	
Retained earnings	1,080	480	

What amount will be reported for consolidated receivables?

A) $660,000
B) $640,000
C) $500,000
D) $460,000
E) $480,000

Advanced Accounting Author: Hoyle Edition: 15e

83) Flynn Incorporated acquires 100 percent of the outstanding voting shares of Macek Company on January 1, 2024. To obtain these shares, Flynn pays $400 cash (in thousands) and issues 10,000 shares of $20 par value common stock on this date. Flynn's stock had a fair value of $36 per share on that date. Flynn also pays $15 (in thousands) to a local investment firm for arranging the acquisition. An additional $10 (in thousands) was paid by Flynn in stock issuance costs.

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Inventory	660	260	300
Land	300	120	130
Buildings (net)	1,200	220	280
Equipment	360	100	75
Accounts payable	480	60	60
Long-term liabilities	1,140	340	300
Common stock	1,000	80	
Additional paid-in capital	200	0	
Retained earnings	1,080	480	

What amount will be reported for consolidated inventory?

A) $1,000,000
B) $960,000
C) $920,000
D) $660,000
E) $620,000

Advanced Accounting Author: Hoyle Edition: 15e

84) Flynn Incorporated acquires 100 percent of the outstanding voting shares of Macek Company on January 1, 2024. To obtain these shares, Flynn pays $400 cash (in thousands) and issues 10,000 shares of $20 par value common stock on this date. Flynn's stock had a fair value of $36 per share on that date. Flynn also pays $15 (in thousands) to a local investment firm for arranging the acquisition. An additional $10 (in thousands) was paid by Flynn in stock issuance costs.

The book values for both Flynn and Macek immediately preceding the acquisition follow. The fair value of each of Flynn and Macek accounts is also included. In addition, Macek holds a fully amortized trademark that still retains a $40 (in thousands) value. *The figures below are in thousands.* Any related question also is in thousands.

	Flynn	**Macek**	
		Book Value	**Fair Value**
Cash	$ 900	$ 80	$ 80
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Buildings (net)	1,200	220	280
Equipment	360	100	75
Accounts payable	480	60	60
Long-term liabilities	1,140	340	300
Common stock	1,000	80	
Additional paid-in capital	200	0	
Retained earnings	1,080	480	

What amount will be reported for consolidated buildings (net)?

A) $1,420,000
B) $1,260,000
C) $1,140,000
D) $1,480,000
E) $1,200,000

Advanced Accounting Author: Hoyle Edition: 15e

85) Flynn Incorporated acquires 100 percent of the outstanding voting shares of Macek Company on January 1, 2024. To obtain these shares, Flynn pays $400 cash (in thousands) and issues 10,000 shares of $20 par value common stock on this date. Flynn's stock had a fair value of $36 per share on that date. Flynn also pays $15 (in thousands) to a local investment firm for arranging the acquisition. An additional $10 (in thousands) was paid by Flynn in stock issuance costs.

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Land	300	120	130
Buildings (net)	1,200	220	280
Equipment	360	100	75
Accounts payable	480	60	60
Long-term liabilities	1,140	340	300
Common stock	1,000	80	
Additional paid-in capital	200	0	
Retained earnings	1,080	480	

What amount will be reported for consolidated equipment (net)?

A) $385,000
B) $335,000
C) $435,000
D) $460,000
E) $360,000

Advanced Accounting Author: Hoyle Edition: 15e

86) Flynn Incorporated acquires 100 percent of the outstanding voting shares of Macek Company on January 1, 2024. To obtain these shares, Flynn pays $400 cash (in thousands) and issues 10,000 shares of $20 par value common stock on this date. Flynn's stock had a fair value of $36 per share on that date. Flynn also pays $15 (in thousands) to a local investment firm for arranging the acquisition. An additional $10 (in thousands) was paid by Flynn in stock issuance costs.

The book values for both Flynn and Macek immediately preceding the acquisition follow. The fair value of each of Flynn and Macek accounts is also included. In addition, Macek holds a fully amortized trademark that still retains a $40 (in thousands) value. *The figures below are in thousands.* Any related question also is in thousands.

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Equipment	360	100	75
Accounts payable	480	60	60
Long-term liabilities	1,140	340	300
Common stock	1,000	80	
Additional paid-in capital	200	0	
Retained earnings	1,080	480	

What amount will be reported for consolidated long-term liabilities?

A) $1,520,000
B) $1,480,000
C) $1,440,000
D) $1,180,000
E) $1,100,000

Advanced Accounting Author: Hoyle Edition: 15e

87) Flynn Incorporated acquires 100 percent of the outstanding voting shares of Macek Company on January 1, 2024. To obtain these shares, Flynn pays $400 cash (in thousands) and issues 10,000 shares of $20 par value common stock on this date. Flynn's stock had a fair value of $36 per share on that date. Flynn also pays $15 (in thousands) to a local investment firm for arranging the acquisition. An additional $10 (in thousands) was paid by Flynn in stock issuance costs.

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Buildings (net)	1,200	220	280
Equipment	360	100	75
Accounts payable	480	60	60
Long-term liabilities	1,140	340	300
Common stock	1,000	80	
Additional paid-in capital	200	0	
Retained earnings	1,080	480	

What amount will be reported for consolidated common stock?

A) $1,000,000
B) $1,080,000
C) $1,200,000
D) $1,280,000
E) $1,360,000

Advanced Accounting Author: Hoyle Edition: 15e

88) Flynn Incorporated acquires 100 percent of the outstanding voting shares of Macek Company on January 1, 2024. To obtain these shares, Flynn pays $400 cash (in thousands) and issues 10,000 shares of $20 par value common stock on this date. Flynn's stock had a fair value of $36 per share on that date. Flynn also pays $15 (in thousands) to a local investment firm for arranging the acquisition. An additional $10 (in thousands) was paid by Flynn in stock issuance costs.

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Equipment	360	100	75
Accounts payable	480	60	60
Long-term liabilities	1,140	340	300
Common stock	1,000	80	
Additional paid-in capital	200	0	
Retained earnings	1,080	480	

Assuming the combination occurred prior to 2009 and was accounted for under the *purchase method*, what amount will be reported for consolidated retained earnings?

A) $1,830,000
B) $1,350,000
C) $1,080,000
D) $1,560,000
E) $1,535,000

Advanced Accounting Author: Hoyle Edition: 15e

89) Flynn Incorporated acquires 100 percent of the outstanding voting shares of Macek Company on January 1, 2024. To obtain these shares, Flynn pays $400 cash (in thousands) and issues 10,000 shares of $20 par value common stock on this date. Flynn's stock had a fair value of $36 per share on that date. Flynn also pays $15 (in thousands) to a local investment firm for arranging the acquisition. An additional $10 (in thousands) was paid by Flynn in stock issuance costs.

The book values for both Flynn and Macek immediately preceding the acquisition follow. The fair value of each of Flynn and Macek accounts is also included. In addition, Macek holds a fully amortized trademark that still retains a $40 (in thousands) value. *The figures below are in thousands.* Any related question also is in thousands.

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Inventory	660	260	300
Land	300	120	130
Buildings (net)	1,200	220	280
Equipment	360	100	75
Accounts payable	480	60	60
Long-term liabilities	1,140	340	300
Common stock	1,000	80	
Additional paid-in capital	200	0	
Retained earnings	1,080	480	

Under the acquisition method, what amount will be reported for consolidated retained earnings?

A) $1,065,000
B) $1,080,000
C) $1,525,000
D) $1,535,000
E) $1,560,000

Advanced Accounting Author: Hoyle Edition: 15e

90) Flynn Incorporated acquires 100 percent of the outstanding voting shares of Macek Company on January 1, 2024. To obtain these shares, Flynn pays $400 cash (in thousands) and issues 10,000 shares of $20 par value common stock on this date. Flynn's stock had a fair value of $36 per share on that date. Flynn also pays $15 (in thousands) to a local investment firm for arranging the acquisition. An additional $10 (in thousands) was paid by Flynn in stock issuance costs.

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Land	300	120	130
Buildings (net)	1,200	220	280
Equipment	360	100	75
Accounts payable	480	60	60
Long-term liabilities	1,140	340	300
Common stock	1,000	80	
Additional paid-in capital	200	0	
Retained earnings	1,080	480	

What amount will be reported for consolidated additional paid-in capital?

A) $365,000
B) $350,000
C) $360,000
D) $375,000
E) $345,000

Advanced Accounting Author: Hoyle Edition: 15e

91) Flynn Incorporated acquires 100 percent of the outstanding voting shares of Macek Company on January 1, 2024. To obtain these shares, Flynn pays $400 cash (in thousands) and issues 10,000 shares of $20 par value common stock on this date. Flynn's stock had a fair value of $36 per share on that date. Flynn also pays $15 (in thousands) to a local investment firm for arranging the acquisition. An additional $10 (in thousands) was paid by Flynn in stock issuance costs.

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	Flynn	**Macek**	
		Book Value	**Fair Value**
Cash	$ 900	$ 80	$ 80
Receivables	480	180	160
Inventory	660	260	300
Land	300	120	130
Buildings (net)	1,200	220	280
Equipment	360	100	75
Accounts payable	480	60	60
Long-term liabilities	1,140	340	300
Common stock	1,000	80	
Additional paid-in capital	200	0	
Retained earnings	1,080	480	

What amount will be reported for consolidated cash after the acquisition is completed?

A) $475,000

B) $500,000

C) $555,000

D) $580,000

E) $875,000

Advanced Accounting Author: Hoyle Edition: 15e

92) Flynn Incorporated acquires 100 percent of the outstanding voting shares of Macek Company on January 1, 2024. To obtain these shares, Flynn pays $400 cash (in thousands) and issues 10,000 shares of $20 par value common stock on this date. Flynn's stock had a fair value of $36 per share on that date. Flynn also pays $15 (in thousands) to a local investment firm for arranging the acquisition. An additional $10 (in thousands) was paid by Flynn in stock issuance costs.

The book values for both Flynn and Macek immediately preceding the acquisition follow. The fair value of each of Flynn and Macek accounts is also included. In addition, Macek holds a fully amortized trademark that still retains a $40 (in thousands) value. *The figures below are in thousands.* Any related question also is in thousands.

	Flynn	**Macek**	
		Book Value	**Fair Value**
Cash	$ 900	$ 80	$ 80
Receivables	480	180	160
Inventory	660	260	300
Land	300	120	130
Buildings (net)	1,200	220	280
Equipment	360	100	75
Accounts payable	480	60	60
Long-term liabilities	1,140	340	300
Common stock	1,000	80	
Additional paid-in capital	200	0	
Retained earnings	1,080	480	

Which of the following is *true* regarding the FASB Accounting Standards Update No. 2014-17, *Business Combinations: Pushdown Accounting*?

A) It requires the use of pushdown accounting in all business combinations.
B) It prohibits the use of pushdown accounting in business combinations.
C) It provides an option to use pushdown accounting in a business combination.
D) It requires the use of pushdown accounting in a business combination only when the parent acquires 100% of a subsidiary's outstanding stock.
E) It prohibits the use of pushdown accounting in a business combination only when the parent acquires 100% of a subsidiary's outstanding stock.

Advanced Accounting Author: Hoyle Edition: 15e

SHORT ANSWER. Write the word or phrase that best completes each statement or answers the question.

93) Bale Company acquired Silo Incorporated on December 31, 2024, in an acquisition business combination transaction. Bale's net income for the year was $1,400,000, while Silo had net income of $400,000 earned evenly during the year. Bale paid $100,000 in direct combination costs, $50,000 in indirect costs, and $30,000 in stock issuance costs to effect the combination.

Required: What is consolidated net income for 2024?

94) Fine Company issued its common stock in exchange for the common stock of Dandy Corporation in an acquisition. At the date of the combination, Fine had land with a book value of $480,000 and a fair value of $620,000. Dandy had land with a book value of $170,000 and a fair value of $190,000.

Required: What was the consolidated balance for Land in a consolidated balance sheet prepared at the date of the acquisition combination?

Advanced Accounting Author: Hoyle Edition: 15e

95) Jernigan Corporation had the following account balances at 12/1/23:

Receivables	$ 96,000
Inventory	240,000
Land	720,000
Buildings	600,000
Liabilities	480,000
Common stock	120,000
Additional paid-in capital	120,000
Retained earnings, 12/1/23	840,000
Revenues	360,000
Expenses	264,000

Several of Jernigan's accounts have fair values that differ from book value. The fair values are: Land — $480,000; Building — $720,000; Inventory — $336,000; and Liabilities — $396,000. Inglewood acquired all of the outstanding common shares of Jernigan by issuing 20,000 shares of common stock having a $6 par value per share, but a $66 fair value per share. Stock issuance costs amounted to $12,000.

Required:

Prepare a fair value allocation and goodwill schedule at the date of the acquisition.

96) Salem Company had the following account balances as of December 1, 2023:

Inventory	$ 720,000
Land	600,000
Buildings—net (valued at $1,200,000)	1,080,000
Common stock ($10 par value)	960,000
Retained earnings, December 1, 2023	1,320,000
Revenues	720,000
Expenses	600,000

Bellington Incorporated transferred $1.7 million in cash and 12,000 shares of its newly issued $30 par value common stock (valued at $90 per share) to acquire all of Salem's outstanding common stock. Determine the balance for Goodwill that would be included in a December 1, 2023, consolidation as a result of the acquisition.

Advanced Accounting Author: Hoyle Edition: 15e

97) Salem Company had the following account balances as of December 1, 2023:

Inventory	$ 720,000
Land	600,000
Buildings—net (valued at $1,200,000)	1,080,000
Common stock ($10 par value)	960,000
Retained earnings, December 1, 2023	1,320,000
Revenues	720,000
Expenses	600,000

Assume that Bellington Company paid cash of $2.8 million and no stock is issued. Also assume that $50,000 is paid in direct combination costs.

Required:

For Goodwill, determine what balance would be included in a December 1, 2023, consolidation as a result of the acquisition.

Advanced Accounting Author: Hoyle Edition: 15e

98) On January 1, 2024, Chester Incorporated acquired 100% of Festus Corporation's outstanding common stock by exchanging 37,500 shares of Chester's $2 par value common voting stock. On January 1, 2024, Chester's voting common stock had a fair value of $40 per share. Festus' voting common shares were selling for $6.50 per share. Festus' balances on the acquisition date, just prior to acquisition are listed below.

	Book Value	Fair Value
Cash	$ 30,000	$ 30,000
Accounts Receivable	120,000	$ 120,000
Inventory	200,000	230,000
Land	230,000	290,000
Building (net)	450,000	600,000
Equipment (net)	175,000	160,000
Accounts Payable	(80,000)	(80,000)
Common Stock, $1 par	(500,000)	
Paid-in Capital	(350,000)	
Retained Earnings, 1/1/24	(275,000)	

Required:
Compute the value of Goodwill resulting from the acquisition.

Advanced Accounting Author: Hoyle Edition: 15e

99) The financial statements for Jode Incorporated and Lakely Corporation, just prior to their combination, for the year ending December 31, 2023, follow. Lakely's buildings were undervalued on its financial records by $60,000.

	Jode	Lakely
Revenues	$ 1,300,000	$ 500,000
Expenses	(1,180,000)	(290,000)
Net income	$ 120,000	$ 210,000
Retained earnings, January 1, 2023	$ 700,000	$ 500,000
Net income (from above)	120,000	210,000
Dividends declared	(110,000)	(110,000)
Retained earnings, December 31, 2023	$ 710,000	$ 600,000
Cash	$ 160,000	$ 120,000
Receivables and inventory	240,000	240,000
Buildings (net)	700,000	350,000
Equipment (net)	700,000	600,000
Total assets	$ 1,800,000	$ 1,310,000
Liabilities	$ 250,000	$ 195,000
Common stock	750,000	430,000
Additional paid-in capital	90,000	85,000
Retained earnings, 12/31/23	710,000	600,000
Total liabilities and stockholders' equity	$ 1,800,000	$ 1,310,000

On December 31, 2023, Jode issued 54,000 new shares of its $10 par value stock in exchange for all the outstanding shares of Lakely. Jode's shares had a fair value on that date of $35 per share. Jode paid $34,000 to an investment bank for assisting in the arrangements. Jode also paid $24,000 in stock issuance costs to effect the acquisition of Lakely. Lakely will retain its incorporation.

Prepare the journal entries to record: (1) the issuance of stock by Jode; and (2) the payment of the combination costs.

Advanced Accounting Author: Hoyle Edition: 15e

100) The financial statements for Jode Incorporated and Lakely Corporation, just prior to their combination, for the year ending December 31, 2020, follow. Lakely's buildings were undervalued on its financial records by $60,000.

	Jode	Lakely
Revenues	$ 1,300,000	$ 500,000
Expenses	(1,180,000)	(290,000)
Net income	$ 120,000	$ 210,000
Retained earnings, January 1, 2023	$ 700,000	$ 500,000
Net income (from above)	120,000	210,000
Dividends declared	(110,000)	(110,000)
Retained earnings, December 31, 2023	$ 710,000	$ 600,000
Cash	$ 160,000	$ 120,000
Receivables and inventory	240,000	240,000
Buildings (net)	700,000	350,000
Equipment (net)	700,000	600,000
Total assets	$ 1,800,000	$ 1,310,000
Liabilities	$ 250,000	$ 195,000
Common stock	750,000	430,000
Additional paid-in capital	90,000	85,000
Retained earnings, 12/31/23	710,000	600,000
Total liabilities and stockholders' equity	$ 1,800,000	$ 1,310,000

On December 31, 2023, Jode issued 54,000 new shares of its $10 par value stock in exchange for all the outstanding shares of Lakely. Jode's shares had a fair value on that date of $35 per share. Jode paid $34,000 to an investment bank for assisting in the arrangements. Jode also paid $24,000 in stock issuance costs to effect the acquisition of Lakely. Lakely will retain its incorporation.

Required:

Determine consolidated net income for the year ended December 31, 2023.

Advanced Accounting Author: Hoyle Edition: 15e

101) The financial statements for Jode Incorporated and Lakely Corporation, just prior to their combination, for the year ending December 31, 2023, follow. Lakely's buildings were undervalued on its financial records by $60,000.

	Jode	Lakely
Revenues	$ 1,300,000	$ 500,000
Expenses	(1,180,000)	(290,000)
Net income	$ 120,000	$ 210,000
Retained earnings, January 1, 2023	$ 700,000	$ 500,000
Net income (from above)	120,000	210,000
Dividends declared	(110,000)	(110,000)
Retained earnings, December 31, 2023	$ 710,000	$ 600,000
Cash	$ 160,000	$ 120,000
Receivables and inventory	240,000	240,000
Buildings (net)	700,000	350,000
Equipment (net)	700,000	600,000
Total assets	$ 1,800,000	$ 1,310,000
Liabilities	$ 250,000	$ 195,000
Common stock	750,000	430,000
Additional paid-in capital	90,000	85,000
Retained earnings, 12/31/23	710,000	600,000
Total liabilities and stockholders' equity	$ 1,800,000	$ 1,310,000

On December 31, 2023, Jode issued 54,000 new shares of its $10 par value stock in exchange for all the outstanding shares of Lakely. Jode's shares had a fair value on that date of $35 per share. Jode paid $34,000 to an investment bank for assisting in the arrangements. Jode also paid $24,000 in stock issuance costs to effect the acquisition of Lakely. Lakely will retain its incorporation.

Determine consolidated Additional Paid-In Capital at December 31, 2023.

Advanced Accounting Author: Hoyle Edition: 15e

102) The following are preliminary financial statements for Black Company and Blue Company for the year ending December 31, 2024, prior to Black's acquisition of Blue.

	Black	Blue
Sales	$ 360,000	$ 228,000
Expenses	(240,000)	(132,000)
Net income	$ 120,000	$ 96,000
Retained earnings, January 1, 2024	$ 480,000	$ 252,000
Net income (from above)	120,000	96,000
Dividends paid	(36,000)	0
Retained earnings, December 31, 2024	$ 564,000	$ 348,000
Current assets	$ 360,000	$ 120,000
Land	120,000	108,000
Buildings (net)	480,000	336,000
Total assets	$ 960,000	$ 564,000
Liabilities	$ 108,000	$ 132,000
Common stock	192,000	72,000
Additional paid-in capital	96,000	12,000
Retained earnings, December 31,2024	564,000	348,000
Total liabilities and stockholders' equity	$ 960,000	$ 564,000

On December 31, 2024 (subsequent to the preceding statements), Black exchanged 10,000 shares of its $10 par value common stock for all of the outstanding shares of Blue. Black's stock on that date has a fair value of $50 per share. Black was willing to issue 10,000 shares of stock because Blue's land was appraised at $204,000. Black also paid $14,000 to attorneys and accountants who assisted in creating this combination.

Required:

Assuming that these two companies retained their separate legal identities, prepare a consolidation worksheet as of December 31, 2024.

Advanced Accounting Author: Hoyle Edition: 15e

103) The following are preliminary financial statements for Green and Gold for the year ending December 31, 2024, prior to Green's acquisition of Gold.

	Green	Gold
Sales	$ 360,000	$ 228,000
Expenses	(240,000)	(132,000)
Net income	$ 120,000	$ 96,000
Retained earnings, January 1, 2024	$ 480,000	$ 252,000
Net income (from above)	120,000	96,000
Dividends paid	(36,000)	0
Retained earnings, December 31, 2024	$ 564,000	$ 348,000
Current assets	$ 360,000	$ 120,000
Land	120,000	108,000
Buildings (net)	480,000	336,000
Total assets	$ 960,000	$ 564,000
Liabilities	$ 108,000	$ 132,000
Common stock	192,000	72,000
Additional paid-in capital	96,000	12,000
Retained earnings, December 31,2024	564,000	348,000
Total liabilities and stockholders' equity	$ 960,000	$ 564,000

On December 31, 2024 (subsequent to the preceding statements), Green exchanged 10,000 shares of its $10 par value common stock for all of the outstanding shares of Gold. Green's stock on that date has a fair value of $60 per share. Green was willing to issue 10,000 shares of stock because Gold's land was appraised at $204,000. Green also paid $14,000 to attorneys and accountants who assisted in creating this combination.

Required:

Assuming that these two companies retained their separate legal identities, prepare a consolidation worksheet as of December 31, 2024, after the acquisition transaction is completed.

Advanced Accounting Author: Hoyle Edition: 15e

104) For each of the following situations, select the best letter answer to reflect the effect of the numbered item on the acquirer's accounting entry at the date of combination when separate incorporation will be maintained. Item (4) requires two selections.

(A) Increase Investment account.
(B) Decrease Investment account.
(C) Increase Liabilities.
(D) Increase Common stock.
(E) Decrease common stock.
(F) Increase Additional paid-in capital.
(G) Decrease Additional paid-in capital.
(H) Increase Retained earnings.
(I) Decrease Retained earnings.

1. Direct costs.
2. Indirect costs.
3. Stock issue costs.
4. Contingent consideration.
5. Bargain purchase.

ESSAY. Write your answer in the space provided or on a separate sheet of paper.

105) What term is used to refer to a business combination in which only one of the original companies continues to exist?

106) How are stock issuance costs accounted for in an acquisition business combination?

Advanced Accounting Author: Hoyle Edition: 15e

107) What is the primary difference between recording an acquisition when the subsidiary is dissolved and when separate incorporation is maintained?

108) How are direct combination costs accounted for in an acquisition transaction?

109) Peterman Company owns 55% of Samson Company. Under what circumstances would Peterman ***not*** be required to prepare consolidated financial statements?

110) How would you account for in-process research and development acquired in a business combination accounted for as an acquisition?

111) Elon Corporation obtained all of the common stock of Finley Company, paying slightly less than the fair value of Finley's net assets acquired. How should the difference between the consideration transferred and the fair value of the net assets be treated if the transaction is accounted for as an acquisition?

Advanced Accounting Author: Hoyle Edition: 15e

112) For acquisition accounting, why are assets and liabilities of the subsidiary consolidated at fair value?

113) Goodwill is often acquired as part of a business combination. Why, when separate incorporation is maintained, does Goodwill not appear on the Parent company's trial balance as a separate account?

114) How are direct combination costs, contingent consideration, and a bargain purchase reflected in recording an acquisition transaction?

115) How is contingent consideration accounted for in an acquisition business combination transaction?

116) How are bargain purchases accounted for in an acquisition business transaction?

Advanced Accounting Author: Hoyle Edition: 15e

117) Describe the accounting for direct costs, indirect costs, and issuance costs under the acquisition method of accounting for a business combination.

118) What is the difference in consolidated results between a business combination whereby the acquired company is dissolved, and a business combination whereby separate incorporation is maintained?

119) What are some reasons that a business combination may take place?

120) What are the benefits of using pushdown accounting?

121) What are the two specific criteria essential to determining whether to recognize an intangible asset in a business combination?

122) What is the purpose of Consolidation Entry S in a consolidation worksheet?

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123) What is the purpose of Consolidation Entry A in a consolidation worksheet?

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Answer Key

Test name: CH02

1) C
2) B
3) A
4) D
5) B
6) A
7) E
8) C
9) C
10) D
11) B
12) C
13) A
14) C
15) B

Goodwill = Consideration Transferred less Acquisition Date Fair Value of Net Assets Acquired and Liabilities Assumed

Consideration Transferred: $46 × 13,000 = $598,000

Fair Value of Assets Acquired: $70,000 (cash and receivables) + $210,000 (inventory) + $240,000 (land) + $280,000 (buildings) + $90,000 (equipment) = $890,000

Fair Value of Liabilities Assumed: $430,000

Net Assets = $890,000 − $430,000 = $460,000

Goodwill: $598,000 − $460,000 = $138,000

16) D

$320,000 (Wilkins Land) + $240,000 (Granger Land) = $560,000

17) D

Advanced Accounting Author: Hoyle Edition: 15e

Consolidated Additional Paid-In Capital = Wilkins Additional Paid-In Capital ($60,000) + Additional Paid-In Capital related to stock issued in connection with Granger business combination ($41 × 13,000) = $60,000 + $533,000 = $593,000
Wilkins's Retained Earnings: $250,000

18) B
Inventory $230,000 Book Value + $210,000 Fair Value = $440,000
Land $320,000 Book Value + $240,000 Fair Value = $560,000

19) C
Fair value of consideration transferred less fair value of net assets = goodwill $500,000 − ($70,000 + $210,000 + $240,000 + $280,000 + $90,000 − $430,000) = $40,000 Excess

20) C
$2.75 × 62,000 = $170,500

21) B
$240,000 + ($1.00 × 62,000) = $302,000

22) D

Consideration Transferred = Net Fair Value of Assets Acquired and Liabilities Assumed
Consideration Transferred: $37 per share × 32,000 shares = $1,184,000
Net Fair Value of Assets/Liabilities: $750,000 + $970,000 = $1,720,000
Total: $1,184,000 + $1,720,000 = $2,904,000

23) E
24) C
25) A
26) A
27) C
28) A
29) C
30) D
$650 Cash + ($40 per share × 35 shares) = $2,050 Investment

31) A

Advanced Accounting Author: Hoyle Edition: 15e

With respect to stock issued, Additional Paid-In Capital is adjusted by the amount fair value exceeds par value and stock issuance costs.
Additional Paid-In Capital: Excess Value of Stock Over Par = ($40 − $10) × 35 shares = $1,050
Additional Paid-In Capital: Stock Issuance Costs = $30
Total Additional Paid-In Capital resulting from acquisition = $1,050 − $30 = $1,020

32) D
$2,600 Parent's Revenue Only

33) D
$1,200 + $360 = $1,560

34) B
Consolidated Expenses = Campbell's Expenses only immediately following the transaction
Campbell's Expenses = $1,880 (2024 Expenses Reported on Financial Statements) + $25 (Fees Expensed as Incurred) = $1,905

35) C
Consolidated Cash Equals Campbell's Cash + Newton's Cash − Cash to Pay Costs and Expenses Related to Business Combination
Campbell's Cash: $240

Newton's Cash: $230
Costs and Expenses: $25 + $30 = $55
Consolidated Total = $240 + $230 − $55 = $415

36) B
Consolidated Value of Buildings determined by adding the book value of Campbell's buildings ($2,700 Book Value) to the Fair Value of Newton's buildings ($590 Fair Value) = $3,290

37) E
Consolidated Value of Equipment (net) Determined by adding the book value of Campbell's Equipment Account ($2,100) to the Fair Value of Newton's Equipment (net) ($1,450) for a total consolidated fair value of $3,550

38) D
Consideration transferred equals fair value of cash ($650) + fair value of Campbell stock issued ($40 per share × 35 shares) = $650 + $1,400 = $2,050

39) D

Advanced Accounting Author: Hoyle Edition: 15e

Goodwill equals excess of: (i) fair value of assets received and liabilities assumed; less (ii) consideration paid.
Fair value of assets received: $230 cash + $360 receivables and inventory + $590 fair value of buildings (net) + $1,450 fair value of equipment (net) = $2,630
Fair value of liabilities assumed: $720
Consideration paid: $650 cash + Fair Value of common stock ($40 × 35 = $1,400) = $2,050
Goodwill = Consideration Paid ($2,050) less Fair Value of assets received and liabilities assumed ($2,630 assets received − $720 liabilities assumed = $1,910) = $2,050 − $1,910 = $140

40) C
Campbell Stock (par value $1,080) + Stock Issued for Newton (par value $10 × 35 shares) = $1,080 + $350 = $1,430

41) D
Campbell's reported Additional paid-in capital ($810) plus the excess of Fair Value of shares issued to acquire Newton [($40 − $10) × 35 shares = $1,050] less stock issuance costs ($30) = $810 + $1,050 − $30 = $1,830

42) D
Campbell's liabilities plus Newton's liabilities equal consolidated liabilities

Campbell's Liabilities: $1,500 Existing + $650 to fund consideration paid on business consolidation = $2,150
Newton's Liabilities: $720
Consolidated Liabilities = $2,150 (Campbell) + $720 (Newton) = $2,870

43) A
$2,850 − $25 Broker Expense = $2,825

44) E

Advanced Accounting Author: Hoyle Edition: 15e

Because the fair value of Osorio's net assets acquired exceeds the consideration paid by Moody, a bargain purchase gain has occurred as follows:

Fair value of Osorio's net assets acquired ($1,510 assets – $480 liabilities)	$ 1,030
Consideration transferred for 100% of Osorio ($400 liabilities + $400 common stock)	800
Bargain purchase gain	$ 230

When the fair value of net assets acquired exceeds the consideration transferred, the investment account is recorded at the fair value of the net assets acquired and *not* the consideration transferred. Therefore, Moody records the Osorio acquisition on its books as follows:

	Debit	Credit
Investment in Osorio	$ 1,030	
Long-term liabilities		400
Common stock ($1 par)		40
Additional paid-in capital		360
Gain on bargain purchase		230

45) D

Feedback: Goodwill = Total Consideration Paid − Excess of Fair Value of Assets Acquired Over Liabilities Assumed

Total Consideration Paid: $400 + ($10 × 40) = $800

Fair Value of Assets Acquired: $40 (Cash) + $180 (Accounts Receivables) + $290 (Inventory) + $400 (Land) + $500 (Buildings) + $100 (Equipment) = $1,510

Fair Value of Liabilities Assumed: $400 (Long Term Liabilities) + $80 (Accounts Payable) = $480

Bargain Purchase Gain: Consideration ($800) − Excess of Fair Value of Assets Acquired Over Liabilities Assumed ($1,030) = $230

46) D

Moody Inventory ($1,080 Book Value on Acquisition Date) + Osorio Inventory ($290 Fair Value on Acquisition Date) = $1,370

47) B

Moody Buildings on Acquisition Date (Book Value of $1,260) + Osorio Buildings on Acquisition Date ($500 Fair Value) = $1,760

48) A
Moody's Land (Book Value of $600) + Osorio Land (Fair Value on Acquisition Date of $400) = $1,000

49) B
Moody Acquisition Date Equipment (Book Value of $480) + (Osorio's Equipment with Fair Value on Acquisition Date of $100) = $580

50) A
Moody's Common Stock ($330) + Common Stock Issued in Connection With Osorio Business Combination ($1.00 par value per share × 40 shares = $40) = $330 + $40 = $370

51) D
Moody's Additional Paid-In Capital on Acquisition Date: $1,080
Additional Paid-In Capital Adjustments Related to Osorio Business Combination: Excess of Fair Value Over Par Value ($9.00 per share × 40 shares = $360) − Stock Issuance Costs ($15) = $345
Combined APIC = $1,080 + $345 = $1,425

52) B
Moody's Cash on Acquisition Date: $180
Osorio's Cash on Acquisition Date: $40
Reductions to Cash for Business Combination Related Costs and Expenses ($20 + $15) = $35
Combined: $180 + $40 − $35 = $185

53) D
Consideration Paid = Fair Value of $30 per share × 30,000 shares = $900,000

54) B
Additional Paid-In Capital increases by the excess of the fair value over the par value of shares issued in connection with business combination less stock issuance costs.
$30 fair value per share − $10 par value per share = $20 per share × 30,000 shares = $600,000 − $12,000 stock issuance costs = $588,000

55) C

Advanced Accounting Author: Hoyle Edition: 15e

Ferguson Common Stock Account Before Acquisition: $800,000
Par Value of Stock Issued in Connection with Business Combination: $10 par value per share × 30,000 shares = $300,000
Total: $800,000 + $300,000 = $1,100,000

56) C
350,000 (Ferguson Additional Paid-In Capital Balance on Acquisition Date) + $588,000 Additional Business Combination Related Additional Paid-In Capital ($30 fair value per share − $10 par value per share = $20 per share × 30,000 shares = $600,000 − $12,000 stock issuance costs = $588,000) = $938,000

57) A
Atwood Shares Issued in Connection with Business Combination = $35 Fair Value per share × 50 shares = $1,750

58) B
Atwood Common Stock Account on Acquisition Date: $1,980
Franz Related Business Combination Common Stock: $20 par value per share × 50 shares = $1,000
Total Common Stock Account: $1,980 + $1,000 = $2,980

59) B
Atwood Acquisition Date Inventory ($1,230 book value) + Acquisition Date Fair Value of Franz Inventory ($580) = $1,230 + $580 = $1,810

60) D
Atwood Acquisition Date Land ($1,800 book value) + Franz Acquisition Date Land Fair Value ($250) = $2,050 Consolidated Value

61) A
Atwood Acquisition Date Buildings ($1,800 book value) + Franz Acquisition Date Building Fair Value ($650) = $2,450

62) E
Atwood Acquisition Date Long-Term Liabilities ($2,700 book value) + Franz Acquisition Date Long-Term Liabilities at Fair Value ($1,120) = $3,820

63) B

Advanced Accounting Author: Hoyle Edition: 15e

Goodwill = Total Consideration Paid − Excess of Fair Value of Assets Acquired Over Liabilities Assumed
Total Consideration Paid: $35 fair value per share × 50 shares = $1,750
Net Assets/Liabilities at Fair Value: $240 + $600 + $580 + $250 + $650 + $400 − $240 − $60 − $1,120 = $1,300
Goodwill: Consideration ($1,750) − Net Assets/Liabilities ($1,300) = $450
Consolidated Goodwill: $450

64) C
Atwood Acquisition Date Equipment ($660 book value) + Franz Acquisition Date Equipment ($400 Fair Value) = $1,060

65) A
Net Assets = Fair Value of Assets Acquired Less Fair Value of Liabilities Assumed Franz Assets: $240 (Cash) + $600 (Accounts Receivable) + $580 (Inventory) + $250 (Land) + $650 (Building) + Equipment ($400) = $2,720
Franz Liabilities: Long Term Liabilities at Acquisition Date ($1,120 fair value) + Accounts Payable ($240 fair value) + Accrued Expenses ($60 fair value) = $1,420
Net Assets Total: $1,300

66) C
$1,170 (Atwood reported Retained Earnings) + $2,880 (Atwood Revenues to be closed to Retained Earnings) − $2,760 (Atwood Expenses to be closed to Retained Earnings) − $10 (direct costs) = $1,280

67) B
$2,880 Revenues of the Parent Only

68) B
$870 (Atwood reported balance) + $240 (Franz reported balance) − $15 (stock issuance costs) − $10 (direct costs) = $1,085

69) B
$2,760 (Atwood reported balance) + $10 (direct costs) = $2,770

70) B
$35 fair value per share × 50 shares = $1,750 (stock issued) + $5 (contingency) = $1,755

71) B

$1,230 book value of Boxwood + $580 fair value of Tranz = $1,810

72) D
$1,800 Book Value of Boxwood + $250 Fair Value of Tranz = $2,050

73) A
$1,800 book value of Boxwood + $650 fair value of Tranz = $2,450

74) D
Acquisition price: $35 fair value per share × 50 shares = $1,750
Net Assets at Fair Value: $240 + $600 + $580 + $250 + $650 + $400 − $240 − $60 − $1,120 = $1,300
Contingency: $5
Goodwill = $1,750 + $5 − $1,300 = $455

75) C
$660 book value of Boxwood + $400 fair value of Tranz = $1,060

76) D
Components of ending retained earnings (revenues and expenses) are extended across the worksheet, then combined vertically.
Atwood's Total Expenses = Expenses Before Acquisition + Direct Costs = $2,760 + $10 = $2,770
Atwood's Ending Retained Earnings = Revenues ($2,880) − Total Expenses ($2,770) = $110
Total Ending Retained Earnings = $1,170 + $110 = $1,280

77) B
$2,880 Revenues of the Parent Only

78) C
Atwood's Total Expenses = Expenses Before Acquisition + Direct Costs = $2,760 + $10 = $2,770

79) D
Cash of Parent + Cash of Subsidiary − Post-Transaction Costs = $870 + $240 − ($15 + $10) = $870 + $240 − $25 = $1,085

80) A

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Additional Paid-In Capital adjusted for excess of fair value of stock issued as business combination consideration over its par value, and stock issuance costs
Excess of Fair Value Over Par Value = $36 − $20 = $16 per share
Total Excess = $16 × 10,000 shares = $160,000
Stock Issuance Costs: $10,000
Total Additional Paid-In Capital Adjustment = $160,000 − $10,000 = $150,000

81) B
Goodwill = Excess of Consideration Paid Over Net Fair Value of Assets and Liabilities
Consideration Paid: Cash + Fair Value of Stock = $400,000 + ($36 × 10,000 shares) = $400,000 + $360,000 = $760,000
Fair Value of Assets = $80,000 (cash) + $160,000 (receivables) + $300,000 (inventory) + $130,000 (land) + $280,000 (buildings) + $75,000 (equipment) + $40,000 (trademark) = $1,065,000
Liabilities at Fair Value = $300,000 (long-term liabilities) + $60,000 (accounts payable) = $360,000
Net Assets: $1,065,000 − $360,000 = $705,000
Goodwill = $760,000 (consideration paid) − $705,000 (net assets) = $55,000

82) B
Flynn Receivable ($480,000) + Fair Value of Macek Receivable ($160,000) = $640,000

83) B
Flynn Inventory ($660,000) + Fair Value of Macek Inventory ($300,000) = $960,000

84) D
Flynn Buildings ($1,200,000) + Fair Value of Macek Buildings ($280,000) = $1,480,000

85) C
Flynn Equipment ($360,000) + Fair Value of Macek Equipment ($75,000) = $435,000

86) C
Flynn Long-Term Liabilities ($1,140,000) + Fair Value of Macek Long-Term Liabilities ($300,000) = $1,440,000

87) C
Flynn common stock ($1,000,000) + Par Value of Stock Issued in Connection with the Business Combination ($20 × 10,000 shares = $200,000) = $1,200,000

88) C

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$1,080,000 Retained Earnings of the Parent Only

89) A
$1,080,000 (book value of Flynn) − $15,000 (direct costs) = $1,065,000

90) B
Flynn's Additional Paid-In Capital balance + Additional Paid-In Capital adjustments as a result of acquisition
Flynn's Additional Paid-In Capital balance ($200,000) + Additional Paid-In Capital adjustment ($150,000 see below) = $200,000 + $150,000 = $350,000
Additional Paid-In Capital adjusted for excess of fair value of stock issued as business combination consideration over its par value, and stock issuance costs
Excess of Fair Value Over Par Value = $36 − $20 = $16 per share
Total Excess = $16 × 10,000 shares = $160,000
Stock Issuance Costs: $10,000
Total Additional Paid-In Capital Adjustment = $160,000 − $10,000 = $150,000

91) C
Flynn's Cash + Fair Value of Macek's Cash at Acquisition − (Business Combination Costs + Business Combination Expenses + Business Combination Consideration Paid) = $900,000 + $80,000 − ($15,000 + $10,000 + $400,000) = $980,000 − $425,000 = $555,000

92) C
93) Short Answer

Bale's net income for 2024	$ 1,400,000
Less: direct combination costs	100,000
Less: indirect combination costs	50,000
Consolidated net income for 2024	1,250,000

Note: Silo's net income does not affect consolidated net income until after the date of acquisition. The combination costs belong to Bale only.

94) Short Answer

Book value of Fine's land	$ 480,000
Fair value of Dandy's land	190,000
Consolidated balance for land	$ 670,000

95) Short Answer

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Fair value consideration transferred by Inglewood (20,000 shares × $66)		$ 1,320,000
Fair value of Jernigan assets acquired and liabilities assumed		$ (1,236,000)
Excess of consideration transferred over net fair value of assets and liabilities—Goodwill		$ 84,000
Receivables	$ 96,000	
Inventory	336,000	
Land	480,000	
Building	720,000	
Liabilities	(396,000)	
Fair value of Jernigan net assets acquired		$ 1,236,000

96) Short Answer

Fair value of consideration transferred:		
Cash	$ 1,700,000	
Stock issued	1,080,000	
Total consideration transferred:		$ 2,780,000
Fair value of assets acquired:		
Inventory	$ 720,000	
Land	600,000	
Buildings	1,200,000	
Total of Assets		(2,520,000)
Excess of consideration transferred over fair value of assets transferred—Goodwill:		$ 260,000

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97) Short Answer

Fair value of consideration transferred:		
Cash	$ 2,800,000	
Total consideration transferred:		$ 2,800,000
Fair value of assets acquired:		
Inventory	$ 720,000	
Land	600,000	
Buildings	1,200,000	
Total of Assets		$ (2,520,000)
Excess of consideration transferred over fair value of assets transferred — Goodwill:		$ 280,000

98) Short Answer

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Stock	$ 1,500,000	
Total consideration transferred:		$ 1,500,000
Fair value of assets acquired:		
Cash	$ 30,000	
Accounts Receivable	120,000	
Inventory	230,000	
Land	290,000	
Buildings	600,000	
Equipment	160,000	
Total fair value of assets acquired	$ 1,430,000	
Fair value of liabilities assumed:		
Accounts Payable	(80,000)	
Net fair value of assets acquired and liabilities assumed		$ 1,350,000
Excess of consideration transferred over fair value of assets transferred—Goodwill:		$ 150,000

99) Short Answer

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Entry One **–** To record the issuance of common stock by Jode to execute the purchase.

	Debit	Credit
Investment in Lakely	1,890,000	
Common Stock (par value)		540,000
Paid-in Capital		1,350,000

Entry Two **–** To record the combination costs.

	Debit	Credit
Professional fee expense	34,000	
Additional Paid-In Capital	24,000	
Cash		58,000

100) Short Answer

Consolidated Net Income

Jode's Revenues	$ 1,300,000
Jode's Expenses	(1,214,000)
Consolidated net income	86,000

Note: The subsidiary's revenues and expenses *prior to the date of acquisition* are **not** consolidated.

Jode's Expenses = $1,180,000 + $34,000 direct costs = $1,214,000

101) Short Answer

Consolidated Additional Paid-In Capital

Jode's Additional Paid-In Capital		90,000
Additional Paid-In Capital arising from the acquisition (54,000 shares issued × $25 per share in excess of par value)		$ 1,350,000
Less: Stock issuance costs		(24,000)
Consolidated Additional Paid-In Capital		$ 1,416,000

102) Short Answer

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Bargain Purchase Acquisition Consolidation Worksheet

BLACK COMPANY AND BLUE COMPANY
Consolidation Worksheet
For the Year Ended 12/31/2024

Accounts	Black Company	Blue Company	Consolidation Entries Debit	Consolidation Entries Credit	Consolidated Balance
Income Statement					
Sales	$ (360,000)				(360,000)
Expenses	254,000				254,000
Bargain-Purchase—Gain	(28,000)				(28,000)
Net Income	(134,000)				(134,000)
Statement of Retained Earnings					
Retained earnings, 1/1/24	(480,000)				(480,000)
Net Income	(134,000)				(134,000)
Dividends declared	36,000				36,000
Retained earnings, 12/31/24	$ (578,000)				$ (578,000)
Balance Sheet					
Current assets	346,000	120,000			466,000
Investment in Blue	528,000			(S) 432,000 (A) 96,000	0
Land	120,000	108,000	(A) 96,000		324,000

Buildings (net)	480,000	336,000			816,000
Total Assets	$ 1,474,000	$ 564,000			$ 1,606,000
Liabilities	(108,000)	(132,000)			(240,000)
Common stock	(292,000)	(72,000)	(S) 72,000		(292,000)
Additional paid-in capital	(496,000)	(12,000)	(S) 12,000		(496,000)
Retained earnings, 12/31/24	(578,000)	(348,000)	(S) 348,000		(578,000)
Total Liabilities & Stockholders' Equity	$ (1,474,000)	$ (564,000)	$ 528,000	$ 528,000	$ (1,606,000)

Calculation for Potential Goodwill:		
Consideration transferred by Black	500,000	
Book value of Blue	(432,000)	(Entry S)
Excess of Cost over Book Value	68,000	(Entry A)
Allocations:		
Land (204,000 – 108,000)	(96,000)	(Entry A)

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– Bargain Purchase	(28,000)	(Entry A)
Entry to record the acquisition on Black's-books		
Professional fee expense	14,000	
Investment in Blue	528,000	
Common Stock – Black (10,000 × $10 Par)		100,000
Additional Paid-in Capital – Black (10,000 × $40)		400,000
Cash (paid for direct acquisition costs)		14,000
Gain on Bargain Purchase		28,000
	Debit	**Credit**
Entry S:		
Common Stock	72,000	
Additional Paid-in Capital	12,000	

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Retained Earnings - 12/31/24	348,000	
Investment in Blue		432,000

To eliminate Blue's stockholders' equity accounts and the book value of Blue's net assets from Black's investment account

	Debit	Credit
Entry A:		
Land	96,000	
Investment in Blue		96,000

To eliminate Black's excess payment over book value from its investment account and reassign the excess to specific assets from the bargain purchase

103) Short Answer

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Acquisition Consolidation Worksheet

GREEN COMPANY AND GOLD COMPANY
Consolidation Worksheet
For the Year Ended 12/31/2024

Accounts	Green Company	Gold Company	Consolidation Entries Debit	Consolidation Entries Credit	Consolidated Balance
Income Statement					
Sales	$ (360,000)				(360,000)
Expenses	254,000				254,000
Net Income	(106,000)				(106,000)
Statement of Retained Earnings					
Retained earnings, 1/1/24	(480,000)				(480,000)
Net Income	(106,000)				(106,000)
Dividends declared	36,000				36,000
Retained earnings, 12/31/24	$ (550,000)				$ (550,000)
Balance Sheet					
Current assets	346,000	120,000			466,000
Investment in Gold	600,000			(S) 432,000 (A) 168,000	0
Land	120,000	108,000	(A) 96,000		324,000
Buildings (net)	480,000	336,000			816,000

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Goodwill			(A) 72,000		72,000
Total Assets	$ 1,546,000	$ 564,000			$ 1,678,000
Liabilities	(108,000)	(132,000)			(240,000)
Common stock	(292,000)	(72,000)	(S) 72,000		(292,000)
Additional paid-in capital	(596,000)	(12,000)	(S) 12,000		(596,000)
Retained earnings, 12/31/24	(550,000)	(348,000)	(S) 348,000		(550,000)
Total Liabilities & Stockholders' Equity	$ (1,546,000)	$ (564,000)	$ 600,000	$ 600,000	$ (1,678,000)

Calculation of Goodwill:		
Consideration transferred by Green	600,000	
Book value of Gold	(432,000)	(Entry S)
Excess of consideration transferred over Book Value	168,000	(Entry A)
Allocations:		
Land (204,000 - 108,000)	(96,000)	(Entry A)

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Excess cost not identified - Goodwill	72,000	(Entry A)

Green's entry to record acquisition:

Professional fee expense	14,000	
Investment in Gold	600,000	
Common Stock - Green (10,000 × $10 Par)		100,000
Additional Paid-in Capital - Green (10,000 × $50)		500,000
Cash (paid for direct acquisition costs)		14,000

	Debit	**Credit**
Entry S:		
Common Stock	72,000	
Additional Paid-in Capital	12,000	
Retained Earnings - 12/31/24	348,000	
Investment in Gold		432,000

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To eliminate Gold's stockholders' equity accounts and the book value of Gold's net assets from Green's investment account

	Debit	Credit
Entry A:		
Land	96,000	
Goodwill	72,000	
Investment in Gold		168,000

To eliminate Green's excess payment over book value from its investment account and reassign the excess to specific assets and goodwill

104) Short Answer
(1) I; (2) I; (3) G; (4) A, C; (5) H

105) Essay
The appropriate term is *statutory merger*.

106) Essay

Stock issuance costs reduce the balance in the acquirer’s Additional Paid-In Capital in an acquisition business combination.

107) Essay
When the subsidiary is dissolved, the acquirer records in its books the fair value of individual assets and liabilities acquired as well as the resulting goodwill from the acquisition. However, when separate incorporation is maintained, the acquirer only records the total fair value of consideration transferred as an investment.

108) Essay
In an acquisition, direct combination costs are expensed in the period of the acquisition.

109) Essay
Peterman would not be required to prepare consolidated financial statements if control of Samson is temporary or if, despite majority ownership, Peterman does not have control over Samson. A lack of control might exist if Samson is in a country that imposes restrictions on Peterman's actions.

110) Essay

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In-Process Research and Development is capitalized as an asset of the combination and reported as intangible assets with indefinite lives subject to impairment reviews.

111) Essay
The difference between the consideration transferred and the fair value of the net assets acquired is recognized as a gain on bargain purchase.

112) Essay
The acquisition transaction is assumed to occur through an orderly transaction between market participants at the measurement date of the acquisition. Thus, identified assets and liabilities acquired have been assigned fair value for the transfer to the acquirer and this is a relevant and faithful representation for consolidation.

113) Essay
While the Goodwill does not appear on the Parent company's books, it is implied as part of the account called Investment in Subsidiary. During the consolidation process, the Investment account is broken down into its component parts. Goodwill, along with other items such as subsidiary fair value adjustments, is then shown separately as part of the consolidated financial statement balances.

114) Essay

The acquisition method embraces a fair value concept as measured by the fair value of consideration transferred. (1) Direct combination costs are expensed as incurred; (2) Contingent consideration obligations are recognized at their present value of the potential obligation as part of the acquisition consideration transferred; (3) When a bargain purchase occurs, the acquirer measures and recognizes the fair values of each of the assets acquired and liabilities assumed at the date of the combination, and as a result a gain on the bargain purchase is recognized at the acquisition date.

115) Essay
The fair value approach of the acquisition method views contingent payments as part of the consideration transferred. Under this view, contingencies have a value to those who receive the consideration and represent measurable obligations of the acquirer. The amount of the contingent consideration is measured as the expected present value of a potential payment and increases the investment value recorded.

116) Essay

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A bargain purchase results when the collective fair values of the net identified assets acquired and liabilities assumed exceed the fair value of consideration transferred. The assets and liabilities acquired are recorded at their fair values and the bargain purchase is recorded as a Gain on Bargain Purchase.

117) Essay
Direct and indirect combination costs are expensed as incurred and issuance costs reduce the otherwise fair value of the securities issued (typically a debit to additional paid-in capital) under the acquisition method of accounting for business combinations.

118) Essay
There is no difference in consolidated results.

119) Essay
There are many reasons that a business combination may take place including a desire for:

- Vertical integration of one firm's output and another firm's distribution or further processing.
- Costs savings through elimination of duplicate facilities and staff.
- Quick entry for new or existing products into domestic and foreign markets.
- Economies of scale allowing greater efficiency and negotiating power.
- The ability to access financing at more attractive rates. As firm size increases, negotiating power with financial institutions can increase also.
- Diversification of business risk.
- Continuous expansion of an organization.

120) Essay
Pushdown accounting provides a newly acquired subsidiary the option to revalue its assets and liabilities to acquisition-date fair values in its separately reported financial statements. This valuation option may be useful when the parent expects to offer the subsidiary shares to the public following a period of planned improvements. Other benefits from pushdown accounting may arise when the subsidiary plans to issue debt and needs its separate financial statements to incorporate acquisition-date fair values and previously unrecognized intangibles in their standalone financial reports.

121) Essay

1. Does the intangible asset arise from contractual or other legal rights?
2. Is the intangible asset capable of being sold or otherwise separated from the acquired enterprise?

122) Essay

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Consolidation Entry S is a worksheet entry that eliminates the beginning stockholders' equity of the subsidiary. The stockholders' equity subsidiary balances (in accounts such as Common Stock, Additional Paid-In Capital, and Retained Earnings) represent ownership interests that are now held by the parent and are not represented as equity in the parent's consolidated balance sheet. Also, removing these account balances on the worksheet leaves the subsidiary's assets and liabilities to be combined with the parent company figures. Consolidation Entry S also removes from the parent's Investment account balance the amount that equates to the book value of the subsidiary's net assets.

123) Essay

Consolidation Entry A is a worksheet entry that removes the excess payment from the parent's Investment account and assigns that excess payment to the specific accounts indicated by the fair-value allocation. It also assists in eliminating the parent's Investment account balance on the consolidation worksheet.