

Access Advanced Accounting 11th Edition Chapter 8 solutions now. Our solutions are written by Chegg experts so you can be assured of the highest quality!

A business combination is the process of forming a single economic entity by the uniting of two or more organizations under common ownership. The term also refers to the entity that results from this process. This transaction is labeled a statutory merger if the acquired company transfers its assets and liabilities to the buyer and then legally dissolves as a corporation. Both companies retain their separate legal identities although the common ownership indicates that only a single economic entity exists. Consolidated financial statements represent accounting information gathered from two or more separate companies. This data, although accumulated individually by the organizations, is brought together or consolidated to describe the single economic entity created by the business combination. Companies that form a business combination will often retain their separate legal identities as well as their individual accounting systems. In such cases, internal financial data continues to be accumulated by each organization. Separate financial reports may be required for outside shareholders a noncontrolling interest , the government, debt holders, etc. This information may also be utilized in corporate evaluations and other decision making. However, the business combination must periodically produce consolidated financial statements encompassing all of the companies within the single economic entity. A worksheet is used to organize and structure this process. The worksheet allows for a simulated consolidation to be carried out on a regular, periodic basis without affecting the financial records of the various component companies. Several situations can occur in which the fair value of the 50, shares being issued might be difficult to ascertain. Thus, a quoted figure at any specific point in time may not be an adequate or representative value for long-term accounting purposes. For combinations resulting in complete ownership, the acquisition method allocates the fair value of the consideration transferred to the separately recognized assets acquired and liabilities assumed based on their individual fair values. The revenues and expenses both current and past of the parent are included within reported figures. However, the revenues and expenses of the subsidiary are only consolidated from the date of the acquisition forward. The operations of the subsidiary are only applicable to the business combination if earned subsequent to its creation. Under the acquisition method, in the vast majority of cases the assets acquired and liabilities assumed in a business combination are recorded at their fair values. If the fair value of the consideration transferred including any contingent consideration is less than the total net fair value assigned to the assets acquired and liabilities assumed, then an ordinary gain is recognized for the difference. Shares issued are recorded at fair value as if the stock had been sold and the money obtained used to acquire the subsidiary. The Common Stock account is recorded at the par value of these shares with any excess amount attributed to additional paid-in capital. Under the acquisition method, direct combination costs are not considered part of the fair value of the consideration transferred and thus are not included in the purchase price. These direct combination costs are allocated to expense in the period in which they occur. Stock issue costs are treated under the acquisition method in the same way as under the purchase method, i. B Consideration transferred fair value From SFAS R an intangible asset acquired in a business combination shall be recognized as an asset apart from goodwill if it arises from contractual or other legal rights regardless of whether those contractual or legal rights are transferable or separable from the acquired enterprise or from other rights and obligations. If an intangible asset does not arise from contractual or other legal rights, it shall be recognized as an asset apart from goodwill only if it is separable, that is, it is capable of being separated or divided from the acquired enterprise and sold, transferred, licensed, rented, or exchanged regardless of whether there is an intent to do so. An intangible asset that cannot be sold, transferred, licensed, rented, or exchanged individually is considered separable if it can be sold, transferred, licensed, rented, or exchanged with a related contract, asset, or liability. Investment in Badger value of debt and shares issued , Common Stock par value The stock issue cost is a reduction in additional paid-in capital. The figures earned by the subsidiary prior to the takeover are not included Prove those figures with a worksheet a. Prior to preparing a consolidation worksheet, Marshall records the three transactions that

occurred to create the business combination. Consideration transferred at fair value Add the two book values. Add the two book values plus the fair value adjustment. Summation of the above individual figures. Add the two book values plus the debt incurred by the parent in acquiring the subsidiary. Summation of the above figures. Prepare a consolidated balance sheet Consideration transferred at fair value Because this basis exceeds the amount paid, Allerton recognizes a gain on bargain purchase. This is an exception to the general rule of using the fair value of the consideration transferred as the basis for recording the combination. Under the acquisition method, stock issue costs reduce additional paid-in capital. The acquisition method records direct costs such as fees paid to investment banks for arranging the combination as expenses. Revenues and expenses of the subsidiary from the period prior to the combination are omitted from the consolidated totals. Only the operational figures for the subsidiary after the purchase are applicable to the business combination. The previous owners earned any previous profits. This amount indicates a bargain purchase: Also, use worksheet to derive consolidated totals. In accounting for the combination of NewTune and On-the-Go, the fair value of the acquisition is allocated to each identifiable asset and liability acquired with any remaining excess attributed to goodwill. Because On-the-Go continues as a separate legal entity, NewTune first records the acquisition as an investment in the shares of On-the-Go. The accounts of NewTune have already been adjusted for the first three journal entries indicated in the answer to Part b. The consolidation entries are designed to: The consolidated balance sheets in parts a. The economic substances of the two forms of the transaction are identical and, therefore, so are the resulting financial statements. Includes a bargain purchase. Purchases are recorded at the fair value exchanged. The book value equals assets minus liabilities. Under the purchase method, stock issue costs reduce additional paid-in capital. Direct costs of a combination are added to the purchase price. Acquired in-process research and development is typically reported as an expense in the year of the acquisition assuming 1 no alternative use for the assets involved in the research and development, and 2 no resulting products have reached technological feasibility. The equity, revenue, and expense figures of the subsidiary do not affect the financial reports at the date of acquisition. The parent records the issuance of the 20, new shares and the payment of the stock issue costs. Purchase price fair value: Only subsidiary expenses incurred after that date are applicable to the business combination. As in Part b. Unless a bargain purchase has occurred, assets acquired are recorded at fair value. Unless a bargain purchase occurs, assets acquired are recorded at fair value. A bargain purchase has occurred; thus, no goodwill is recognized. Only subsidiary expenses incurred after that date are included by the combined firm. Buildings at fair value Land at fair value In accounting for the combination of Merrill, Inc. Because Harriss continues as a separate legal entity, Merrill first records the acquisition as an investment in the shares of Harriss. Debit Credit Totals Debits Cash 84, 40, , Receivables , 90, A 10, , Inventory , , , Investment in Harriss , S , A , Land , 60, , Buildings , , A 30, , Equipment , 50, , Patent A 30, 30, Goodwill A 40, 40, Totals 1,, , 1,, Credits Accounts payable , 30, , Long-term liabilities , , A 20, , Common stock , 40, S 40, , Additional paid-in capital 74, 74, Retained earnings , , S , , Totals 1,, , 1,, Note: The accounts of Merrill have already been adjusted for the first three journal entries indicated in the answer to Part b. In a pooling of interests, the book values of all assets and liabilities of the two separate companies were simply added for the combined corporation. A business combination that is accounted for as a pooling of interests was a combination of the ownership interests of two previously separated companies. Because the ownership technically did not change, no event occurred mandating a change in recorded values. The existing basis of accounting continued for both companies. For a pooling of interests, the registration fees and any other direct costs relating to the business combination were considered period expenses of the resulting combined corporation. Although the companies combined during the year, in a pooling of interests, the combination was reported as if the companies had always been combined. Revenues for both companies for the entire year were reported as well as expenses. Operations were combined retroactively. Pre-acquisition revenues and expenses were excluded from consolidated results under the purchase method, but were included under the pooling method. Poolings, in most cases, produce higher rates of return on assets than purchase accounting because the denominator typically is much lower. Future EPS under poolings were also higher because of lower future depreciation and amortization of the smaller asset base. Managers whose compensation contracts involved accounting performance measures clearly had

incentives to use pooling of interest accounting whenever possible. The acquisition method records a business combination at the fair value of the consideration transferred for the acquiree plus the fair value of any noncontrolling interest. Under the purchase method SFAS , the business combination is measured at the accumulated cost of the combination. In a business combination between willing parties in which the acquirer purchases percent of the equity interests or net assets that constitute a business an acquiree , the fair value of the consideration transferred usually is more clearly evident and reliably measurable than the fair value of the acquiree in the absence of evidence to the contrary. Therefore, the acquirer usually should use the acquisition-date fair value of the consideration transferred in exchange for the acquiree to measure the fair value of its share of the acquiree on that date. However, in cases where the fair value of the consideration transferred is not readily available, other estimation techniques may be used. These techniques include the market approach and the income approach. If the net fair value of assets acquired and liabilities assumed exceeds the acquisition-date fair value of the acquired firm consideration transferred plus noncontrolling interest fair value , the excess is recognized as a gain on bargain purchase. Thus, assets acquired and liabilities assumed are recognized at their fair values with limited exceptions even in a bargain purchase. Under the SFAS purchase method, if the net fair value of assets acquired and liabilities assumed exceeds the cost of the combination, the excess first serves to reduce the fair values assigned to certain long-term assets with any remaining excess recognized as an extraordinary gain.

2: Advanced Accounting 11e Solution Manual | Brandon Schultz Schultz - www.enganchecubano.com

Advanced Accounting Information Center: McGraw-Hill Students gain a well-balanced appreciation of the Accounting profession. As Hoyle 10e Students easily comprehend chapter concepts because and consistent which has made this text the market leading text in the Advanced Accounting market.

Gaelic Communities Today Pharmaceuticals the science of medicine design Epson stylus color 760 manual Psychological adjustment and rehabilitation Divine illumination A gathering of shore birds. Isolation of quiescent murine hematopoietic stem cells by homing properties Tarja A. Juopperi and Saul J. 1. Free and guided propagation translated by David P. Morgan San Franciscos golden era How to beat the Democrats : a strategy guide List of state highways in karnataka Toyota auris 2008 service manual Building a value portfolio Adams vs. Jefferson, The Tumultuous Election of 1800 Obstructive Lesions of the Right Heart The new Erasmus: Marcel Schwob. Social change and rural development Paying farmers for stewardship Sara J. Scherr, Jeffrey C. Milder, and Mira Inbar Negation and Polarity Syntactic and Semantic Perspectives (Oxford Linguistics) The royal house of karedes s Soar Scores Rdg Open-Ended Assess H Cromwell and the paradoxes of Puritanism J. F. H. New Child and human rights Burning and turning Food purchasing pointers for school food service The Transgender Issue (Journal of Lesbian and Gay Studies, Vol 4, No 2, 1998) Victory Township (MI) Post Mortem Journal The kings table : food and fealty in Old Babylonian Mari Jack M. Sasson The rider of dreams R. Torrence. The Evolution Problem in General Relativity (Progress in Mathematical Physics) Asp.net architecture best practices e-book Collectors Guide to Antique Chocolate Molds With Values Resident Evil? Archives Preface : from big structures to small Perspectives on Languages and Text Four-leaved clover Practicing the art of leadership 5th edition Vlsi design textbook by pucknell Learning with Letter Tiles