1. Use the following information for the next three questions: Crystal, Incorporated acquired 100 percent of the assets and liabilities of Design, Inc. by issuing its common stock in a business combination. At the time of the combination, the fair values of Design's net assets and Crystal's common stock were $440,000 and $410,000, respectively; the book value of Design's net assets was $320,000, and the par value of Crystal's stock was $160,000. Included in Design's net assets was equipment with a fair value of $300,000 and a book value of $180,000. Based on the information given above, the excess of Crystal's acquisition cost over the book value of Design's net assets is:

Answer

|  |  |  |
| --- | --- | --- |
|  |  | $(30,000). |
|  |  | $30,000. |
|  |  | $90,000. |
|  |  | $120,000. |
|  |  |  |

**Question 2**

1.

Based on the information given above, the amount to be reported as goodwill subsequent to the combination is:

Answer

|  |  |  |
| --- | --- | --- |
|  |  | $0. |
|  |  | $(30,000). |
|  |  | $30,000. |
|  |  | $90,000. |
|  |  |  |

**Question 3**

1.

Consider the information given above. If the total book value of Crystal's net assets is $900,000, what is the total amount of net assets of both companies combined?

Answer

|  |  |  |
| --- | --- | --- |
|  |  | $1,220,000. |
|  |  | $1,310,000. |
|  |  | $1,340,000. |
|  |  | $1,540,000. |