

The current fair value of De Soto's liabilities on January 31, 2005, was \$62 million. The current fair values of its noncash assets were as follows on January 31, 2005:

Other current assets	\$300,000
Plant assets	874,000
Intangible assets (All recognizable under generally accepted accounting principles for business combinations.)	76,000

Instructions

Prepare journal entries for La Salle Corporation on January 31, 2005, to record the acquisition of the net assets of De Soto Company except cash. Show computations in the explanations for the journal entries where appropriate. (Disregard income taxes.)

(Problem 5.2) The balance sheet of Cooper Company on August 31, 2005, with related current fair value data, was as follows:

COOPER COMPANY
Balance Sheet (prior to business combination)
August 31, 2005

	Carrying Amounts	Current Fair Values
Assets		
Current assets	\$180,000	\$ 220,000
Plant assets (net)	640,000	700,000
Intangible assets (net) (All recognizable under generally accepted accounting principles for business combinations.)	80,000	90,000
Total assets	<u>\$900,000</u>	<u>\$1,010,000</u>
Liabilities and Stockholders' Equity		
Current liabilities	\$ 80,000	\$ 80,000
Long-term debt	200,000	190,000
Total liabilities	<u>\$280,000</u>	<u>\$ 270,000</u>
Common stock, no par or stated value	\$400,000	
Retained earnings	220,000	
Total stockholders' equity	<u>\$620,000</u>	
Total liabilities and stockholders' equity	<u>\$900,000</u>	

On August 31, 2005, Lionel Corporation issued \$1 million face amount of 10-year, 10% bonds (interest payable each February 28 and August 31), to yield 14%, for all the net assets of Cooper. Bond issue costs paid by Lionel on August 31, 2005, totaled \$60,000, and the accounting and legal fees to effect the business combination, paid on August 31, 2005, were \$40,000.

Instructions

Prepare journal entries on August 31, 2005, to record Lionel Corporation's acquisition of the net assets of Cooper Company. Show the computation of goodwill in the explanation of the relevant journal entry. (Disregard income taxes.)

(Problem 5.3) The journal entries for the business combination of Wabash Corporation and Indiana Company on December 31, 2005, were as follows:

CHECK FIGURE

Debit goodwill,
\$88,120.