4-32 Father, Inc., buys 80 percent of the outstanding common stock of Sam Corporation on January 1, 2009, for $680,000 cash. At the acquisition date, Sam’s total fair value was assessed at $850,000 although Sam’s book value was only $600,000. Also, several individual items on Sam’s financial records had fair values that differed from their book values as follows:

**Book Value Fair Value**

Land…………………………………………… 60,000 225,000

Building and equipment

(10-year remaining life) …… 275,000 250,000

Copyright (20-year life)……………………. 100,000 200,000

Notes payable (due in 8 years)………… (130,000) (120,000)

For internal reporting purposes, Father, Inc., employs the equity method to account for this investment. The following account balances are for the year ending December 31, 2009, for both companies. Using the acquisition method, determine consolidated balances for this business combination (through either individual computations or the use of a worksheet).

**Father Sam**

Revenues………………………………………. (1,360,000) (540,000)

Cost of Goods sold…………………………. 700,000 385,000

Depreciation expense…………………….. 260,000 10,000

Amortization expense…………………….. -0- 5,000

Interest expense…………………………….. 44,000 5,000

Equity in income of Sam…………………. (105,000) -0-

Net income………………………… (461,000) (135,000)

Retained earnings, 1/1/09……………… (1,265,000) (440,000)

Net income (above)………………………. (461,000) (135,000)

Dividends paid………………………………. 260,000 65,000

Retained earnings, 12/31/09………… (1,466,000) (510,000)

Current assets……………………………….. 965,000 528,000

Investment in Sam…………………………… 733,000 -0-

Land………………………………………………….. 292,000 60,000

Buildings and Equipment (Net)……….. 877,000 265,000

Copyright……………………………………….. -0- 95,000

Total assets………………………… 2,867,000 948,000

Accounts payable…………………………… (191,000) (148,00)

Notes payable……………………………….. (460,000) (130,000)

Common stock…………………………….. (300,000) (100,000)

Additional Paid-in-capital………………… (450,000) (60,000)

Retained earnings (above)………………… (1,466,000) (510,000)

Total liabilities and equities… (2,867,000) (948,000)