

7.

Your answer:

PROBLEM 14-50
LONG-TERM INVESTMENTS IN STOCK-EQUITY METHOD

On January 1, 2008, Compustat Co. bought 30% of the outstanding common stock of Freelance Corp. for \$258,000 cash. Compustat Co. accounts for this investment by the equity method. At the date of acquisition of the stock, Freelance Corp.'s net assets had a carrying value of \$590,000. Assets with an average remaining life of five years have a current market value that is \$130,000 in excess of their carrying values. The remaining difference between the purchase price and the value of the underlying stockholders' equity cannot be attributed to any identifiable tangible or intangible asset. Accordingly, the remaining difference is allocated to goodwill. At the end of 2008, Freelance Corp. reports net income of \$180,000. During 2008, Freelance Corp. declared and paid cash dividends of \$20,000.

Give the entries necessary to reflect Compustat Co.'s investment in Freelance Corp. for 2008.

	Description	Debit	Credit
Jan. 1, 2008	- Select your answer -	<input type="text"/>	
	- Select your answer -		<input type="text"/>
Dec. 31	- Select your answer -	<input type="text"/>	
	- Select your answer -		<input type="text"/>
Dec. 31	- Select your answer -	<input type="text"/>	
	- Select your answer -		<input type="text"/>
Dec. 31	- Select your answer -	<input type="text"/>	
	- Select your answer -		<input type="text"/>