**1.** (TCO 3) On January 1, 2009, Race Corp. acquired 80% of the voting common stock of Gallow Inc. During the year, Race sold to Gallow for $450,000 goods which cost $330,000. Gallow still owned 15% of the goods at year-end. Gallow's reported net income was $204,000 and Race's net income was $806,000. Race decided to use the *equity method* to account for this investment. What was the *non-controlling interest's share of consolidated net income*?   
       $37,200   
       $22,800   
       $30,900   
       $32,900   
       $40,800   
  
  
**2.** (TCO 3) Where do dividends paid by a subsidiary to the parent company appear on a consolidated statement of cash flows? (  
       Cash flows from operating activities   
       Cash flows from investing activities   
       Cash flows from financing activities   
       Supplemental schedule of non-cash investing and financing activities   
       They do not appear on the consolidated statement of cash flows   
  
  
**3.** (TCO 3) Keenan Company has had bonds payable of $20,000 outstanding for several years. On January 1, 2009, when there was an unamortized premium of $2,000 with a remaining life of 10 years, Keenan's parent, Ross, Inc., purchased the bonds in the open market for $19,000. Keenan is a 90% owned subsidiary of Ross. The bonds pay 8% interest annually on December 31. The companies use the straight-line method to amortize interest revenue and expense. Compute the consolidated gain or loss on a consolidated income statement for 2009.   
       $3,000 gain   
       $3,000 loss   
       $1,000 gain   
       $1,000 loss   
       $2,000 gain   
  
  
**4.** (TCO 3) Using the indirect method, where does the decrease in accounts receivable appear on a consolidated statement of cash flows?   
       $8,000 increase to net income as an operating activity   
       $8,000 decrease to net income as an operating activity   
       $6,400 increase to net income as an operating activity   
       $6,400 decrease to net income as an operating activity   
       $8,000 increase as an investing activity   
  
  
**5.** (TCO 3) Stevens Company has had bonds payable of $10,000 outstanding for several years. On January 1, 2009, when there was an unamortized discount of $2,000 and a remaining life of 5 years. Its 80% owned subsidiary, Matthews Company, purchased the bonds in the open market for $11,000. The bonds pay 6% interest annually on December 31. The companies use the straight-line method to amortize interest revenue and expense. Compute the consolidated gain or loss on a consolidated income statement for 2009.   
       $1,000 gain   
       $1,000 loss   
       $2,000 loss   
       $3,000 loss   
       $3,000 gain