10-3

Semtech Manufacturing purchased land and building for $4 million. In addition to the purchase price, Semtech made the following expenditures in connection with the purchase of the land and building:

Title insurance $16,000

Legal fees for drawing the contract 5,000

Pro-rated property taxes for the period after acquisition 36,000

State transfer fees 4,000

An independent appraisal estimated the fair values of the land and building, if purchased separately, at $3.3 and $1.1 million, respectively. Shortly after acquisition, Semtech spent $82,000 to construct a parking lot and $40,000 for landscaping.

Required

1. Determine the initial valuation of each asset Semtech acquired in these transactions.
2. Repeat requirement one, assuming that immediately after acquisition, Semtech demolished the building. Demolition costs were $250,000, and the salvaged materials were sold for $6,000. In addition Semtech spent $86,000 clearing up and grading the land in preparation for the construction of a new building.

10-6

On March 31, 2011, Wolfson Corporation acquired all of the outstanding common stock of Barney Corporation for $17,000,000 in cash. The book values and fair values of Barney’s asset and liabilities were as follows:

Book Value Fair Value

Receivables $1,300,000 $1,100,000

Property, plant and equipment 8,000,000 9,400,000

Intangible assets 200,000 1,200,000

Required

Calculate the amount paid for goodwill