**Part II. Chapter 2**

Hill buys Loring on 7/1 for $400,000 by issuing 10,000 of $5 par, $40 fair value shares to Loring’s existing shareholders.

|  |  |  |  |
| --- | --- | --- | --- |
| In thousands | Hill Pre-  Acquisition | Loring  BV | Loring  FV |
|  |  |  |  |
| Cash and receivables | 140 | 60 | 60 |
| Inventory | 190 | 145 | 175 |
| Patented Technology | 230 | 180 | 200 |
| Land | 400 | 200 | 225 |
| Buildings | 100 | 75 | 75 |
|  |  |  |  |
| Total Assets | $ 1,060 | $ 660 |  |
|  |  |  |  |
| Liabilities | (540) | (360) | (350) |
| Common Stock | (300) | (70) |  |
| APIC | (10) | (30) |  |
| Retained Earnings, 7/1 | (210) | (200) |  |
| Total Liab. And OE | $ (1,060) | $ (660) |  |
|  |  |  |  |

Required:

1. Calculate FVINA for this example (6 points).
2. Optional: Prepare an allocation schedule (10 points extra credit).
3. (6 points) Definition of Goodwill = Purchase Price less \_\_\_\_\_\_\_\_\_\_\_\_ .
4. Calculate Goodwill for this example (6 points).
5. Prepare Hill’s journal entry to acquire Loring assuming acquisition of stock with no dissolution (not the elimination entries, 9 points).
6. What will be the balances in Hill’s Owners’ Equity accounts after the acquisition (9 points)?
7. Prepare the elimination entries (22 points).