**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).