1. award: **10.00 points**

*Problem 3-20 [LO4a]*

Chapman Company obtains 100 percent of Abernethy Company's stock on January 1, 2012. As of that date, Abernethy has the following trial balance:

| | Debit | Credit |
|---|---|---|
| Accounts payable | | $ 56,700 |
| Accounts receivable | $ 43,800 | |
| Additional paid-in capital | | 50,000 |
| Buildings (net) (4-year life) | 143,000 | |
| Cash and short-term investments | 80,250 | |
| Common stock | | 250,000 |
| Equipment (net) (5-year life) | 295,000 | |
| Inventory | 110,500 | |
| Land | 112,000 | |
| Long-term liabilities (mature 12/31/15) | | 171,000 |
| Retained earnings, 1/1/12 | | 268,750 |
| Supplies | 11,900 | |
| Totals | $ 796,450 | $ 796,450 |

During 2012, Abernethy reported income of $122,500 while paying dividends of $15,000. During 2013, Abernethy reported income of $159,250 while paying dividends of $49,000.

Assume that Chapman Company acquired Abernethy's common stock for $698,050 in cash. As of January 1, 2012, Abernethy's land had a fair value of $123,900, its buildings were valued at $219,400, and its equipment was appraised at $254,500. Chapman uses the equity method for this investment.

Prepare consolidation worksheet entries for December 31, 2012, and December 31, 2013.

| Date | General Journal | Debit | Credit |
|---|---|---|---|
| Dec. 31, 2012 | | | |
| Entry S | (Click to select) | | |
| | (Click to select) | | |

(Click to select)
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Entry A
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Entry E
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Dec. 31, 2013

Entry S
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Entry E (Click to select) ▼
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| Worksheet | Difficulty: 3 Hard |
|---|---|
| *Problem 3-20 [LO4a]* | Learning Objective: 03-04a Prepare consolidated financial statements subsequent to acquisition when the parent has applied the equity method in its internal records. |

2. award: **10.00 points**

*Problem 3-21 [LO4b]*

Chapman Company obtains 100 percent of Abernethy Company's stock on January 1, 2012. As of that date, Abernethy has the following trial balance:

| | Debit | Credit |
|---|---|---|
| Accounts payable | | $ 51,500 |
| Accounts receivable | $ 46,500 | |
| Additional paid-in capital | | 50,000 |
| Buildings (net) (4-year life) | 190,000 | |
| Cash and short-term investments | 67,750 | |
| Common stock | | 250,000 |
| Equipment (net) (5-year life) | 442,500 | |
| Inventory | 107,000 | |
| Land | 93,500 | |
| Long-term liabilities (mature 12/31/15) | | 166,500 |
| Retained earnings, 1/1/12 | | 448,250 |
| Supplies | 19,000 | |
| Totals | $966,250 | $966,250 |

During 2012, Abernethy reported income of $99,000 while paying dividends of $12,000. During 2013, Abernethy reported income of $151,250 while paying dividends of $53,000.

Assume that Chapman Company acquired Abernethy's common stock for $855,330 in cash. Assume that the equipment and long-term liabilities had fair values of $464,600 and $134,620, respectively, on the acquisition date. Chapman uses the initial value method to account for its investment.

Prepare consolidation worksheet entries for December 31, 2012, and December 31, 2013.

| Date | General Journal | Debit | Credit |
|---|---|---|---|
| Dec. 31, 2012 | | | |
| Entry S | (Click to select) | | |
| | (Click to select) | | |
| | (Click to select) | | |
| | (Click to select) | | |
| Entry A | (Click to select) | | |
| | (Click to select) | | |
| | (Click to select) | | |
| | (Click to select) | | |
| Entry I | (Click to select) | | |
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| Entry E | (Click to select) | | |
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| | (Click to select) | | |
| Dec. 31, 2013 | | | |
| Entry *C | (Click to select) | | |
| | (Click to select) | | |
| Entry S | (Click to select) | | |
| | (Click to select) | | |
| | (Click to select) | | |
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|---|---|
| **Worksheet** | Difficulty: 3 Hard |
| *Problem 3-21 [LO4b]* | Learning Objective: 03-04b Prepare consolidated financial statements subsequent to acquisition when the parent has applied the initial value method in its internal records. |

3. award: **10.00 points**

*Problem 3-22 [LO4c]*

Chapman Company obtains 100 percent of Abernethy Company's stock on January 1, 2012. As of that date, Abernethy has the following trial balance:

| | Debit | Credit |
|---|---|---|
| Accounts payable | | $ 54,100 |
| Accounts receivable | $ 48,500 | |
| Additional paid-in capital | | 50,000 |
| Buildings (net) (4-year life) | 130,000 | |
| Cash and short-term investments | 66,000 | |
| Common stock | | 250,000 |
| Equipment (net) (5-year life) | 437,500 | |
| Inventory | 109,000 | |
| Land | 89,000 | |
| Long-term liabilities (mature 12/31/15) | | 178,500 |
| Retained earnings, 1/1/12 | | 358,800 |
| Supplies | 11,400 | |

| Totals | $891,400 | $891,400 |
|---|---|---|

During 2012, Abernethy reported income of $126,000 while paying dividends of $16,000. During 2013, Abernethy reported income of $174,000 while paying dividends of $49,000.

Assume that Chapman Company acquired Abernethy's common stock by paying $785,800 in cash. All of Abernethy's accounts are estimated to have a fair value approximately equal to present book values. Chapman uses the partial equity method to account for its investment.

Prepare the consolidation worksheet entries for December 31, 2012, and December 31, 2013. **(Leave no cells blank. If no entry is required, select "No Journal Entry Required" in the account field and zero (0) in the amount field.)**

| Date | General Journal | Debit | Credit |
|---|---|---|---|
| Dec. 31, 2012 | | | |
| Entry S | (Click to select) | | |
| | (Click to select) | | |
| | (Click to select) | | |
| | (Click to select) | | |
| Entry A | (Click to select) | | |
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| Entry D | (Click to select) | | |
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| Entry E | (Click to select) | | |
| | (Click to select) | | |
| Dec. 31, 2013 | | | |
| Entry *C | (Click to select) | | |
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| | | | |
|---|---|---|---|
| Entry S | (Click to select) | | |
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| Entry D | (Click to select) | | |
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| Entry E | (Click to select) | | |
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|---|---|
| **Worksheet** | Difficulty: 3 Hard |
| *Problem 3-22 [LO4c]* | Learning Objective: 03-04c Prepare consolidated financial statements subsequent to acquisition when the parent has applied the partial equity method in its internal records. |

4. award: **10.00 points**

*Problem 4-27 [LO2, LO4, LO5]*

On January 1, Beckman, Inc., acquires 60 percent of the outstanding stock of Calvin for $70,320. Calvin Co. has one recorded asset, a specialized production machine with a book value of $17,700 and no liabilities. The fair value of the machine is $106,200, and the remaining useful life is estimated to be 10 years. Any remaining excess fair value is attributable to an unrecorded process trade secret with an estimated future life of 4 years. Calvin's total acquisition date fair value is $117,200.

At the end of the year, Calvin reports the following in its financial statements:

| | | | | | |
|---|---|---|---|---|---|
| Revenues | $ 56,700 | Machine | $15,930 | Common stock | $ 10,000 |
| Expenses | 21,750 | Other assets | 24,020 | Retained earnings | 29,950 |
| Net income | $ 34,950 | Total assets | $39,950 | Total equity | $ 39,950 |
| Dividends paid | $ 5,000 | | | | |

Determine the amounts that Beckman should report in its year-end consolidated financial statements for noncontrolling interest in subsidiary income, total noncontrolling interest, Calvin's machine (net of accumulated depreciation), and the process trade secret. **(Input all amounts as positive values.)**

| | Amounts |
|---|---|
| Noncontrolling interest in subsidiary income | $ |
| Total noncontrolling interest | $ |
| Calvin's machine (net accumulated depreciation) | $ |
| Process trade secret | $ |

| | | |
|---|---|---|
| **Worksheet** | Difficulty: 2 Medium | Learning Objective: 04-04 Understand the computation and allocation of consolidated net income in the presence of a noncontrolling interest. |
| *Problem 4-27 [LO2, LO4, LO5]* | Learning Objective: 04-02 Describe the valuation principles underlying the acquisition method of accounting for the noncontrolling interest. | Learning Objective: 04-05 Identify and calculate the four noncontrolling interest figures that must be included within the consolidation process and prepare a consolidation worksheet in the presence of a noncontrolling interest. |