1.

award:
3.00 points

Problem 6-24 [LO1]

On December 31, 2013, PanTech Company invests $44,000 in SoftPlus, a variable interest entity. In contractual agreements completed on that date, PanTech established itself as the primary beneficiary of SoftPlus. Previously, PanTech had no equity interest in SoftPlus. Immediately after PanTech's investment, SoftPlus presents the following balance sheet:

Cash	$ 44,000	Long-term debt	$ 96,000
Marketing software	164,000	Noncontrolling interest	132,000
Computer equipment	64,000	PanTech equity interest	44,000
Total assets	$ 272,000	Total liabilities and equity	$ 272,000

Each of the above amounts represents an assessed fair value at December 31, 2013, except for the marketing software.

a. If the marketing software was undervalued by $44,000, what amounts for SoftPlus would appear in PanTech's December 31, 2013, consolidated financial statements? **(Credit balances should be entered with a minus sign.)**

Cash	$	44000
Marketing software	$	208000
Computer equipment	$	64000
Long-term debt	$	-96000
Noncontrolling interest	$	-132000
PanTech equity interest	$	-44000
Gain on bargain purchase ▼	$	-44000

b. If the marketing software was overvalued by $44,000, what amounts for SoftPlus would appear in PanTech's December 31, 2013, consolidated financial statements? **(Credit balances should be**

entered with a minus sign.)

Cash	$	44000
Marketing software	$	120000
Computer equipment	$	64000
Long-term debt	$	-96000
Noncontrolling interest	$	-132000
PanTech equity interest	$	-44000
Goodwill	$	0

Worksheet	Difficulty: 2 Medium
Problem 6-24 [LO1]	Learning Objective: 06-01 Describe a variable interest entity, a primary beneficiary, and the factors used to decide when a variable interest entity is subject to consolidation.

2.

award:
7.00 points

Problem 6-26 [LO2]

Cairns owns 70 percent of the voting stock of Hamilton, Inc. The parent's interest was acquired several years ago on the date that the subsidiary was formed. Consequently, no goodwill or other allocation was recorded in connection with the acquisition. Cairns uses the equity method in its internal records to account for its investment in Hamilton.

On January 1, 2010, Hamilton sold $1,600,000 in 10-year bonds to the public at 105. The bonds had a cash interest rate of 9 percent payable every December 31. Cairns acquired 40 percent of these bonds at 96 percent of face value on January 1, 2012. Both companies utilize the straight-line method of amortization.

Prepare the consolidation worksheet entries to recognize the effects of the intra-entity bonds at each of the following dates.

a. December 31, 2012.

Event	General Journal	Debit	Credit
Entry B	Bonds Payable	640,000	
	Premium on Bonds Payable	25,600	
	Interest Income	59,600	

General Journal	Debit	Credit
Investment in Bonds		616,000
Interest Expense		55,600
Gain on Retirement of Bonds		53,600

b. December 31, 2013.

Event	General Journal	Debit	Credit
Entry *B	Bonds Payable	640,000	
	Premium on Bonds Payable	23,600	
	Interest Income	59,600	
	Investment in Bonds		616,400
	Interest Expense		55,600
	Investment in Hamilton		51,200

c. December 31, 2014.

Event	General Journal	Debit	Credit
Entry *B	Bonds Payable	640,000	
	Premium on Bonds Payable	21,600	
	Interest Income	59,600	
	Investment in Bonds		618,400
	Interest Expense		55,600
	Investment in Hamilton		47,200

Worksheet

Difficulty: 2 Medium

Problem 6-26 [LO2]

Learning Objective: 06-02 Understand the consolidation procedures to eliminate all intra-entity debt accounts and recognize any associated gain or loss created whenever one company acquires an affiliates debt instrument from an outside party.

3.

award:
8.00 points

Problem 6-28 [LO2]

Several years ago Abrams, Inc., sold $1,000,000 in bonds to the public. Annual cash interest of 8 percent ($80,000) was to be paid on this debt. The bonds were issued at a discount to yield 10 percent. At the beginning of 2012, Bierman Corporation (a wholly owned subsidiary of Abrams) purchased $200,000 of these bonds on the open market for $221,000, a price based on an effective interest rate of 6 percent. The bond liability had a book value on that date of $860,000. Assume Abrams uses the equity method to account internally for its investment in Bierman.

a. What consolidation entry would be required for these bonds on December 31, 2012? **(Do not round intermediate calculations. Round your answers to the nearest dollar amount.)**

Event	General Journal	Debit	Credit
Entry B	(Click to select)		
	(Click to select)		
	(Click to select)		
	(Click to select)		
	(Click to select)		

b. What consolidation entry would be required for these bonds on December 31, 2014? **(Do not round intermediate calculations. Round your answers to the nearest dollar amount.)**

Event	General Journal	Debit	Credit
Entry *B	(Click to select)		
	(Click to select)		
	(Click to select)		
	(Click to select)		
	(Click to select)		

Worksheet

Difficulty: 1 Easy

Problem 6-28 [LO2]

Learning Objective: 06-02 Understand the consolidation procedures to eliminate all intra-entity debt accounts and recognize any associated gain or loss created whenever one company acquires an affiliates debt instrument from an outside party.

4. award:
3.00 points

Problem 6-30 [LO3]

Hepner Corporation has the following stockholders' equity accounts:

Preferred stock (5% cumulative dividend)	$550,000
Common stock	800,000
Additional paid-in capital	350,000
Retained earnings	1,000,000

The preferred stock is participating. Wasatch Corporation buys 75 percent of this common stock for $1,650,000 and 65 percent of the preferred stock for $650,000. The acquisition-date fair value of the noncontrolling interest in the common shares was $550,000 and was $350,000 for the preferred shares. All of the subsidiary's assets and liabilities are viewed as having fair values equal to their book values.

What amount is attributed to goodwill on the date of acquisition?

Goodwill	$

Worksheet	Difficulty: 2 Medium
Problem 6-30 [LO3]	Learning Objective: 06-03 Understand that subsidiary preferred stocks not owned by the parent are a component of the noncontrolling interest and are initially valued at acquisition-date fair value.

5. award:
7.00 points

Problem 6-31 [LO3]

Smith, Inc., has the following stockholders' equity accounts as of January 1, 2013:

Preferred stock—$100 par, nonvoting and nonparticipating, 6 percent cumulative dividend	$ 2,060,000
Common stock—$25 par value	4,060,000
Retained earnings	10,060,000

Haried Company purchases all of Smith's common stock on January 1, 2013, for $14,180,000. The

preferred stock remains in the hands of outside parties. Any excess acquisition-date fair value will be assigned to franchise contracts with a 30-year life.

During 2013, Smith reports earning $510,000 in net income and pays $420,000 in cash dividends. Haried applies the equity method to this investment.

a. What is the noncontrolling interest's share of consolidated net income for this period?

Net income - non-controlling interest's share $

b. What is the balance in the Investment in Smith account as of December 31, 2013?

Investment in Smith account $

c. What consolidation entries are needed for 2013?

General Journal	Debit	Credit
Entry S and A combined		
(Click to select)		
(Click to select)		
(Click to select)		
(Click to select)		
(Click to select)		
(Click to select)		
Entry I		
(Click to select)		
(Click to select)		
Entry D		
(Click to select)		
(Click to select)		
Entry E		
(Click to select)		
(Click to select)		

Worksheet

Difficulty: 2 Medium

Learning Objective: 06-03 Understand that

Problem 6-31 [LO3]	subsidiary preferred stocks not owned by the parent are a component of the noncontrolling interest and are initially valued at acquisition-date fair value.

6.

award:
7.00 points

Problem 6-35 [LO5]

Porter Corporation owns all 30,000 shares of the common stock of Street, Inc. Porter has 60,000 shares of its own common stock outstanding. During the current year, Porter earns income (without any consideration of its investment in Street) of $213,000 while Street reports $193,000. Annual amortization of $10,000 is recognized each year on the consolidation worksheet based on acquisition date fair-value allocations. Both companies have convertible bonds outstanding. During the current year, bond-related interest expense (net of taxes) is $53,000 for Porter and $45,000 for Street. Porter's bonds can be converted into 7,000 shares of common stock; Street's bonds can be converted into 10,000 shares. Porter owns none of these bonds.

What are the earnings per share amounts that Porter should report in its current year consolidated income statement? **(Round your answers to 2 decimal places.)**

	Earnings Per Share
Basic	$
Diluted	$

Worksheet	Difficulty: 3 Hard
Problem 6-35 [LO5]	Learning Objective: 06-05 Compute basic and diluted earnings per share for a business combination.

7.

award:
5.00 points

Problem 6-40 [LO6]

Albuquerque, Inc., acquired 18,000 shares of Marmon Company several years ago for $750,000. At the acquisition date, Marmon reported a book value of $820,000, and Albuquerque assessed the fair value of

the noncontrolling interest at $250,000. Any excess of acquisition-date fair value over book value was assigned to broadcast licenses with indefinite lives. Since the acquisition date and until this point, Marmon has issued no additional shares. No impairment has been recognized for the broadcast licenses.

At the present time, Marmon reports $930,000 as total stockholders' equity, which is broken down as follows:

Common stock ($10 par value)	$240,000
Additional paid-in capital	380,000
Retained earnings	310,000
Total	$930,000

View the following as independent situations:

a. Marmon sells 6,000 shares of previously unissued common stock to the public for $56 per share. Albuquerque purchased none of this stock. What journal entry should Albuquerque make to recognize the impact of this stock transaction?

General Journal	Debit	Credit
(Click to select)		
(Click to select)		

b. Marmon sells 3,000 shares of previously unissued common stock to the public for $27 per share. Albuquerque purchased none of this stock. What journal entry should Albuquerque make to recognize the impact of this stock transaction? **(Do not round your intermediate percentage values.)**

General Journal	Debit	Credit
(Click to select)		
(Click to select)		

Worksheet	Difficulty: 3 Hard
Problem 6-40 [LO6]	Learning Objective: 06-06 Understand the accounting for subsidiary stock transactions that impact the underlying value recorded within the parents investment account and the consolidated financial statements.