

FA Module 17: Business combinations – homework assignment

(The attached PDF file has better formatting.)

Homework assignment: Corporate acquisition and goodwill methods

	ABC		XYZ	
	Book Value	Fair Value	Book Value	Fair Value
<i>Cash & Marketable Securities</i>	100	100	30	30
<i>Accounts Receivable</i>	60	60	15	15
<i>Inventory</i>	80	105	40	45
<i>Property, Plant, Equipment (Net)</i>	500	800	200	240
<i>Accounts Payable</i>	130	130	55	55
<i>Long-term Debt</i>	320	290	80	70
<i>Capital Stock (Par Value)</i>	60		30	
<i>Additional Paid-in Capital</i>	140		65	

On December 31, 20X0, ABC issues a zero coupon bond for 100 and new common stock for 50 and pays 200 to acquire 80% of the stock of XYZ at its market price.

On ABC's consolidated balance sheet at December 31, 20X0 (after the acquisition):

- A. What is inventory?
- B. What is property, plant, and equipment?
- C. What is long-term debt?
- D. What is common stock + additional paid-in capital?
- E. What are retained earnings?
- F. What is the full goodwill?
- G. What is the non-controlling (minority) interest for full goodwill?
- H. What is the partial goodwill?
- I. What is the non-controlling (minority) interest for partial goodwill?
- J. What is the debt-to-equity ratio?

Check your solutions with the practice problems on the discussion forum. The figures differ, but the formulas are the same.