

**E 10-**

1	Investment cost (fair value equals book value)	
	Total stockholders' equity of Sun	\$ 8.000.000
	Less: preferred equity 20.000 shares (100 + 5 + 12)	\$ 2.340.000
	Common equity	\$ 5.660.000
	Percent owned	80%
	<b>Investment cost (fair value and book value)</b>	<b>\$ 4.528.000</b>
2	Consolidated net income and noncontrolling interest share	
	Pam separate income	\$ 6.000.000
	Add: Income from Sun (1000000 - 240000) x 80%	\$ 608.000
	Controlling share of consolidated net income	\$ 6.608.000
	Noncontrolling interest share  (760000 common income 20%) + 240000 preferred income	\$ 392.000
3	Underlying book value	
	Total stockholder's equity	\$ 8.400.000
	Less: preferred equity (20000 shares \$105 call price)	\$ 2.100.000
	Common equity	\$ 6.300.000
	Percent owned	80%
	Underlying book value December 31, 2017	<b>\$ 5.040.000</b>

**P 10-3**

The consolidated statement along with working notes is as follows:

<b>Purchase date</b>	<b>1st July 2016</b>
preacquisition period	6 months
post acquisition period	6 months
% of holding by Agung	60000/100000
	60%

Assumption made: since no detail given on what income dividend was distributed, it is assumed the total 25000 was distributed from preacquisition profits

Thus post acquisition profit 30000 remains (given income 60000 earned proportionately in the year)

Consolidated financial Statement of Agung Ltd 31 Dec 2016

Equity & Liability	WN/NOTE	\$0
shares Common stock		2600
Retained earnings	WN1	806
Minority interest	WN2	602
Current liabilities	(221+50)	271
<b>Total equity and liabilities</b>		<b>4279</b>

Assets

Non-current assets		
Other current assets	(500+300)	800
Equipments net	(1000+700)	1700
Goodwill	Note 1	30
Current assets		
Inventory	WN3	1524
Cash at bank	(150+75)	225
<b>Total Assets</b>		<b>4279</b>

WN1

Retained earnings		
Augus ltd (806-12)	Note 1	794
Bagus ltd 18	Note 2	18
Unrealised profit on stock	Note 3	-6
<b>Total</b>		<b>806</b>

WN 2

Minority interest		000 s
Share Capital Common stock		1000
Retained earnings	(225+30)	255
<b>Total</b>		<b>1255</b>

Share 40%		502
Share Capital Preference		100
<b>Total</b>		<b>602</b>

WN 3

Inventory	(1200+330)	1530
Unrealised profit on stock	Note 4	-6
<b>Total</b>		<b>1524</b>

NOTE 1

Cost of control		
Bagus Ltd	on acquisition	share 60%
Share Capital Common stock	1000	600
Retained earnings		250
Div paid from earnings		25
Retained earnings	225	135
Total		735
Investment made	780	780
Dividend received from preacquisition profit	=25000x60%	15
Investment to be shown in books		<b>765</b>
In books		777
Adjustment	=777-765	12
Retained earnings in August	806-12	794
Goodwill	765-735	20

NOTE 2

Bagus Ltd		
Retained earnings		255
Pre acquisition	(250-25)	225
Post acquisition profit		30
<b>Share 60%</b>		<b>18</b>

NOTE 3

Unrealised profit on stock	=(70000-50000)*50%	10000
<b>Share for Agung Ltd 60%</b>		<b>6000</b>