

Current Liabilities (\$1,200,000 + \$1,000,000)		\$ 2,200,000
Long-Term Liabilities (\$2,800,000 + \$2,000,000)		4,800,000
Total Liabilities		\$ 7,000,000
Non-Controlling Interest [(10%)(\$6,000,000)]		600,000
Shareholders' Equity:		
No Par Common Stock (Peak's Only)	7,000,000	
Retained Earnings (Peak's Only)	5,000,000	12,000,000
Total Equities		\$19,600,000

Exercise Four-6 deals with push-down accounting.

Exercise Four-6 correction

Third line - Sum Inc. should be Sickle Inc.

Exercise Four-6
This is an extension of Exercise Four-5.

On December 31, 2002, the Pickle Company purchases 90 percent of the outstanding voting shares of the Sickle Company for \$1,480,000 in cash. On that date, most of the net identifiable assets of the Sickle Inc. have fair values that are equal to their carrying values. However, the Plant and Equipment (Net) has a fair value that is \$160,000 less than its carrying value. In addition, Sickle has unrecorded identifiable intangibles that have a fair value of \$230,000. These intangibles meet the Paragraph 1581.48 criteria for recognition.

On December 31, 2002, subsequent to the business combination transaction, the Balance Sheets of the two companies are as follows:

Pickle and Sickle Companies
Balance Sheets
As At December 31, 2002

	Pickle	Sickle
Cash	\$ 1,365,000	\$ 264,000
Accounts Receivable	2,789,000	657,000
Inventories	2,126,000	1,206,000
Investment In Sickle	1,480,000	-0-
Plant And Equipment (Net)	3,972,000	1,249,000
Total Assets	\$11,732,000	\$3,376,000
Current Liabilities	\$ 1,349,000	\$ 764,000
Long-Term Liabilities	2,718,000	1,112,000
No Par Common Stock	5,420,000	490,000
Retained Earnings	2,245,000	1,010,000
Total Equities	\$11,732,000	\$3,376,000

Required: Prepare a push-down accounting Balance Sheet for the Sickle Company as at December 31, 2002. Using this Balance Sheet as the basis for your procedures, prepare a consolidated Balance Sheet for the Pickle Company and its subsidiary, the Sickle Company, as at December 31, 2002.

End Of Exercise Four-6

Disclosure Requirements

4-110. Before leaving the subject of push-down accounting, we would note that the *CICA Handbook* has several disclosure Recommendations that are applicable when this method is used. These are as follows: