

**Consolidated Balance Sheet**

5-156. Using the preceding information, the consolidated Balance Sheet would be prepared as follows:

**Alpha Company And Subsidiary  
Consolidated Balance Sheet  
As At December 31, 2004**

Net Identifiable Assets (Paragraph 5-150)	\$11,330,000
Goodwill (\$450,000 + \$500,000)	950,000
Total Assets	\$12,280,000
Non-Controlling Interest (30 Percent Of \$6,500,000)	\$ 1,950,000
No Par Common Stock (Alpha Company's Balance)	5,000,000
Retained Earnings (Paragraph 5-153)	5,330,000
Total Equities	\$12,280,000

Exercise Five-6 deals with step-by-step acquisitions.

**Exercise Five-6**

On December 31, 2002, the Best Company purchases 40 percent of the outstanding shares of the Worst Company for \$1,875,000. On this date, the carrying values of the Worst Company's net identifiable assets amount to \$3,250,000 (Common Stock of \$2,000,000, plus Retained Earnings of \$1,250,000). All of the fair values of the individual identifiable assets and liabilities of the Worst Company have carrying values that are equal to their fair values except for Plant And Equipment. Specialized machinery with a remaining useful life of four years has a carrying value of \$2,000,000 and a fair value of \$2,725,000.

**Exercise Five-6 correction**

Second paragraph, second line, \$3,500,000 should be \$820,000.

On December 31, 2003, the Best Company purchases an additional 15 percent of the outstanding shares of the Worst Company for \$820,000. On this date, the carrying values of the Worst Company's net identifiable assets total \$4,250,000 (Common Stock of \$2,000,000, plus Retained Earnings of \$2,250,000). All of the fair values of the identifiable assets and liabilities of the Worst Company have carrying values that are equal to their fair values except for Plant And Equipment. The specialized machinery now has a useful life of three years, a carrying value of \$1,600,000, and a fair value of \$2,300,00.

There has been no impairment of goodwill in either 2003 or 2004.

On December 31, 2004, the carrying values for Best's and Worst's Plant And Equipment are \$3,520,000 and \$1,600,000, respectively. The Retained Earnings balance of Best on December 31, 2004 is \$4,275,000 while Worst's Retained Earnings balance is \$2,450,000.

**Required:**

- A. Calculate consolidated Plant And Equipment as of December 31, 2004.
- B. Calculate the amount of Goodwill that would be shown on the December 31, 2004 Balance Sheet.
- C. Calculate consolidated Retained Earnings as of December 31, 2004.

**End of Exercise Five-6**