

Solution Three-3 correction

Second last line and last line - \$2,040,500 should be \$2,040,000.

Net Income And Earnings Per Share: Since the date of formation of the Goldmedal Company is December 31, 2002, there is no income earned by the Company for the year ending December 31, 2002. For the year ending December 31, 2003, the Net Income is **\$2,040,000** (\$1,500,000 + \$500,000 + \$40,000) and the Earnings Per Share is \$25.50 per share (**\$2,040,000** ÷ 80,000).

Solution to Chapter Four Exercises

Exercise Four-1 Solution

Part A Under the entity approach, the consolidated Plant and Equipment (Net) would be as follows::

Consolidated Plant and Equipment At Cost	
Placard's Carrying Value	\$1,500,000
Sign's Fair Value	520,000
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Consolidated Amount	\$2,020,000
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Part B Under the proprietary approach, the consolidated Plant and Equipment (Net) would be as follows::

Consolidated Plant and Equipment At Cost	
Placard's Carrying Value	\$1,500,000
Placard's Share of Sign's Fair Value [(75%)(520,000)]	390,000
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Consolidated Amount	\$1,890,000
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Part C Under the parent company approach, the consolidated Plant and Equipment (Net) would be as follows::

Consolidated Plant and Equipment At Cost	
Placard's Carrying Value	\$1,500,000
Sign's Carrying Value	400,000
Placard's Share of the Fair Value Change [(75%)(520,000 - 400,000)]	90,000
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Consolidated Amount	\$1,990,000
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or

Consolidated Plant and Equipment At Cost	
Placard's Carrying Value	\$1,500,000
Sign:	
75 Percent of Fair Value [(75%)(520,000)]	390,000
25 Percent of Carrying Value [(25%)(400,000)]	100,000
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Consolidated Amount	\$1,990,000
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Exercise Four-2 Solution

The journal entry required to eliminate the Investment in San and San's shareholders' equity accounts would be as follows:

No Par Common Stock	\$1,250,000	
Retained Earnings	1,380,000	
Investment in San		\$2,630,000