# Deltona lines inc

Then Del-Bess would be the entity to purchase the assets from Jay Transportation and lease them to Boson Freight Company. The remaining 60 million necessary to fund the purchase would be provided by bank financing. There are four main issues within this case. The first is, is this a temporary control issue for Dalton. Temporary control means that a primary company forms a Joint venture with a secondary company that would be a temporary investment to help the primary company to acquire the sought company. Business structure was formed by two or more parties for a specific purpose.

Joint ventures usually are limited to one or two projects or purposes. The case Is referring to equity-based Joint ventures which benefits foreign and/or local private interests, groups of interests, or members of the general public. Benefit of this would be that partners would savemoneyand reduce their risks through capital and resource sharing. One key difference in partnership and Joint venture is that the Joint venture is based on a single business transaction. An example Is that Boson Freight Company wanted to Join with Dalton In purchasing Jay Transportation Inc.

The second Issue is why Dalton would want to avoid consolidation. Dalton would want to avoid consolidation because It doesn't own any common stock or its investment might be temporary. Due to preferred stock may also be callable, meaning that the company has the option to purchase the shares from shareholders at anytime for any reason (usually for a premium). A third issue is how Dalton should account for their investment for financial report purposes (equity or cost). Del-sees subsidiary should be reported under the equity method by Dalton because of 80 percent controlling Interest.

Under equity method, we record the investments at cost and adjust for earnings, losses, and dividends. Dalton would have consolidated financial statements due to 80 percent voting preferred stock. The last issue for Dalton is does the fair value method present a viable option for reporting and why or why not. Yes. Dalton Flanagan reporting would report Investment at cost, then by using the working paper entries to adjust cost to fair alee this would allows the two companies to consolidate the subsidiary (Dell-Bess) with the parent (Dalton) and identify the controlling interest share.