

Business combination

Business



Employment contracts. 10. Under the provisions of FAST Statement No. 141 R, in a business combination, when the fair value exceeds the investment cost, which of the following statements is correct? A. A gain from a bargain purchase is recognized for the amount that the fair value of the identifiable net assets acquired exceeds the acquisition price. . The alee is allocated first to reduce proportionately (according to market value) non- current assets, then to non-monetary current assets, and any negative remainder is classified as a deferred credit. C. It is allocated first to reduce proportionately (according to market value) non-current assets, and any negative remainder is classified as an extraordinary gain. D. It is allocated first to reduce proportionately (according to market value) non-current, depreciable assets to zero, and any negative remainder is classless as a tattered Cree

With respect to goodwill, an impairment 11. Ill be amortized over the remaining useful life. . B. Is a two-step process which analyzes each business unit of the entity. . Is a one-step process considering the entire firm. D.

Occurs when asset values are adjusted to fair value in a purchase. Use the following information in answering questions 12 and 13. Meant Corporation exchanges 150, 000 shares of newly issued PI par value common stock with a fair market value of APP per share for all of the outstanding PI par value common stock of Gardner Inc and Gardner is then dissolved.

Meant paid the following costs and expenses related to the business combination: Costs of special shareholders' meeting o vote on the merger Registering and issuing securities APP, oho 14, 000 Accounting and legal fees 9, 000 Salaries of Manatee's employees assigned to the implementation of the merger 1 5, 000 Cost of closing duplicate facilities 11, 000 12. In the

business combination of Meant and Gardner a. The costs of registering and issuing the securities are included as part of the purchase price for Gardner. B. Only the salaries of Manatee's employees assigned to the merger are treated as expenses. . All of the costs except those of registering and issuing the securities are included in the purchase price of Gardner. D. Only the accounting and legal fees are included in the purchase price of Gardner. 13. In the business combination of Meant and Gardner a. All of the items listed above are treated as expenses. B. All of the items listed above except the cost of registering and issuing the securities are expensed. C. The costs of registering and issuing the securities are deducted from the fair market value of the common stock used to acquire Gardner. D. Only the costs of closing duplicate facilities, the salaries of Manatee's employees assigned to the merger, and the costs of the shareholders' meeting would be treated as expenses. 14. In Statement 142, which of the following methods does the FAST consider the best indicators of fair values in the evaluation of goodwill impairment? A. Senior executive's estimates. B. Financial analyst forecasts. C. Market value. D. The present value of future cash flows discounted at the firm's cost of capital. Raphael company pal S u Tort ten net assets AT earls corporation Ana Paris was then dissolved.

Paris had no liabilities. The fair values of Paris' assets were \$2, 500, 000. Parish's only non-current assets were land and equipment with fair values of \$160, 000 and \$640, 000, respectively. At what value will the equipment be recorded by Raphael? \$640, 000 \$240, 000 . \$400, 000 \$0 According to FAST 141, liabilities assumed in an acquisition will be valued at 16. The estimated fair value. Historical book value. C. Current replacement cost. Present value

using market interest rates. In reference to the FAST disclosure requirements, which of the following is correct? A. Information related to several minor acquisitions may not be combined. B. Firms are not required to disclose the business purpose for a combination. C. Notes to the financial statements of an acquiring corporation must disclose that the business combination was accounted for by the acquisition method. All of the above are correct. Goodwill arising from a business combination is 18. Charged to Retained Earnings after the acquisition is completed. Amortized over 40 years or its useful life, whichever is longer. C. Amortized over 40 years or its useful life, whichever is shorter. Never amortized. In reference to international accounting for goodwill, which of the following is correct? A. U. S. Companies have complained that past accounting rules for amortizing goodwill placed them at a disadvantage in competing against foreign companies for merger partners. B. Some foreign countries permitted the immediate write-off of goodwill to stockholders' equity. C. The IASB and the FASB are working to eliminate differences in accounting for business combinations. D. 20.

In recording acquisition costs, which of the following procedures is correct? A. Registration costs are expensed, and not charged against the fair value of the securities issued. B. Indirect costs are charged against the fair value of the securities issued. C. Consulting fees are expensed. D. None of the above procedures is correct. Exercises ALL Exercise 1 On January 2, 2005 Bison Corporation issued 100,000 new shares of its \$5 par value common stock valued at \$19 a share for all of Deer Corporation's outstanding common shares. Bison paid \$15,000 to register and issue shares.