

**18-6**

- I) On January 1, 20X1, P Company acquired a 70% interest in S Company in exchange for \$1,000,000 in cash.
- II) The book value and fair value of S Company's assets and Stockholders' Equity as of January 1, 20X1 are as follows.

	Book value	Fair value
Inventories	\$ 80,000	\$ 90,000
Buildings	\$ 250,000	\$ 280,000
Equipments	\$ 150,000	\$ 170,000
Machinery	\$ 180,000	\$ 200,000
Accumulated depreciation	\$(200,000)	\$(250,000)
Other assets	\$ 80,000	\$ 100,000
Common stock	\$ 700,000	-
Additional Paid-in Capital	\$ 200,000	-
Retained Earnings	\$ 350,000	-

The fair value of the noncontrolling Interest was \$405,000.

- III) During 20X1, P company sold merchandise to S company for \$60,000. The \$24,000 merchandise purchased from P company remains in the inventories of S company at year end. The gross profit rate of P Company is 30% of the sales price.

Among above sales, merchandise of \$3,000 was still in transit on December 31, 20X1.