

## B-09.10

Parrot Corporation bought all of the stock of Sparrow Corporation from its existing shareholders on January 1, 20X6. Parrot paid Sparrow's shareholders a total of \$5,000,000, which was \$2,000,000 in excess of the recorded stockholders' equity of Sparrow. Further, the recorded values for each of the assets and liabilities of Sparrow were approximately equal to their estimated fair values, with the exception of land which had a fair value of \$800,000. Any additional purchase differential not assigned to land is attributable to goodwill. Following is a listing of the separate assets and liabilities of each company, immediately following the acquisition. The accounts of Sparrow are reported at their book value and do not reflect any purchase differential allocation.

	<u>Parrot</u>	<u>Sparrow</u>	<u>Consolidated</u>
Cash	\$ 1,450,000	\$ 160,000	
Accounts Receivable	430,000	335,000	
Inventory	850,000	725,000	
Investment in Sparrow	5,000,000	-	
Land	550,000	500,000	
Building and equipment (net)	<u>1,700,000</u>	<u>2,530,000</u>	<u>-</u>
	<u>\$ 9,980,000</u>	<u>\$ 4,250,000</u>	<u>\$ -</u>
Accounts Payable	\$ 460,000	\$ 450,000	
Notes Payable	1,700,000	800,000	
Common Stock	2,530,000	1,000,000	
Retained Earnings	<u>5,290,000</u>	<u>2,000,000</u>	<u>-</u>
	<u>\$ 9,980,000</u>	<u>\$ 4,250,000</u>	<u>\$ -</u>

Complete the "Consolidated" column to show how these accounts would appear in the consolidated balance sheet for Parrot and its subsidiary. You will need to add an additional row for the goodwill.