


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 acquisition 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 acquisition differential allocation.

Consolidating Spreadsheet 				
	A	B	C	D
1	Accounts	Parrot	Sparrow	Consolidated
2	Cash	\$1,450,000	\$ 160,000	
3	Accounts receivable	430,000	335,000	
4	Inventory	850,000	725,000	
5	Investment in Sparrow	5,000,000		
6	Land	550,000	500,000	
7	Buildings and equipment (net)	<u>1,700,000</u>	<u>2,530,000</u>	-
8		<u>\$9,980,000</u>	<u>\$4,250,000</u>	<u>\$ -</u>
9				
10	Accounts payable	\$ 460,000	\$ 450,000	
11	Notes payable	1,700,000	800,000	
12	Common stock	2,530,000	1,000,000	
13	Retained earnings	<u>5,290,000</u>	<u>2,000,000</u>	-
14		<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.