

Question 1:

a)

Drake shareholders will hold	100,000 shares (54.8%) -> acquirer
Hanson shareholders will hold	<u>82,500 shares (45.2%)</u>
	<hr/> 182,500 shares (100 %)

Acquisition cost (82,500 @ \$20)	\$1,650,000
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Fair value of Hanson

Assets	1,531,200	
Intangible Asset	150,000	
Liabilities	<u>(267,300)</u>	1,413,900
Goodwill		236,100

Direct acquisition costs	\$82,500
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Property, Plant, and Equipment

	Drake	Hanson
Cost	1,692,000	1,169,000
Accum Amort	<u>(900,000)</u>	<u>(300,000)</u>
NBV	792,000	869,000

**Drake Enterprises
Consolidated Balance Sheet
January 2, Year 6**

Assets

Cash (\$55,000 + 99,000 - 82,500)	\$ 71,500
Accounts receivable (\$143,000 + 280,500)	423,500
Inventory (191,400 + 178,200)	369,600
Property, plant, and equipment (792,000 + 869,000 + 148,500)	1,809,500
Intangible Assets	150,000
Goodwill	<u>236,100</u>
	<hr/> \$ 3,060,200

Liabilities and Equity

Current liabilities (\$242,000 + 137,500)	\$ 379,500
Liability for warranty	129,800
Bonds payable	352,000
Common shares	1,826,000
Retained earnings (411,400 - 38,500)	<u>372,900</u>
	<hr/> \$ 3,060,200

b)

**Drake Enterprises
Consolidated Balance Sheet
January 2, Year 6**

<i>Assets</i>	
Cash (99,000 - 82,500)	\$ 16,500
Accounts receivable (\$143,000 + 280,500)	143,000
Inventory (191,400 + 178,200)	191,400
Property, plant, and equipment (792,000 + 869,000 + 148,500)	792,000
Investment in Hanson	<u>1,650,000</u>
	\$ 2,792,900

<i>Liabilities and Equity</i>	
Current liabilities	\$ 242,000
Bonds payable	352,000
Common shares	1,826,000
Retained earnings (411,400 - 38,500)	<u>372,900</u>
	\$ 2,792,900

Question 2:

a) Profit - Only CAP's (parent) profit included before the date of acquisition	\$ 240,000
b) Retained earnings, 12/31/Year 5 - Only CAP's (parent) R/E included before the date of acquisition	\$ 950,000
c) Equipment - [700,000 + 710,000]	\$ 1,410,000
d) Patented Technology - [900,000 + 270,000]	\$ 1,170,000
e) Goodwill -	\$ 50,000
Purchase cost [\$300,000 + (15,000 shares x \$40)]	900,000
BV of SAP's net assets [1,180,000 - 410,000]	<u>770,000</u>
Acquisition differential	130,000
Fair value excess allocated to:	
Equipment [710,000 - 600,000]	110,000
Patented Technology [270,000 - 300,000]	<u>(30,000)</u>
Goodwill	50,000
f) Ordinary shares - [530,000 + (15,000 shares x \$40)]	\$ 1,130,000
g) Liabilities - [600,000 + 410,000 + 300,000]	\$ 1,310,000

Question 3:

a)

PG shareholders will hold	100,000 shares (50 %)
MPM shareholders will hold	<u>100,000 shares</u> (50 %)
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	200,000 shares (100 %)

There is no clear ac