

III. CONSOLIDATED FINANCIAL STATEMENTS

Purchase of 100% Interest

The intercompany activities between The Computer Warehouse and All Star Computing had gone so well that on April 1, 2006, Linda Smith decided to buy a 100% interest in All Star Computing for an additional \$697,000. The Computer Warehouse had also loaned All Star Computing \$100,000. Complete the Working Papers below.

The Computer Warehouse
Consolidated Balance Sheet Working Papers
April 1, 2006
(\$ 000)

	Computer Warehouse Corporation	All Star Computing	Adjustments		Consolidated Balance Sheet
			Debits	Credits	
Cash	40	35			75
Accounts Receivable (Net)	50	265			315
Inventories	50	80			130
Notes Receivable	100			(A) 100	
Other Assets	200	20			220
Investment, All Star Computing	900			(B) 900	
Plant and Equipment	<u>300</u>	<u>800</u>			<u>1,100</u>
Total Assets	<u>1,640</u>	<u>1,200</u>			<u>1,840</u>
Accounts Payable	75	200			275
Other Liabilities	25				25
Bonds Payable	650				650
Notes Payable		100	(A) 100		
Invested Capital, Warehouse	600				600
Invested Capital, All Star Computing		700	(B) 700		
Retained Earnings, Warehouse	290				290
Retained Earnings, All Star Computing		<u>200</u>	<u>(B) 200</u>		
Total Liabilities and Owner's Equity	<u>1,640</u>	<u>1,200</u>	<u>1,000</u>	<u>1,000</u>	<u>1,840</u>

Pooling Interest Method

Suppose The Computer Warehouse had exchanged 60,000 shares of \$10 Par Common Stock selling at \$15 per share for 100% ownership of All Star Computing. Make the required Journal Entry.

Investment, All Star Computing	900,000	
Common Stock		600,000
Contributed Capital in Excess of Par		300,000

Hint: Paid in Capital in excess of Par equaled 50% of the Par value of the stock issued.