

**Online Weekly Assessment -1 (10%) Individual**

<b>Semester</b>	:	Spring 2021	<b>Year</b>	:	2020-2021
<b>Course Title</b>	:	Advanced Financial Accounting			
<b>Course Code</b>	:	ACT 460	<b>Version</b>	:	O5
<b>Instructor</b>	:	Dr. Muath Abdel Qader			
<b>Deadline</b>	:	March 25, 2020	at 23:59		

**To be completed by the students**

<b><u>Students Name</u></b>	:		<b><u>Student ID:</u></b>	
<b>Section</b>	:			
<b>Major</b>	:			

**Grading Scheme**

Question	Earned Points	Max. Points	Question	Earned Points	Max. Points
1		50			
2		50			
<b>Total Earned Points</b>		<b>Total Available Points</b>		<b>Instructor Signature</b>	
		100			

## QUESTIONS

**Question 1 (50 points).** Flower Company was established on January 1, 2017. Along with other assets, it immediately purchased land for \$120,000, and a building \$180,000. On January 1, 2021, Flower transferred these assets, cash of \$30,000, and inventory costing \$50,000 to a newly created subsidiary, Sparrow Company, in exchange for 50,000 shares of Sparrow's \$5 par value stock. Flower uses straight line depreciation and useful life of 30 years for the building, with no estimated residual values.

**Required:**

- a. Give the journal entry that Flower recorded for the transfer of assets and liabilities to Sparrow **(25 points)**.
- b. Give the journal entry that Sparrow recorded for the receipt of assets and liabilities from Flower **(25 points)**.

**Question 2 (50 points).** On January 1, 2021, Party Corporation acquired Surprise Corporation's net assets by paying €135,000 cash. Balance sheet data for the Party & Surprise and fair value information for Surprise immediately before the business combination are given below:

Assets	Party	Surprise	
	Book Value	Book Value	Fair Value
Cash & receivables	€ 220,000	€ 37,000	€ 37,000
Inventory	100,000	38,000	42,500
Land	75,000	50,000	53,000
Plant, Property and Equipment	250,000	120,000	80,000
Less: Accumulated Depreciation	-95,000	-52,000	
<b>Total</b>	<b>€ 550,000</b>	<b>€ 193,000</b>	<b>€ 212,500</b>
<b>Liabilities and Stockholders' Equity</b>			
Accounts Payable	€ 62,000	€ 35,000	€ 37,500
Notes Payable	135,000	13,000	13,000
Bonds payable	100,000	35,000	35,000
Common Stock	60,000	30,000	
Additional Paid-in Capital	100,000	45,000	
Retained Earnings	93,000	35,000	
<b>Total</b>	<b>€ 550,000</b>	<b>€ 193,000</b>	

**Required:**

- a. Prepare the journal entry to record the acquisition of Surprise Corporation. **(35 points)**.
- b. What would the balance of land be in the balanced sheet of combined company immediately after the combination? **(5 points)**.
- c. What would the balance of accounts payable be in the balanced sheet of combined company immediately after the combination? **(5 points)**.
- d. What would the balance of common stock be in the balanced sheet of combined company immediately after the combination? **(5 points)**.