**Consolidation Worksheet Adjustment Entries**

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# Solution

The journal entry on acquisition of 100% shares of Jeff Ltd by Mutt Ltd would be as follows on 1st July 2016.

**Calculation of fair value**

Fair value of identifiable assets

and liabilities of Ursa Ltd = $80000 + $68800

+$12000[[1]](#footnote-2) (BCVR – Patent)

+ $8000 (BCVR – Plant )+ 6400 ( BCVR – Inventory)

= $175200

Consideration transferred = $174800

Goodwill/Capital Reserve = $

**Journal Entry**

1. Plant A/c Dr 8000

To business Combination Reserve Cr 8000

1. Cost of sales A/c Dr 6400

To business Combination Reserve Cr 6400

1. Patent A/c Dr 12000

To business Combination Reserve Cr 12000

1. By Business combination Reserve Cr 400

To Capital Reserve 400

Pre Acquisition Entry at 30 June 2016

1. Share Capital A/C Dr 80000

Retained Earnings A/c Dr 68800

Business Combination Reserve 26000

To Shares in Mutt Ltd Cr 174800

***Post Entry at 31 July 2017***

1. Depreciation A/c Dr 4000

To Accumulated depreciation Dr 4000

( 10% of the 40000 Value of Plant )

2. Goodwill A/c Dr 72000

To Patent A/c 72000

( As the patent has infinite life , it has been transferred to goodwill )

3. Impairment loss A/c Dr 1200

To Goodwill A/c Cr 1200

( Being impairment of 1200 )

1. Retained Earnings A/c 20000

To General Reserve A/c 20000

( Being Amount transferred to GR from retained Earning )

1. As the patent has infinite life same should be not consider as Asset in calculation however should be consider as goodwill. [↑](#footnote-ref-2)