EXCEL CASE 1

CPA skills

On January 1, 2014, Innovus, Inc., acquired 100 percent of the common stock of ChipTech Company for $670,000 in cash and other fair-value consideration. ChipTech's fair value was allocated among its net assets as follows:

Fair value of consideration transferred for ChipTech		$670,000
Book value of ChipTech:		
Common stock and Additional Paid-in Capital (APIC)	$130,000	
Retained earnings	370,000	500,000
Excess fair value over book value to		170,000
Trademark (10-year remaining life)	$ 40,000	
Existing technology (5-year remaining life)	80,000	120,000
Goodwill		$ 50,000

The December 31, 2015, trial balances for the parent and subsidiary follow (there were no intra-entity payables on that date):

	Innovus	ChipTech
Revenues	$ (990,000)	$(210,000)
Cost of goods sold	500,000	90,000
Depreciation expense	100,000	5,000
Amortization expense	55,000	18,000
Dividend income	(40,000)	–0–
Net income	$ (375,000)	$ (97,000)
Retained earnings 1/1/15	$(1,555,000)	$(450,000)
Net income	(375,000)	(97,000)
Dividends declared	250,000	40,000
Retained earnings 12/31/15	$(1,680,000)	$(507,000)

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	Innovus	ChipTech
Current assets	$ 960,000	$ 355,000
Investment in ChipTech	670,000	
Equipment (net)	765,000	225,000
Trademark	235,000	100,000
Existing technology	–0–	45,000
Goodwill	450,000	–0–
Total assets	$ 3,080,000	$ 725,000
Liabilities	$ (780,000)	(88,000)
Common stock	(500,000)	(100,000)
Additional paid-in capital	(120,000)	(30,000)
Retained earnings 12/31/15	(1,680,000)	(507,000)
Total liabilities and equity	$(3,080,000)	$(725,000)

Required

a. Using Excel, compute consolidated balances for Innovus and ChipTech. Either use a worksheet approach or compute the balances directly.

b. Prepare a second spreadsheet that shows a 2015 impairment loss for the entire amount of goodwill from the ChipTech acquisition.