1. On 01/01/2014, Company Big (B) acquired 25% of Company Small (S)’s shares. To acquire the shares, B borrowed $ 4,000,000 from bank, paid another 1,000,000 cash out of their own bank account, and issued 100,000 shares to the former shareholders of S. The shares issued have $50 market value per share and $1 face value. In 2015, S made a net profit of $4,000,000, announced and gave out 1,000,000 cash dividend. The share price of S were $15 per share at 01/01/2014 and $18 per share at 12/31/2014.
2. For the transaction happened on 01/01/2014, please write down the journal entries for B
3. For the transaction happened on 01/01/2014, please write down the journal entries for S
4. Assuming that B has no significant influence over S, what accounting method should B use to document their investment? And what are the journal entries that are related to the investment and investing activities during 2014 for B, in other words, what is the balance of investment account at the end of 2014 for B? And what are the journal entries to document the changes in investment account?
5. Assuming that B controls S, what accounting method should B use to document their investment? And what are the journal entries that are related to the investment and investing activity during 2018 for B? In other words, what is the balance of investment account at the end of 2014 for B? And what are the journal entries to document the changes in investment account?
6. Below are the balance sheets of Big and Small at 01/01/2015 right before Big bought 100% of company Small’s shares and make Small its subsidiary.



Note that Big spent $20,000,000 for 100% shares of company small. PPE at 01/01/2015 had 4 years of useful life left while Patent of Small at 01/01/2015 had 10 years of useful life left.

1. What are the journal entries for big to record the investing action. What are the journal entries for Small to record such activities?
2. Please fill in the consolidated balance at 01/01/2015. Note that you have to add the account name if some accounts that should appear on the consolidated financial statement are missing
3. Assuming that small reports net income in the amount of $800,000, $1,000,000, $1,100,000, $900,000, and gives cash dividends in the amount of $100,000, $200,000, $200,000, and $300,000, for 2014, 2015, 2016 and 2017. Please calculate investment income for 2014, 2015, 2016 and 2017 respectively and also calculate the balance of the investment account by the end of each year

1. Company Big paid 1,200,000 for 60% of Small’s shares on 01/01/2016. On 01/01/2015 Small’s final information are as below. (Note that PPE had 5 years of useful life left and Patent had 10 years of useful life left upon the time of investment)



On 12/31/2015 Company Big and Small’s financial information is as below:

1. What are the journal entries to document the investing transaction at 01/01/2015 for Big and Small respectively?
2. Given the performances of B and S during 2015, which are presented in the 2nd table of this question, please fill out the table (not only limited to the highlighted cells) as well as coming up with the correct consolidated financial information.

Please write journal entries which would allow you to arrive from the mechanically summed up total of B and S to the consolidated figures at the end of 2015