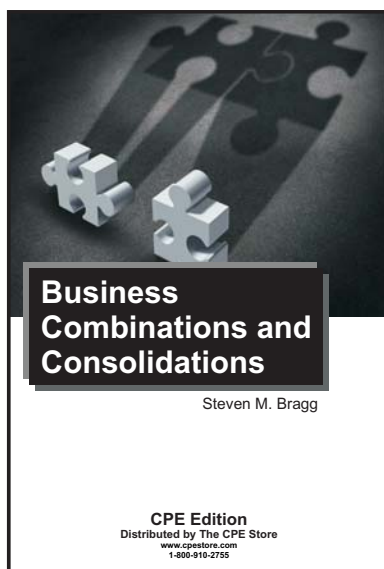


Business Combinations and Consolidations

Course Instructions and Final Examination



**The CPE Store
819 Village Square Drive
Tomball, TX 77375
1-800-910-2755**

Business Combinations and Consolidations

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Course Objectives

After completing this course, you will be able to:

- Determine when a step acquisition occurs
- Recognize an example of an intangible asset to which a value can be assigned in an acquisition
- Discern what a reverse acquisition is commonly used to accomplish
- Identify the impact of dividends on the equity method
- Pinpoint the correct treatment when an investor's share of an investee's losses exceeds the carrying amount of its investment
- Ascertain what should be done if there are intercompany profits and losses
- Determine how often impairment testing is to be conducted
- Discern when the amortization of goodwill is allowed
- Pinpoint when a reporting entity with a majority voting interest may be prevented from consolidating with another entity
- Identify items which should be eliminated when creating consolidated financial statements
- Recognize the term used for financial statements issued just for the parent entity
- Spot the reason for the common paymaster rule
- Determine what the acquirer must do in order to centralize all accounting functions at the corporate level

Course Instructions

To fully benefit from this course, please follow all of the steps below.

1. Read each chapter in the text to get a good understanding of the material.
2. Answer the study guide problems which appear at the end of each chapter. After answering the problems, compare your answers with the correct answers to ensure that you understand the material.
3. When you feel that you have a good understanding of the material contained in the chapter, answer the questions on the final examination.
4. When you have completed the final examination, record your answers on the answer sheet provided and submit it for grading. A score of 70% or better is required to pass. Please also complete the course evaluation and submit it to us along with your answer sheet. Upon passing you will receive a Certificate of Completion stating that you have successfully completed the course and earned the continuing education credit.

Prerequisites and Advance Preparation

No prerequisites or advance preparation are required for this course.

CPE Credit

This course is recommended for 3 CPE credits.

Final Exam Grading

- Online: Our fastest option, with instant results. Simply go to **www.cpestore.com** and click the link for online grading. Just follow the instructions from there. When you finish entering your answers, you'll receive instant test results and a Certificate of Completion to print.
- By Mail: Mail your test and course evaluation to us. We grade the tests the day we receive them and mail the results and Certificate of Completion to you the following business day.
- By Fax: Just fax your answer sheet to 1-281-255-4337. If you need us to fax the Certificate of Completion back to you, please provide us with your fax number and write "please fax back" on your answer sheet. If you don't need the Certificate faxed back, please write "no fax needed" on your answer sheet.

Refunds

The CPE Store guarantees your satisfaction. If, for any reason, you are not completely satisfied with your purchase, return it to us unused within 30 days for a prompt refund, no questions asked. (Sorry, but shipping fees are not refundable.)

Customer Service

The CPE Store holds itself to the highest standards. If we have not met your expectations, something is missing, or you just have a question please contact us at 1-800-910-2755 or customerservice@cpestore.com.

About Our Courses

The CPE Store's courses are developed to satisfy the continuing education requirements of the American Institute of Certified Public Accountants, each state's Board of Accountancy and the National Association of State Boards of Accountancy (NASBA). If your state requires registration of sponsors, our sponsor number will appear on your Certificate of Completion.

Our courses are designed to meet the continuing education requirements of accounting professionals. A great deal of care has been taken to ensure that the course material is both interesting and relevant to the practice of accounting. The information presented is, to the best of our knowledge, current and accurate. However, The CPE Store is not in the business of rendering legal, accounting or other professional advice and as such, the material presented in our courses is intended as an overview. If legal advice or other expert assistance is required, the services of a competent professional should be sought.

Business Combinations and Consolidations

3-Credit Course

Final Examination

A score of 70% or higher is required to pass the exam. If you score less than 70% on your first attempt, we will allow you to take the test a second time.

Chapter 1 – Business Combinations

1. A step acquisition occurs when:
 - A. The acquirer is smaller than the acquiree
 - B. The acquirer already owns a minority interest in the acquiree and then buys an additional interest
 - C. The acquisition is highly leveraged
 - D. Management will be the new owner of the acquired company
2. An example of an intangible asset to which a value can be assigned in an acquisition is:
 - A. The potential outcome of a lawsuit
 - B. The assembled workforce
 - C. Noncompetition agreements
 - D. Competitor lists
3. A reverse acquisition is commonly used to:
 - A. Convert a “C” corporation into an “S” corporation
 - B. Take a company public by acquiring a public shell company
 - C. Acquire a tax loss to offset a company's taxable profits
 - D. Eliminate a noncontrolling interest
4. Pushdown accounting requires that the acquiree:
 - A. Adopt the same chart of accounts as the acquirer
 - B. Adopt the same fiscal year as the acquirer
 - C. Adopt a new basis of accounting for its assets and liabilities
 - D. Be liquidated within one year of the acquisition date

Chapter 2 – The Equity Method

5. The impact of dividends on the equity method is:
 - A. None
 - B. To subtract dividends received from the carrying amount of the investment
 - C. To add dividends received to the carrying amount of the investment
 - D. To subtract dividends received from the fair value of the investment
6. If the investor's share of an investee's losses exceeds the carrying amount of its investment:
 - A. Only report losses until the investment has been offset
 - B. Continue to record the investor's share of the losses
 - C. Continue to record the investor's share of the losses until the net amount of the investor's equity accounts have been offset
 - D. Revert to the consolidation approach
7. If there are intercompany profits and losses:
 - A. Subtract these amounts from the investor's share of investee losses
 - B. Subtract these amounts from the investor's share of investee profits
 - C. Include them as part of the equity method
 - D. Eliminate them as part of the equity method

Final Exam

Chapter 3 – Goodwill Impairment

8. Impairment testing is to be conducted:
 - A. On a quarterly basis
 - B. On an annual basis
 - C. At random intervals
 - D. When a company goes public
9. The amortization of goodwill is only allowed for a:
 - A. Private company
 - B. Publicly-held partnership
 - C. Broker-dealer
 - D. Nonprofit entity

Chapter 4 – Financial Statement Consolidation

10. A consolidation may not be allowed when there is no clear indication of a controlling financial interest. An example is when:
 - A. A subsidiary is engaged in a legal reorganization
 - B. A subsidiary is in the process of changing its legal name
 - C. A subsidiary is incorporated in a different country
 - D. There is a noncontrolling shareholder
11. The presence of _____ can prevent a reporting entity with a majority voting interest from consolidating with another entity.
 - A. Protective rights
 - B. Shareholder voting rights
 - C. A noncontrolling interest
 - D. Substantive participating rights
12. Which of the following should not be eliminated when creating consolidated financial statements?
 - A. Subsidiary retained earnings
 - B. Income tax liability
 - C. Parent shares held by the subsidiary
 - D. LIFO liquidation profits
13. Financial statements issued just for the parent entity are considered to be:
 - A. General purpose financial statements
 - B. The financials to be reported to the Securities and Exchange Commission
 - C. Special-use financial statements
 - D. Of particular use when reviewing the collateral of a subsidiary

Chapter 5 – Accounting Integration

14. The reason for the common paymaster rule is to:
 - A. Consolidate payroll systems into the parent company
 - B. Avoid duplicate payroll tax withholding
 - C. Centralize payroll processing under one paymaster
 - D. Avoid excessive overtime payments
15. In order to centralize all accounting functions at the corporate level, the acquirer must:
 - A. Retain a local controller
 - B. Shift the acquiree's customer master file into the same file in the acquirer's system
 - C. Centralize the operation of all computer terminals
 - D. Centralize the sales department

**Thank you for taking our course.
We hope you enjoyed it.**

Business Combinations and Consolidations

Course Number: AA153301

Qualifies for 3 hours of CPE credit

If you are mailing or faxing your test to us for grading, please fill in Member ID _____ and Validation number _____.

Name as it should appear on your Certificate:

Where should we send your results?

License State(s): _____

License Number: _____

Date Course Completed: _____

* Answer each question A, B, C, or D as appropriate.

* Be sure you are answering questions from the Final Examination, not from the Study Guide

* **For instant online grading, go to www.cpestore.com and click the link for Online Services**

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Course Evaluation

Course # _____

Your Name _____

About the Course

Were the stated learning objectives met?

- ☐ 1 - Not at all ☐ 2 - Marginally ☐ 3 - Somewhat ☐ 4 - Mostly ☐ 5 - Absolutely

If applicable, were prerequisite requirements appropriate and sufficient?

- ☐ 1 - Not at all ☐ 2 - Marginally ☐ 3 - Somewhat ☐ 4 - Mostly ☐ 5 - Absolutely ☐ N/A

Was the text well-written, accurate and easy to understand?

- ☐ 1 - Not at all ☐ 2 - Marginally ☐ 3 - Somewhat ☐ 4 - Mostly ☐ 5 - Absolutely

Was the final exam well-written, accurate and easy to understand?

- ☐ 1 - Not at all ☐ 2 - Marginally ☐ 3 - Somewhat ☐ 4 - Mostly ☐ 5 - Absolutely

Were course materials relevant and did they contribute to the achievement of the learning objectives?

- ☐ 1 - Not at all ☐ 2 - Marginally ☐ 3 - Somewhat ☐ 4 - Mostly ☐ 5 - Absolutely

Was the time allotted to the learning activity appropriate?

- ☐ 1 - Not at all ☐ 2 - Marginally ☐ 3 - Somewhat ☐ 4 - Mostly ☐ 5 - Absolutely

If applicable, were the individual instructors effective?

- ☐ 1 - Not at all ☐ 2 - Marginally ☐ 3 - Somewhat ☐ 4 - Mostly ☐ 5 - Absolutely ☐ N/A

About the Service

Were you satisfied with the ordering process?

- ☐ 1 - Not at all ☐ 2 - Marginally ☐ 3 - Somewhat ☐ 4 - Mostly ☐ 5 - Absolutely

Were your course materials in good condition when they arrived?

- ☐ 1 - Not at all ☐ 2 - Marginally ☐ 3 - Somewhat ☐ 4 - Mostly ☐ 5 - Absolutely

Did you receive your materials in a timely manner?

- ☐ 1 - Not at all ☐ 2 - Marginally ☐ 3 - Somewhat ☐ 4 - Mostly ☐ 5 - Absolutely

About You

What is your preferred method for completing your CPE?

- ☐ Textbook ☐ PDF materials downloaded from the internet ☐ Online courses ☐ Live seminars

Would you like us to notify you by email of our weekly specials and new courses?

- ☐ No ☐ Yes, my email address is _____ ☐ Already receiving

Comments Please

Are there any particular topics you would like to see covered in a CPE course or any additional services you would like to see us provide? _____

Please provide any additional feedback, either positive or negative, regarding our products or our service: _____