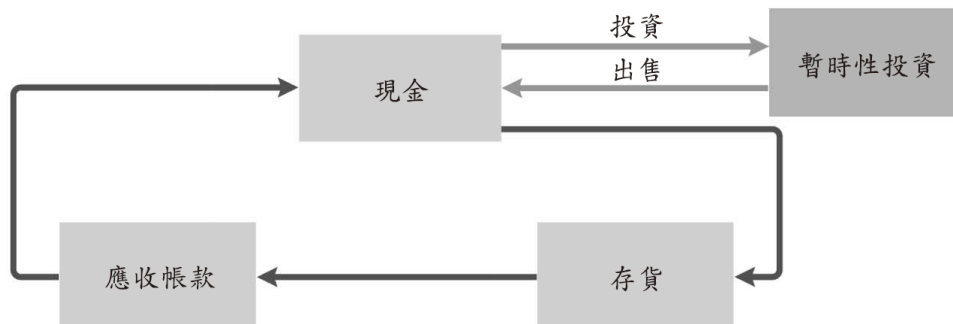


## Chapter 13\_投資(Investments)

### 壹、公司的投資理由

公司投資債務或股權證券的理由通常有三種：

一、公司可能沒有立即購買營運資產的需求而有過剩現金。(以下圖表以圖形說明此種暫時性投資在營業週期裡扮演的角色)



二、公司想要有投資收益。

三、為了策略性理由而投資。

### 貳、金融資產之分類(Classification of Financial Assets)

#### 一、債券投資(Debt Investments)

1. Amortized cost financial assets :

按攤銷後成本衡量之金融資產(AC 金融資產)

2. Fair value through other comprehensive income (FVTOCI) financial assets :

透過其他綜合損益按公允價值衡量之金融資產(FVTOCI 金融資產)

3. Fair value through profit or loss (FVTPL) financial assets :

透過損益按公允價值衡量之金融資產(FVTPL 金融資產)

#### 二、權益投資(Equity Investments)

1. Fair value through profit or loss (FVTPL) financial assets :

透過損益按公允價值衡量之金融資產(FVTPL 金融資產)

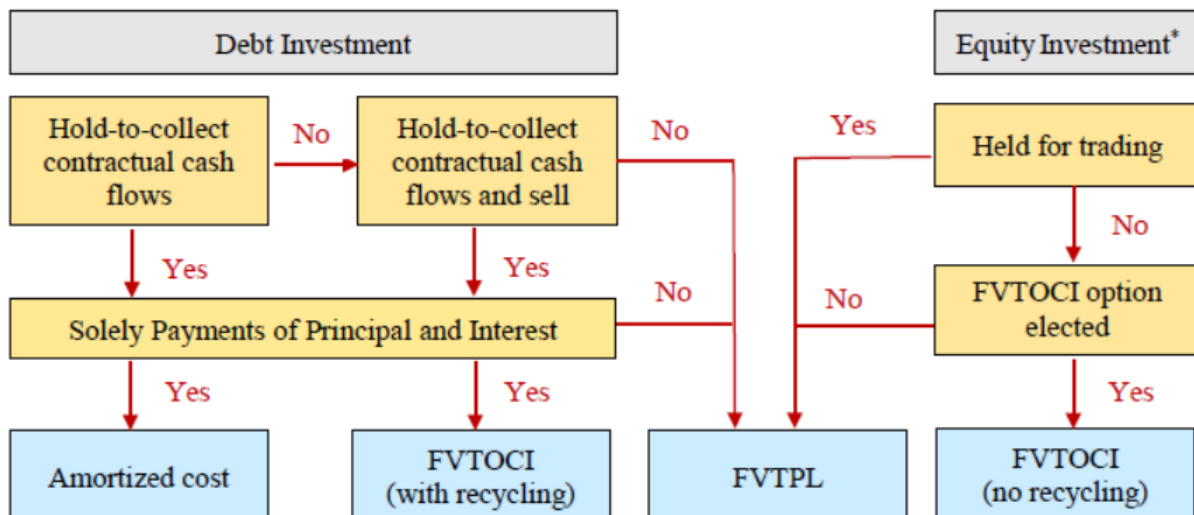
2. Fair value through other comprehensive income (FVTOCI) financial assets :

透過其他綜合損益按公允價值衡量之金融資產(FVTOCI 金融資產)

3. Equity method : 權益法

4. Consolidated financial statements : 合併報表

### Illustration 13-3 Classification and Measurement



### 參、債券投資的會計處理(Debt Investments)

#### Illustration 13-5 Accounting for Debt Investments by Business Model

Business Model	Valuation	Unrealized Gains or Losses	Other Income
1. Hold to collect	Amortized cost	Not recognized	Interest revenue; gains and losses from sale.
2. Hold to collect and sell	FVTOCI	Recognized as other comprehensive income and as a separate component of equity	Interest revenue; gains or losses are reclassified from equity to current profits or losses from sale.
3. Held for trading	FVTPL	Recognized in net income	Interest revenue; no gains or losses recognized from sale.

一、債券投資即政府債券與公司債券投資。

二、債券投資的會計處理包括：

- (1)取得；
- (2)利息收入；
- (3)處分。

三、記錄債券的取得

取得債券時，投資以成本入帳。此成本為證券在購入時的公允價值。成本包括取得這些投資的所有必要支出。例如，如果需要支付仲介手續費(佣金) 的話，成本就是債券購價加上佣金。

● **Debt Investment: Amortized Cost**

債券投資—按攤銷後成本衡量之金融資產(AC 金融資產)

1. 記錄債券的取得

Kuhl NV acquires 100 Doan SA 8%, 5-year, €1,000 bonds on January 1, 2019, at a cost of €100,000. Interest is payable each July 1 and January 1. The market interest rate is 8%. This bond investment is classified as financial assets at amortized cost. The entry to record the investment is:

Jan. 1	Financial Assets at Amortized Cost	100,000	
	Cash		100,000

2. 記錄債券利息

July. 1	Cash ( $€100,000 \times 8\% \times 1/2$ )	4,000	
	Interest Revenue		4,000
Dec. 31	Interest Receivable	4,000	
	Interest Revenue		4,000

Kuhl NV reports receipt of the interest on January 1, 2020.

Jan. 1	Cash	4,000	
	Interest Receivable		4,000

**\*\*Reporting Bonds Investment at Amortized Cost (2019/12/31)**

Statement of Financial Position		
Non-current Assets		
Financial Assets at Amortized Cost		€100,000
Current Assets		
Interest Receivable		€ 4,000
Statement of Comprehensive Income		
Non-operating income and expense		
Interest Revenue (€4,000 + € 4,000)		€ 8,000

3. 記錄債券的出售

當公司出售債券時，它會貸記投資帳戶，貸記金額為債券成本，而出售所得淨額(售價減經紀商佣金)與債券成本之間，若有任何差額，則記錄為損失或利益。

Assume that Kuhl NV holds the bonds until the maturity date of January 1, 2024. The journal entry is:

Jan. 1	Cash	104,000	
	Financial Assets at Amortized Cost		100,000
	Interest Receivable		4,000

● **Debt Investment: FVTOCI**

債券投資—透過其他綜合損益按公允價值衡量之金融資產(FVTOCI 金融資產)

1. 記錄債券的取得

**Illustration:** Kuhl NV acquires 100 Doan SA 8%, 5-year, €1,000 bonds on January 1, 2020, at a cost of €100,000. Interest is payable each July 1 and January 1. The market interest rate is 8%. This bond investment is measured at FVTOCI. The entry to record the investment is:

Jan. 1	Financial Assets at FVTOCI-Debt	100,000	
	Cash		100,000

2. 記錄債券利息

July. 1	Cash (€100,000 × 8% × 1/2)	4,000	
	Interest Revenue		4,000

Dec. 31	Interest Receivable	4,000	
	Interest Revenue		4,000

3. 期末調整公允市價

Assume that at the end of 2020, the fair value of Doan bonds is €102,500 and the carrying amount of the investments is €100,000. Kuhl makes the following adjusting entry.

Dec. 31	Fair Value Adjustment-FVTOCI	2,500	
	Unrealized Holding Gain or Loss-Other Comprehensive Income		2,500

結帳分錄結轉--

Dec. 31	Unrealized Holding Gain or Loss-Other Comprehensive Income	2,500	
	Accumulated Other Comprehensive Income		2,500

Unrealized Gain or Loss on Financial Assets at FVTOCI-Debt is an other comprehensive income (OCI) which is an equity account.

→FVTOCI 金融資產的未實現損益，在綜合損益表的其他綜合損益項(OCI)下，在財務狀況表的權益項下的累積其他綜合損益(AOCI)。

#### 4. Reporting Bonds Investment at FVTOCI

##### Illustration 13-7 Reporting Debt Investments at FVTOCI

Statement of Financial Position		
Non-current assets		
Financial assets at FVTOCI-Debt		€100,000
Add: Fair value adjustment-FVTOCI		<u>2,500</u>
		€102,500
Current assets		
Interest receivable		€ 4,000
Equity		
Accumulated other comprehensive income		€ 2,500

Statement of Comprehensive Income		
Non-operating income and expense		
Interest revenue (€4,000 + €4,000)		€ 8,000
Net income		xxx
Other comprehensive income		
Unrealized holding gain or loss on FVTOCI financial assets		<u>2,500</u>
Comprehensive income		€ <u>xxx</u>

Kuhl reports receipt of the interest on January 1, 2021, as follows.

Jan. 1	Cash	4,000	
	Interest Receivable		4,000

#### 5. 記錄債券的出售

Suppose that Kuhl sold all Doan bonds for €102,500 on January 1, 2021, after receiving the interest due. Kuhl records the receipt of cash for selling of FVTOCI securities as follows:

Jan. 1	Cash	102,500	
	Financial Assets at FVTOCI-Debt		100,000
	Fair Value Adjustment-FVTOCI		<u>2,500</u>

Reclassify:

Jan. 1	Unrealized Holding Gain or Loss-Other Comprehensive Income	2,500	
	Gain on Sale of Financial Assets at FVTOCI-Debt		<u>2,500</u>

Closing:

Dec. 31	Accumulated Other Comprehensive Income	2,500	
	Unrealized Holding Gain or Loss-Other Comprehensive Income		<u>2,500</u>

● **Debt Investment: FVTPL**

債券投資—透過損益按公允價值衡量之金融資產(FVTPL 金融資產)

1. 記錄債券的取得

**IFRS requires that brokerage and transaction costs shall be expensed and reported in the “Other income and expense” section of the income statement.**

On January 1, 2020, Kehaur Company acquires \$300,000 of Jinshiuh, Inc., 9% bonds at par, incurring \$150 in brokerage commissions. The interest is payable each December 31, and the bonds mature December 31, 2022. The bonds are classified as trading securities and measured at fair value through profit or loss (FVTPL). The entry to record the investment is as follows.

Jan. 1	Financial Assets at FVTPL-Debt	300,000	
	Cash		300,000

2. 記錄債券利息

Dec. 31	Cash	27,000	
	Interest Revenue		27,000

Interest Revenue under “Non-operating income and expense” in the statement of comprehensive income

3. 期末調整公允市價

Assume that at the end of 2020 the fair value of Jinshiuh bonds is \$292,000 and the carrying amount of the investments is \$300,000. The adjusting entry for Kehaur is:

Dec. 31	Unrealized Holding Gain or Loss-Income	8,000	
	Fair Value Adjustment-FVTPL		8,000

4. 記錄債券的出售

Suppose that Kehaur sold all of its investment in Jinshiuh bonds for \$295,000 on March 1, 2022. The bonds were valued for \$292,000 on December 31, 2020. The journal entry for Kehaur is:

March 1	Fair Value Adjustment-FVTPL	3,000	
	Unrealized Holding Gain or Loss-Income		3,000

**Gains or losses on the sale of debt investments under “Non-operating income and expense” in the net income of the statement of comprehensive income.**




March 1	Cash	295,000	
	Fair Value Adjustment- FVTPL	5,000	
	Financial Assets at FVTPL-Debt		300,000




## 肆、股票投資的會計處理

股票投資的會計處理取決於投資者對發行公司(被投資者)之營運與財務活動的影響程度而定，以下圖表說明一般準則：

**Illustration 13-8**

Accounting Guidelines for Equity Investments

	Percentage of Ownership	Board Representation	Level of Influence	Accounting Guidelines
	Less than 20%	Non Member	Insignificant	Fair Value
	Between 20% and 50%	Minority Members	Significant	Equity Method
	More than 50%	Majority Members	Control	Consolidated Financial Statements

投資者對被投資者 普通股的持股比例	對被投資者的影響程度	會計處理準則
 低於 20%	不重大	公允價值法
 介於 20% 與 50% 之間	重大	權益法
 高於 50%	擁有控制權	合併財務報表

### 一、 不具重大影響力(Insignificant Influence)

公司持股低於 20%時，其會計處理採公允價值法，在公允價值法下，公司以公允價值記錄投資，且只有在收到現金股利時才認列收入。可分成兩類：

#### 1. fair value through profit or loss (FVTPL) :

透過損益按公允價值衡量之金融資產(FVTPL 金融資產)

all changes in the fair value of equity investments are reported as non-operating income in the statement of comprehensive income.

#### 2. fair value through other comprehensive income (FVTOCI) :

透過其他綜合損益按公允價值衡量之金融資產(FVTOCI 金融資產)

fair value changes in financial assets that are classified in the category of (FVTOCI) are not recognized in earnings but directly in equity, through the statement of comprehensive income.

✧ Cash dividends received are always recognized as income in both classifications

✧ 範例

#### ● Equity Investments: FVTPL

##### 1. RECORDING ACQUISITION OF SHARES 取得股票

Assume that on July 1, 2020, Lee Ltd. acquires 1,000 shares (10%, ownership with insignificant influence on the investee) of Beal Ltd. Lee pays HK\$405 per share, plus brokerage commissions of HK\$100. Lee measures the equity investments as fair value



through profit or loss (FVTPL). The entry for the purchase is:

July 1	Financial Assets at FVTPL-Equity	405,000	
	Cash		405,000

## 2. RECORDING DIVIDENDS 記錄股利

During the time Lee owns the shares, it makes entries for any cash dividends received. If Lee receives a HK\$20 per share dividend on October 1, the entry is:

Oct. 1	Cash (1,000 × HK\$20)	20,000	
	Dividend Revenue		20,000

## 3. Adjusting Investments to Fair Value 評價調整

Assume that on December 31, 2020, the fair value of Beal Ltd. is HK\$450 per share. The fair value of Lee's equity investments exceeds its cost by HK\$45,000. The adjusting entry for Lee is:

Dec. 31	Fair Value Adjustment-FVTPL	45,000	
	Unrealized Holding Gain or Loss-Income		45,000

## 4. RECORDING SALE OF SHARE 出售股票

Assume that Lee Ltd. sold all of its Beal shares for HK\$395,000 on February 10, 2021. As the shares was valued for HK\$450,000 on December 31, 2020, the securities has decreased in value.

Feb. 10	Unrealized Holding Gain or Loss-Income	55,000	
	Fair Value Adjustment-FVTPL		55,000

**Unrealized Holding Gain or Loss-Income under “Non-operating income and expense” in the statement of comprehensive income.**

Feb. 10	Cash	395,000	
	Fair Value Adjustment-FVTPL	10,000	
	Financial Assets at FVTPL-Equity		405,000

## ● Equity Investments: FVTOCI

### 1. RECORDING ACQUISITION OF SHARES 取得股票

Assume that on May 1, 2020, Su Company purchased 1,000 shares of Taur Inc. for \$20 per share. The investment represents less than 20% interest. Su makes an irrevocable election to measure the equity investments as fair value through other comprehensive income (FVTOCI). Su records this investment as follows.

May 1	Financial Assets at FVTOCI-Equity	20,000	
	Cash		20,000



## 2. RECORDING DIVIDENDS 記錄股利

On November 30, 2020, Su received a cash dividend of \$400 on its investment in the shares of Taur Inc. It records the cash dividend as follows.

Nov. 30	Cash	400	
	Dividend Revenue		400

## 3. Adjusting Investments to Fair Value 評價調整

At December 31, 2020, Su's investment in Taur has the fair value of \$23,000. The fair value of the equity investment exceeds cost by \$3,000. Su increases the value of the shares by the following entry:

Dec. 31	Fair Value Adjustment-FVTOCI	3,000	
	Unrealized Holding Gain or Loss-Other Comprehensive Income		3,000

The closing entry to transfer the Unrealized Holding Gain or Loss-Other Comprehensive Income to Accumulated Other Comprehensive Income

Dec. 31	Unrealized Holding Gain or Loss-Other Comprehensive Income	3,000	
	Accumulated Other Comprehensive Income		3,000

## 4. Reporting Bonds Investment at FVTOCI

Su reports its equity investments in its December 31, 2020, financial statements as follows.

### Illustration 13-9

### Reporting Equity Investment at FVTOCI

Statement of Financial Position	
Non-current Assets	
Financial assets at FVTOCI-Equity	\$20,000
Add: Fair value adjustment-FVTOCI	<u>3,000</u>
	<u>\$23,000</u>
Equity	
Accumulated other comprehensive income	\$ 3,000
Statement of Comprehensive Income	
Non-operating income and expense	
Dividend revenue	\$ 400
Net income	xxx
Other comprehensive income	
Unrealized holding gain or loss-Other comprehensive income	<u>3,000</u>
Comprehensive Income	<u>\$ xxx</u>

## 5. RECORDING SALE OF SHARE 出售股票

On February 1, 2021, Su sold all of its Taur Inc. shares, receiving proceeds of \$22,500. Su makes the following entries.

**Illustration 13-10**

## Adjustment to Fair Value of Investment

Non-Trading Equity Investment (FVTOCI)	
Fair value of Taur equity investment (February 1, 2021)	\$22,500
Fair value of Taur equity investment (December 31, 2020)	<u>23,000</u>
Unrealized Holding Gain or Loss-Other Comprehensive Income	<u>\$ (500)</u>

Feb. 1	Unrealized Holding Gain or Loss-Other Comprehensive Income	500	
	Fair Value Adjustment-FVTOCI		500
Feb. 1	Cash	22,500	
	Financial Assets at FVTOCI-Equity		20,000
	Fair Value Adjustment-FVTOCI		2,500

**When equity investments classified as FVTOCI are sold, the cumulative gain or loss previously recognized in other comprehensive income (OCI) are never reclassified from equity to profit or loss. The balance of unrealized holding gains or losses in accumulated other comprehensive income may be transferred to retained earnings**

Feb. 1	Accumulated Other Comprehensive Income	2,500	
	Retained Earnings		2,500

## 二、具重大影響力(Significant Influence)

持股介於 20%與 50%之間--(權益法)

在權益法下，投資公司一開始以成本記錄對關聯企業普通股所做的投資。然後它會每年調整投資帳戶來反映它在關聯企業所擁有的權益。

投資者每年必須做以下事項：

- (1) 就關聯企業的淨利依持股比例增加 (借記) 投資帳戶並增加 (貸記) 收入；
- (2) 收到股利時，減少(貸記)投資帳戶，因為關聯企業的淨資產會因支付股利而減少，所以投資帳戶餘額會因收到股利而減少。

☆ 範例

**Illustration:** Milar plc acquires 30% of the ordinary shares of Beck plc for £120,000 on January 1, 2017. For 2017, Beck reports net income of £100,000 and paid dividends of £40,000. Prepare the entries for these transactions.

Jan. 1	Equity Investments	120,000	
	Cash		120,000
Dec. 31	Equity Investments (£100,000 x 30%)	30,000	
	Revenue from Equity Investments		30,000
Dec. 31	Cash (£40,000 x 30%)	12,000	
	Equity Investments		12,000

After Milar posts the transactions for the year, its investment and revenue accounts will show the following.

Share Investments		Revenue from Share Investments	
Jan. 1	120,000	Dec. 31	<b>12,000</b>
Dec. 31	<b>30,000</b>		
Dec. 31 Bal.	138,000	Dec. 31	<b>30,000</b>

### 三、具控制能力(Controlling Interest)

持股超過 50%(合併財務報表)

持有另一家公司普通股超過 50%的公司稱為母公司(Parent company)，股權被母公司持有的公司稱為子(附屬)公司(**Subsidiary (affiliated) company**)，因為母公司擁有股權，所以它對子公司有控制權。當一家公司擁有另一家公司之普通股超過 50%時，它通常會編製合併財務報表(**consolidated financial statements**)。

### 伍、財務報表之表達(Statement of Financial Position Presentation)

#### 一、Presentation of Realized and Unrealized Gain or Loss

In the income statement, companies report gains and losses in the non-operating activities section under the categories

**13-12.** Interest and dividend revenue are also reported in that section.

#### **Illustration 13-12** Non-operating Items Related to Investments

Non-operation Income and Expense	
Interest Revenue	Gain on Sale of Financial Assets
Dividend Revenue	Loss on Sale of Financial Assets
Revenue from Equity Investments	Unrealized Holding Gain or Loss-Income

Assuming that Dawson plc has share capital—ordinary of £3,000,000, retained earnings of £1,500,000, and an accumulated other comprehensive loss of £100,000.

Dawson plc Statement of Financial Position (partial)	
Equity	
Share capital—ordinary	£3,000,000
Retained earnings	1,500,000
<b>Accumulated other comprehensive loss</b>	<b>(100,000)</b>
Total equity	<u>£4,400,000</u>

## 二、Classified Statement of Financial Position

**Illustration 13-14** Classified Statement of Financial Position

Pace SA Statement of Financial Position December 31, 2020			
<u>Assets</u>			
Intangible assets			
Goodwill		€ 270,000	
Property, plant, and equipment			
Land		€ 200,000	
Buildings	€ 800,000		
Less: Accumulated depreciation—buildings	<u>200,000</u>	600,000	
Equipment	180,000		
Less: Accumulated depreciation—equipment	<u>54,000</u>	126,000	
Total property, plant, and equipment			926,000
Investments			
<b>Financial assets at amortized cost-debt</b>		<b>20,000</b>	
<b>Financial assets at FVTOCI-equity</b>		<b>30,000</b>	
Investment in shares of 20–50% owned at equity		<u>150,000</u>	200,000
Current assets			
Prepaid insurance		23,000	
Inventory, at FIFO cost		43,000	
Accounts receivable	84,000		
Less: Allowance for doubtful accounts	<u>4,000</u>	80,000	
<b>Financial assets at FVTPL-equity</b>		<b>147,000</b>	
Cash		<u>21,000</u>	314,000
Total assets			<u>€1,710,000</u>
<u>Equity and Liabilities</u>			
Equity			
Share capital—ordinary, €10 par value, 200,000 shares authorized, 80,000 shares issued and outstanding		€ 800,000	
Share premium—ordinary		100,000	
Retained earnings (Note 1)		255,000	
<b>Accumulated other comprehensive income</b>		<b>10,000</b>	€1,165,000
Non-current liabilities			
Bonds payable, 10%, due 2024			290,000
Current liabilities			
Accounts payable		185,000	
Income taxes payable		60,000	
Interest payable		<u>10,000</u>	255,000
Total equity and liabilities			<u>€1,710,000</u>
<b>Note 1.</b> Retained earnings of €100,000 is restricted for plant expansion.			

## 陸、Consolidated Statement of Financial Position

- 一、Companies prepare consolidated statements of financial position from the individual statement of their affiliated companies.
- 二、Transactions between the affiliated companies are identified as intercompany transactions and are eliminated in consolidation.
- 三、範例

**Illustration:** Assume that on January 1, 2017, Powers plc pays £150,000 in cash for 100% of Serto plc's ordinary shares. Powers records the investment at cost.

The combined totals do not represent a consolidated statement of financial position, because there has been a double-counting of assets and equity in the amount of £150,000.

POWERS plc AND SERTO plc Statement of Financial Position January 1, 2017				
Assets	Powers plc	Serto plc	Combined Data	Consolidated Data
Plant and equipment (net)	£325,000	£145,000	£470,000	<b>£470,000</b>
Investment in Serto plc ordinary shares	150,000		150,000	<b>-0-</b>
Current assets	50,000	80,000	130,000	<b>130,000</b>
Total assets	<u>£525,000</u>	<u>£225,000</u>	<u>£750,000</u>	<u><b>£600,000</b></u>
<b>Equity and Liabilities</b>				
Share capital—ordinary	£300,000	£100,000	£400,000	<b>£300,000</b>
Retained earnings	175,000	50,000	225,000	<b>175,000</b>
Current liabilities	50,000	75,000	125,000	<b>125,000</b>
Total equity and liabilities	<u>£525,000</u>	<u>£225,000</u>	<u>£750,000</u>	<u><b>£600,000</b></u>

### 1. COST EQUAL TO BOOK VALUE

	A	B	C	D	E	F
1	<b>POWERS plc AND SUBSIDIARY</b>					
2	<b>Worksheet—Consolidated Statement of Financial Position</b>					
3	<b>January 1, 2017 (Acquisition Date)</b>					
4		<b>Powers plc</b>	<b>Serto plc</b>	<b>Eliminations</b>		<b>Consolidated Data</b>
5	<b>Assets</b>			<b>Dr.</b>	<b>Cr.</b>	
6	Plant and equipment (net)	325,000	145,000			470,000
7	Investment in Serto plc ordinary shares	150,000			<b>150,000</b>	-0-
9	Current assets	50,000	80,000			130,000
10	Totals	<u>525,000</u>	<u>225,000</u>			<u>600,000</u>
11						
12						
13	<b>Equity and Liabilities</b>					
14	Share capital—Powers plc	300,000				300,000
15	Share capital—Serto plc		100,000	<b>100,000</b>		-0-
16	Retained earnings—Powers plc	175,000				175,000
17	Retained earnings—Serto plc		50,000	<b>50,000</b>		-0-
18	Current liabilities	50,000	75,000			125,000
19	Totals	<u>525,000</u>	<u>225,000</u>	<u>150,000</u>	<u>150,000</u>	<u>600,000</u>
20						

## 2. COST ABOVE BOOK VALUE

**Illustration:** Assume the same data used above, except that Powers plc pays £165,000 in cash for 100% of Serto's ordinary shares. The excess of cost over book value is £15,000 (£165,000 - £150,000).

	A	B	C	D	E	F
1	<b>POWERS plc AND SUBSIDIARY</b>					
2	<b>Worksheet—Consolidated Statement of Financial Position</b>					
3	<b>January 1, 2017 (Acquisition Date)</b>					
4		<b>Powers plc</b>	<b>Serto plc</b>	<b>Eliminations</b>		<b>Consolidated</b>
5	<b>Assets</b>			<b>Dr.</b>	<b>Cr.</b>	<b>Data</b>
6	Plant and equipment (net)	325,000	145,000			470,000
7	Investment in Serto plc ordinary					
8	shares	165,000			165,000	—0—
9	Current assets	35,000	80,000			115,000
10	<b>Excess of cost over book value of</b>					
11	<b>  subsidiary</b>			15,000		15,000
12	<b>Totals</b>	<b>525,000</b>	<b>225,000</b>			<b>600,000</b>
13						
14						
15	<b>Equity and Liabilities</b>					
16	Share capital—Powers plc	300,000				300,000
17	Share capital—Serto plc		100,000	100,000		—0—
18	Retained earnings—Powers plc	175,000				175,000
19	Retained earnings—Serto plc		50,000	50,000		—0—
20	Current liabilities	50,000	75,000			125,000
21	<b>Totals</b>	<b>525,000</b>	<b>225,000</b>	<b>165,000</b>	<b>165,000</b>	<b>600,000</b>
22						

#### 四、CONTENT OF A CONSOLIDATED STATEMENT OF FINANCIAL POSITION

**Illustration:** The prior worksheet shows an excess of cost over book value of £15,000. In the consolidated statement of financial position, Powers first allocates this amount to specific assets, such as inventory and plant equipment, if their fair market values on the acquisition date exceed their book values. Any remainder is considered to be goodwill. For Serto Company, assume that the fair market value of property and equipment is £155,000. Thus, Powers allocates £10,000 of the excess of cost over book value to property and equipment, and the remainder, £5,000, to goodwill.

<b>POWERS plc</b> Consolidated Statement of Financial Position January 1, 2017			
<b><u>Assets</u></b>			
Goodwill			£ 5,000
Plant and equipment (net)			480,000
Current assets			115,000
Total assets			<u>£600,000</u>
<b><u>Equity and Liabilities</u></b>			
Equity			
Share capital—ordinary	£300,000		
Retained earnings	<u>175,000</u>		£475,000
Current liabilities			<u>125,000</u>
Total equity and liabilities			<u>£600,000</u>