



速成教育
SPEED UP EDUCATION



BUS 320

Intermediate Accounting

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SFU Week 8 Class | 2021/7/24

S P E E D U P E D U C A T I O N

Lecture 10 Investment

Strategic Investments—Investments in Associates

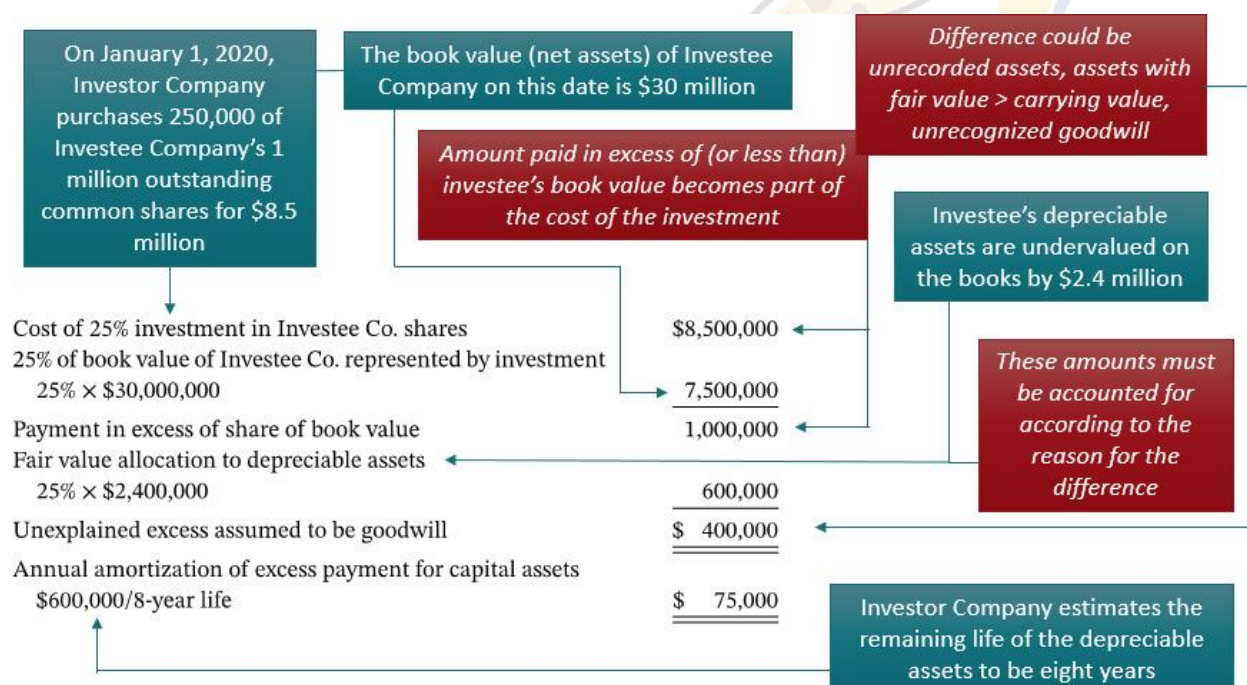
Percentage Ownership	0% ↔ 20%	20% ↔ 50%	50% ↔ 100%
Level of Influence	Little or none	Significant	Control
Type of Investment	Less than significant influence	Associate, or significant influence	Subsidiary

equity method

- Maxi Corp. purchases 20% of Mini Corp., and exercises significant influence
- January 2, 2019 Maxi purchases 48,000 shares @ \$10 per share
- For the year 2019 Mini Corp. reports a net income of \$200,000; Maxi Corp.'s share is 20% or \$40,000
- December 31, 2019 shares of Mini Corp. have a fair value of \$12 per share (\$576,000)
- January 28, 2020 Mini Corp. declared and paid a total cash dividend of \$100,000

- For the year 2020, Mini Corp. reports a net loss of \$50,000

Fair value incremental and goodwill



On January 1, 2020, Investor Company purchases 250,000 of Investee Company's 1 million outstanding common shares for \$8.5m

Dividends of \$1.4 million are declared and paid by Investee Company on Dec 31, 2020

Investee Company later reports net income of \$2.8 million for its 2020 fiscal year, including a loss on discontinued operations of \$400,000.

The “extra cost” of the depreciable assets to Investor has to be recognized on the associate’s books annual fair value incremental depreciation 75000

Impairment