Consolidations & Business Combinations (ASC 805 / 810) Cheat Sheet

Acquisition Method, Goodwill Valuation, Noncontrolling Interest & 'CAR IN BIG' Elimination Framework

1. ACQUISITION METHOD & GOODWILL MEASUREMENT EQUATION

Component	Valuation Principle (100% Fair Value)	Accounting Treatment at Acquisition Date
Consideration Transferred	Cash paid + Fair Value of stock issued + Present Value of contingent liabilities.	Direct acquisition costs (legal, advisory) are **EXPENSED**. Stock registration costs reduce APIC.
Identifiable Net Assets (INA)	100% of subsidiary's tangible and intangible assets and liabilities adjusted to **Fair Value**.	Step-up to fair value creates identifiable intangible assets (e.g., trademarks, customer lists) and DTL.
Goodwill vs. Bargain Purchase	**Goodwill = (Consideration + Fair Value of NCI) - Fair Value of Identifiable Net Assets**	If positive: Capitalize as **Goodwill** (tested annually for impairment). If negative: **Bargain Purchase Gain** in Net Income.

2. THE 'CAR IN BIG' CONSOLIDATING ELIMINATION JOURNAL ENTRY

Mnemonic Letter	Consolidation Eliminating Debit / Credit	Purpose of Workpaper Entry
C - Common Stock (Sub)	**Dr. Common Stock - Subsidiary**	Eliminates subsidiary's historical Common Stock balance.
A - APIC (Sub)	**Dr. APIC - Subsidiary**	Eliminates subsidiary's historical Additional Paid-in Capital.
R - Retained Earnings (Sub)	**Dr. Retained Earnings - Subsidiary (Beginning)**	Eliminates subsidiary's beginning Retained Earnings (pre-acquisition).
I - Investment in Sub	**Cr. Investment in Subsidiary (Parent's Books)**	Eliminates parent's investment account (avoids double-counting assets).
N - Noncontrolling Interest	**Cr. Noncontrolling Interest (NCI) in Equity**	Establishes minority outside shareholders' equity share on Balance Sheet.
B - Balance Sheet FV Step-Up	**Dr. PP&E / Intangible Assets (Fair Value Diff)**	Steps up subsidiary net assets from book value to acquisition date fair value.
I - Identifiable Intangibles	**Dr. Patents / Trademarks / Customer Lists**	Recognizes unrecorded subsidiary intangibles at fair value.
G - Goodwill (Plug)	**Dr. Goodwill (Residual excess of price over FV)**	Balancing figure recognizing parent's premium for future earnings synergy.