

## eBook—Use & Features

Your eBook requires internet access. It is easy to use and offers an abundance of features!

- ✓ Search
- ✓ Bookmark
- ✓ Highlight & Annotate
- ✓ Notebook
- ✓ Create Flashcards
- ✓ Video content
- ✓ View customization & Screen Reader
- ✓ Printing options (restricted)
- ✓ Account management
- ✓ Access Student Support

**Let's explore!**



Prefer to view this guide in video format?  
**Click the video icon to the left and start watching!**

## Accessing Your eBook

There are two ways to access your eBook...

1 From the Dashboard. Click **Read** to launch the eBook.

OR

2 From within the Course. Click **Go to Course**.

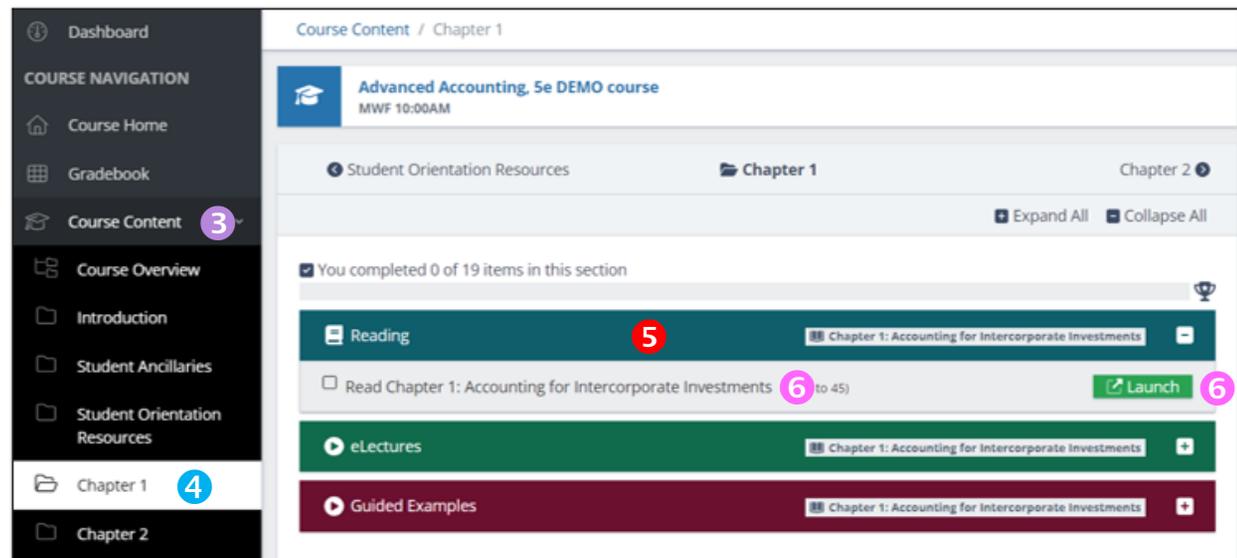
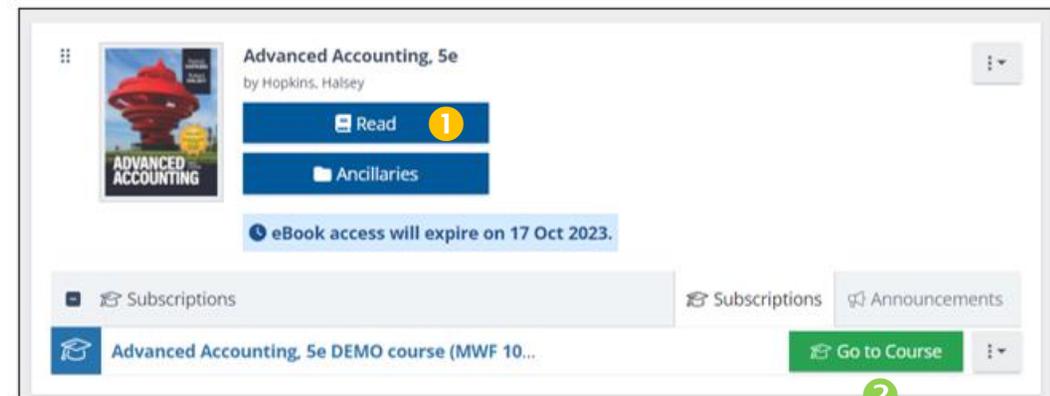
3 Click **Course Content** to expand the menu.

4 Click on the desired chapter/module.

5 Click on the **Reading** banner

6 Click *Read Chapter #* or click **Launch**.

- You will be brought to the first page of the chapter.

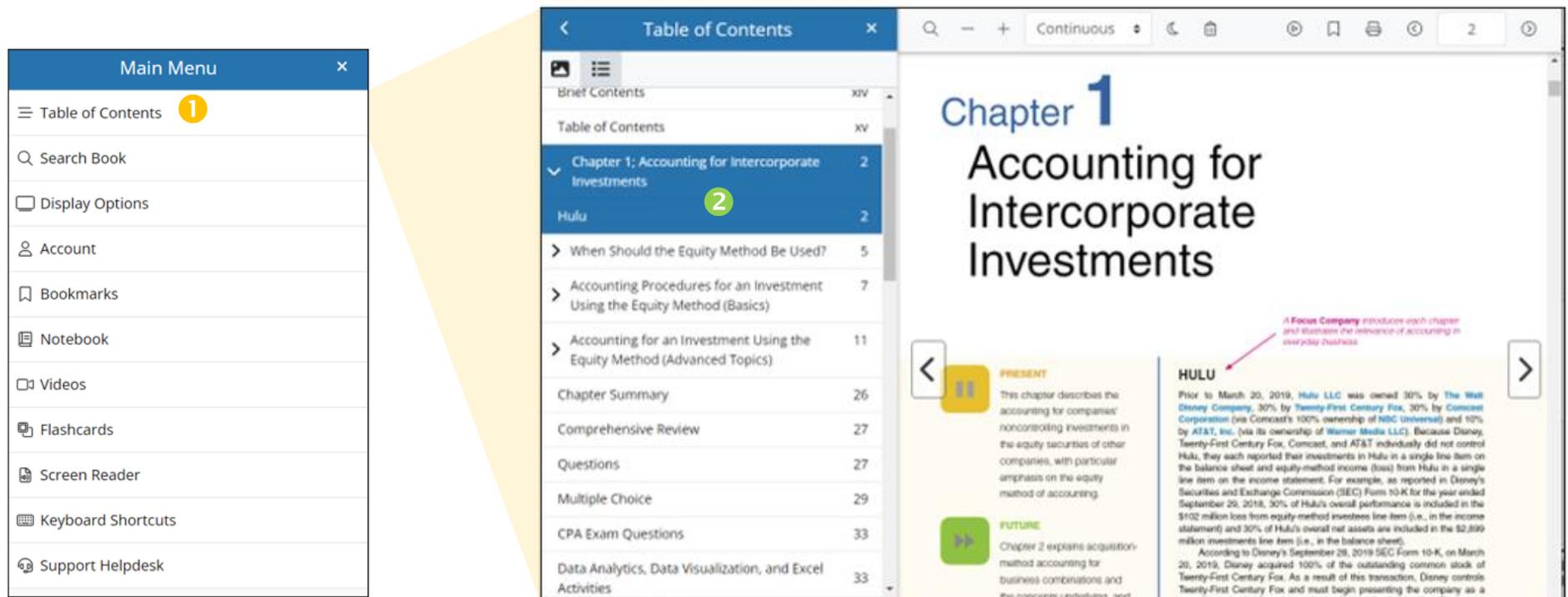


eBook—Access & Features

## Table of Contents

To open the content of your eBook...

- 1 Click **Table of Contents** to expand the menu.  
Several of the menu options can be viewed in Thumbnail , or List  view (shown).
- 2 Use the menu to navigate throughout the book (the current page will be identified in blue).

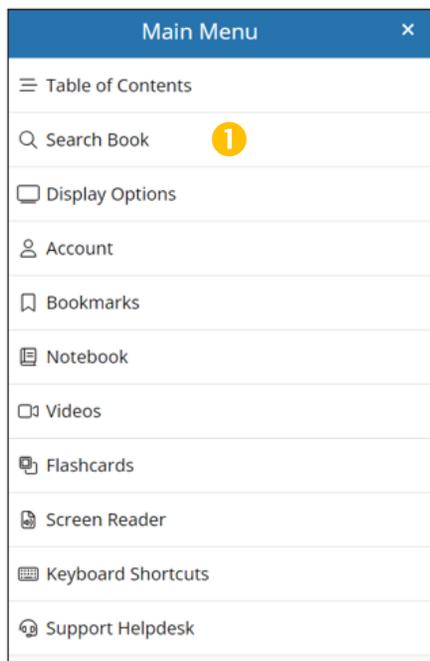


The screenshot illustrates the eBook's navigation interface. On the left, the 'Main Menu' is expanded, with 'Table of Contents' highlighted with a yellow circle and a '1' icon. The 'Table of Contents' panel in the center shows a list of chapters, with 'Chapter 1: Accounting for Intercorporate Investments' highlighted in blue and a yellow circle with a '2' icon. The main content area on the right displays 'Chapter 1 Accounting for Intercorporate Investments'. A red arrow points to the 'HULU' section, which is highlighted in blue. A red callout box above the HULU section states: 'A Focus Company introduces each chapter and illustrates the relevance of accounting in everyday business.' The HULU section text reads: 'Prior to March 20, 2019, Hulu LLC was owned 30% by The Walt Disney Company, 30% by Twenty-First Century Fox, 30% by Comcast Corporation (via Comcast's 100% ownership of NBC Universal) and 10% by AT&T, Inc. (via its ownership of Warner Media LLC). Because Disney, Twenty-First Century Fox, Comcast, and AT&T individually did not control Hulu, they each reported their investments in Hulu in a single line item on the balance sheet and equity-method income (loss) from Hulu in a single line item on the income statement. For example, as reported in Disney's Securities and Exchange Commission (SEC) Form 10-K for the year ended September 29, 2018, 30% of Hulu's overall performance is included in the \$102 million loss from equity-method investees line item (i.e., in the income statement) and 30% of Hulu's overall net assets are included in the \$2,899 million investments line item (i.e., in the balance sheet). According to Disney's September 29, 2019 SEC Form 10-K, on March 20, 2019, Disney acquired 100% of the outstanding common stock of Twenty-First Century Fox. As a result of this transaction, Disney controls Twenty-First Century Fox and must begin presenting the company as a consolidated subsidiary. Subsequently, Disney will be required to present the company as a consolidated subsidiary. Subsequently, Disney will be required to present the company as a consolidated subsidiary. Subsequently, Disney will be required to present the company as a consolidated subsidiary.' The interface also includes a search bar, navigation arrows, and a page number '2'.

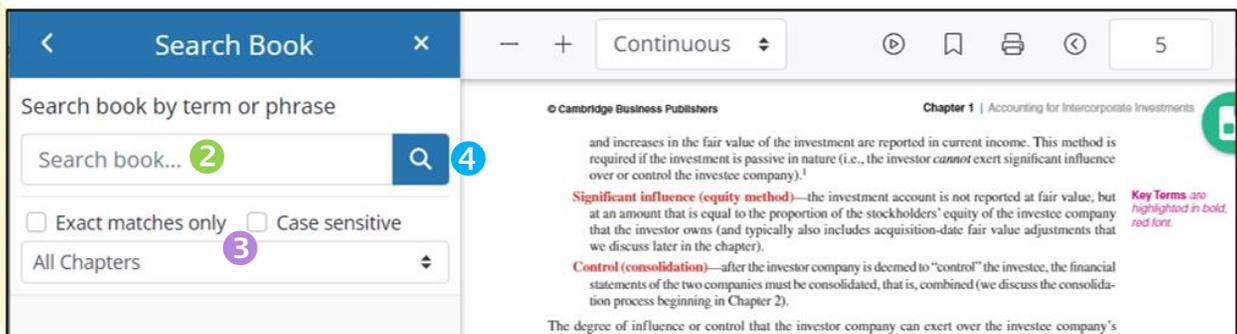
## Search Feature

Looking for something specific? Use the Search function to find what you need.

- 1 Click **Search Book** from the Main Menu.
- 2 Type in the term or phrase in the *Search* field.



- 3 Utilize Filters to narrow your search (optional).
- 4 Click the **Magnifying Glass** icon.



## Search Feature

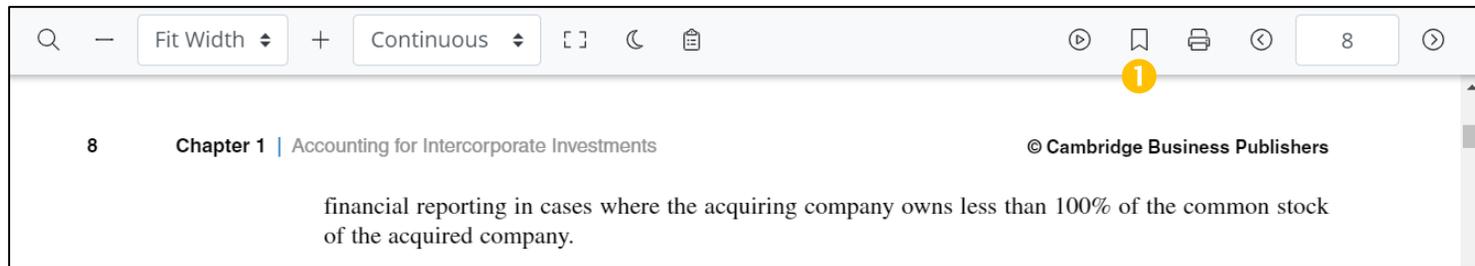
- 5 The Results of your search appear in the left panel.
- 6 Click on a page from the list to see the searched term or phrase highlighted on the selected page.

The screenshot displays a mobile search interface. On the left, a search panel titled "Search Book" shows a search for "ASC 815" with 28 results. The top result, "Accounting for Derivatives 467", is highlighted in blue and contains the text "Accounting for Derivatives The accounting for derivatives is codified in FASB ASC 815 and is largely based on an accounting model introduced in Statement of Financial Accounting...". A red circle with the number 5 is next to the search results list, and a purple circle with the number 6 is next to the highlighted result. The right side of the screen shows a document page from "Chapter 7 | Accounting for Foreign Currency Transactions and". The title "Accounting for Derivatives" is highlighted in blue, with a purple circle with the number 6 next to it. The text on the page discusses the accounting for derivatives, mentioning "FASB ASC 815" and "All derivatives must always be measured and reported in the balance sheet at fair value at every interim and annual financial statement date." A "PRACTICE INSIGHT" box at the bottom contains the "Definition of a Derivative Financial Instrument".

## Bookmark Feature

No need to dog-ear a printed page, add Bookmarks to easily find bookmarked pages in the future.

- 1 Click the **Bookmark** icon at the top/right corner of the page.



- 2 Add a title to identify the Bookmark (optional).
- 3 Click **Add Bookmark**. The Bookmarked page is now identified in dark red.

Bookmark pg. 8  
Accounting for the Purchase of an Equity Investment

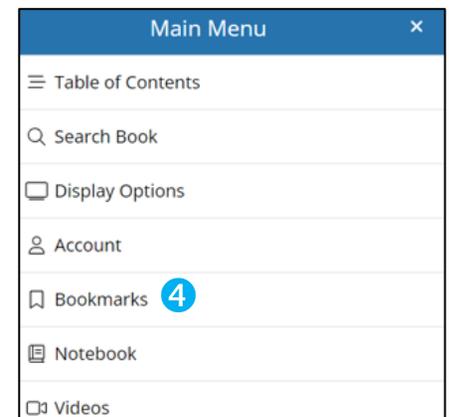
Input a title for your bookmark in the box below (optional) and then click "Add Bookmark" button

Equity Investment Purchase 2

Cancel
Add Bookmark 3



- 4 To access bookmarked pages, click **Bookmarks** on the Main Menu.
  - You can edit or delete bookmarks here too!



## Highlight & Annotate

You can highlight text and take notes, just like you can with a print book! All highlights and notes will appear in the Notebook.

- 1 Click and drag your cursor across the desired section of text.
- 2 To **Highlight** the selected text, choose a color from the pop-up window.
- 3 To add a Note, click **Note** in the pop-up window.
- 4 Type your Note and a Tag for reference.
- 5 Click **Add Note**.



16 Chapter 1 | Accounting for Intercorporate Investments © Cambridge Business Publishers

And, because the investor has the ability to significantly influence the investee's operating activities (or possibly control those operations), GAAP views these two companies as one reporting group. If separate companies under one reporting group were allowed to recognize a profit on transfers of inventories within the reporting group, they could increase profit without limit without ever selling a good or service to an unaffiliated party. This would clearly be unacceptable. Consequently, **the gross profit on the intercompany sale must be deferred and cannot be recognized until those inventories are sold outside of the related companies.** (By the way, it doesn't matter in which direction the sale occurs; we also would be required to defer the gross profit on the sale if the investor had sold inventory to the investee.)

The deferral of gross profit on intercompany inventory sales is accomplished by the following journal entry:<sup>9</sup>

Equity income . . . . .	30	
Equity investment . . . . .		30
<i>(to record the deferral of gross profit on inventory sale in the period of sale)</i>		

TOPIC REVIEW 1.4

**Highlight**

the gross profit on the intercom-pany sale must be deferred and cannot be recognized until those inventories are sold outside of the related companies .

**Note**

Add a note (optional)

Characters remaining: 2000

Add a tag

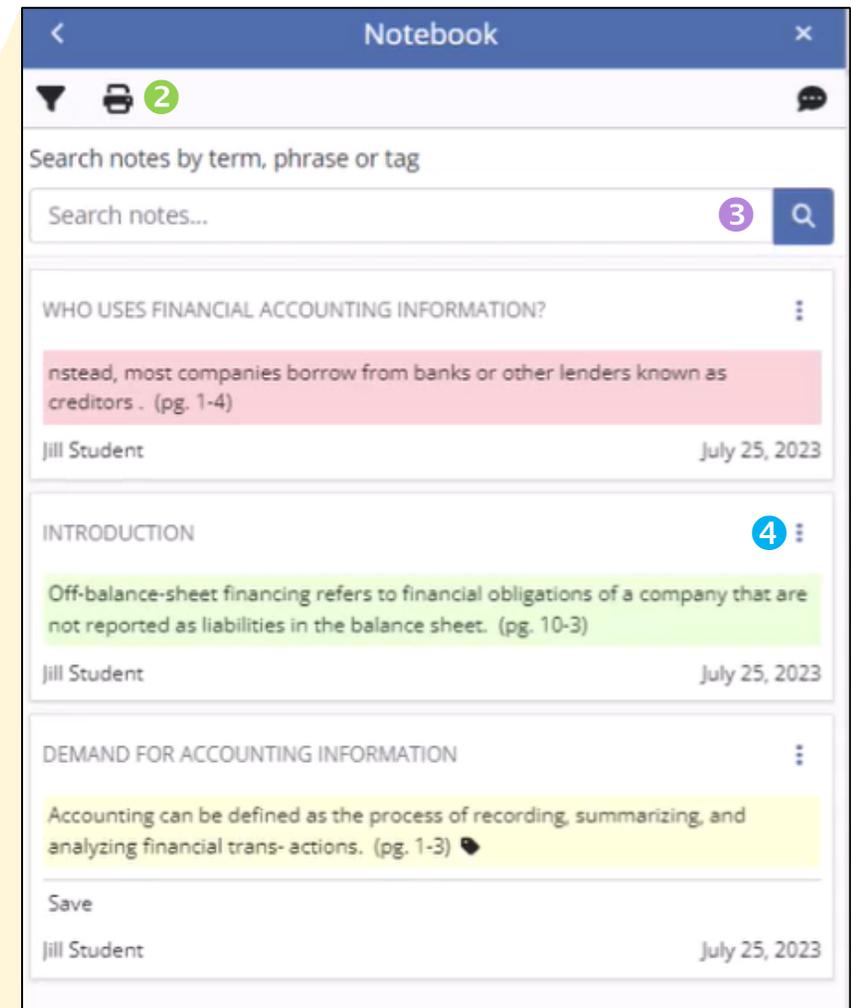
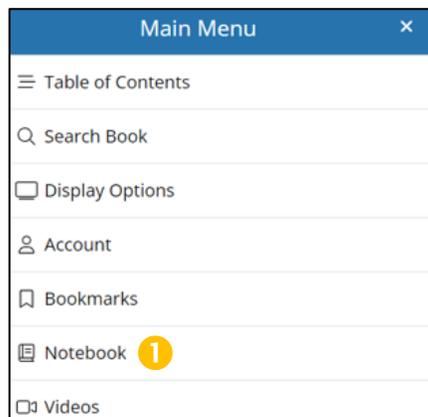
To add a tag, **type in the box above and click enter.** You may also choose from an existing tag. Existing tags will display as you type.

Cancel Add Note

## Notebook

All highlights and notes can be accessed through the Notebook page.

- 1 Click **Notebook** from the Main Menu.
- 2 Print your notes by clicking on the **Print** icon.
- 3 **Search** by entering a term or phrase and click the *magnifying glass* icon.
- 4 Click the **vertical ellipsis** in the top right corner of a note to go directly to the corresponding page, or to edit or delete the note.



## Flashcards

Create your own Flashcard study decks from selected text.

- 1 Click and drag your cursor across the desired section of text.
- 2 Select **Flashcard** in the pop-up window.
- 3 Name a new deck or select the deck in which to add the flashcard.
- 4 One side will be prefilled with the selected text.  
Type your text for the flip-side of the card.
- 5 Click **Add Flashcard**.



16 Chapter 1 | Accounting for Intercorporate Investments © Cambridge Business Publishers

And, because the investor has the ability to significantly influence the investee’s operating activities (or possibly control those operations), GAAP views these two companies as one reporting group. If separate companies under one reporting group were allowed to recognize a profit on transfers of inventories within the reporting group, they could increase profit without limit without ever selling a good or service to an unaffiliated party. This would clearly be unacceptable. Consequently, **the gross profit on the intercom-**

1 **pany sale must be deferred and cannot be recognized until those inventories are sold outside of the related companies.** (By the way, it doesn’t matter in which direction the sale occurs; we also would be required to defer the gross profit on the sale if the investor had sold inventory to the investee.)

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TOPIC REVIEW 1.4

**Decks (required)**

Default x Select or add a deck 3

To add a deck, **type in the box above and click enter**. You may also choose from an existing deck. Existing decks will display as you type.

**Front (required)**

the gross profit on the intercom- pany sale must be deferred and cannot be recognized until those inventories are sold outside of the related companies.

↕ Swap

**Back (required)**

4

5

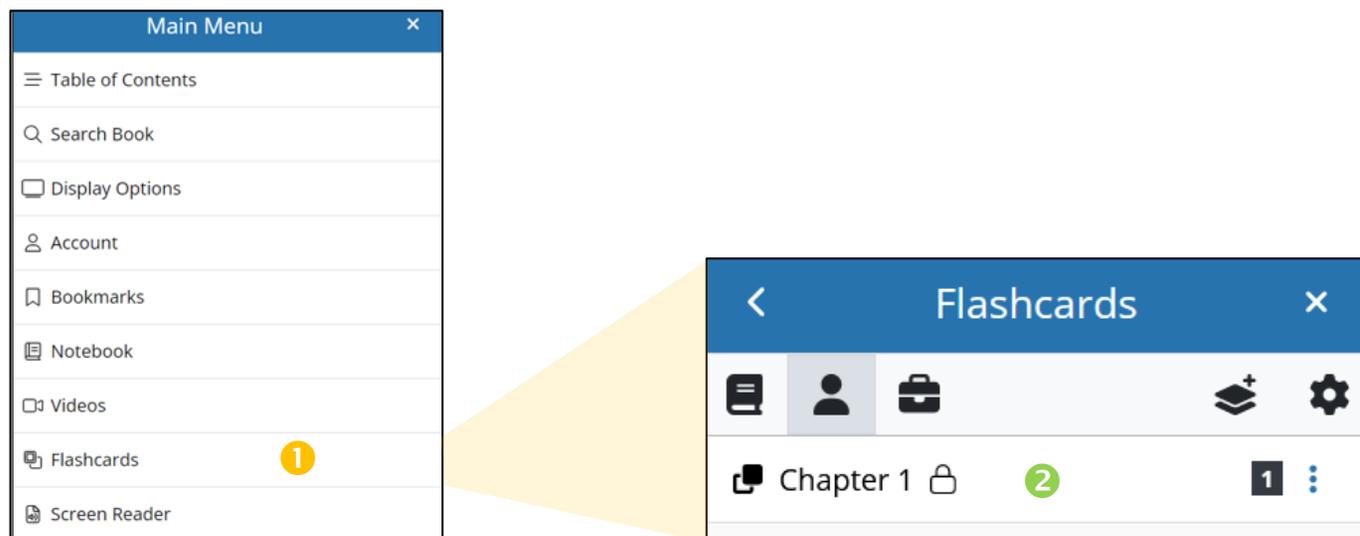
Cancel Add Flashcard

## Flashcards

All flashcards can be accessed through the Flashcards page.

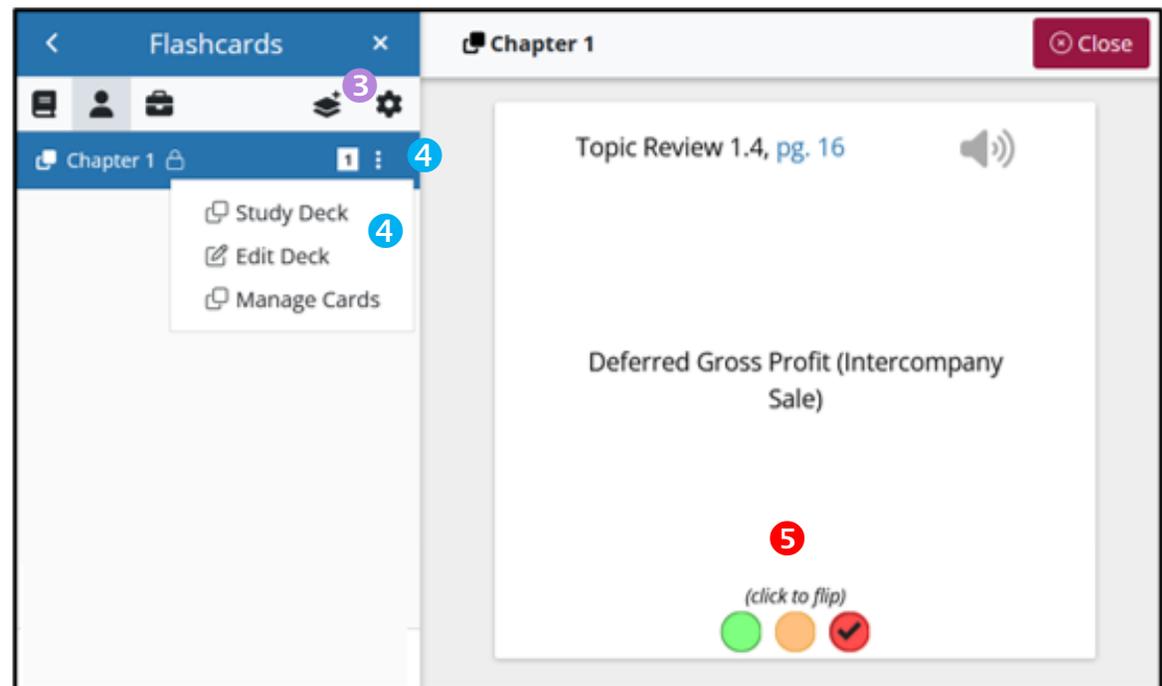
- 1 Click **Flashcards** from the Main Menu.
- 2 Select the Flashcard deck you want to view. You may have any/all of the following to choose from:

- The Book deck (if available) 
- Your (default) deck 
- Decks shared by your instructor 



## Flashcards

- 3 Click the **Add Flashcard** icon to create additional flashcards and add to the selected deck, or the **Settings** icon to change deck settings.
- 4 To **Study**, **Edit**, or **Manage** your flashcard deck, click the *vertical ellipsis* for the selected deck. Select the needed feature.
- 5 When studying, click to flip.
  - If you are confident, select Green.
  - Still want to study it a while longer, select Yellow.
  - Haven't mastered the content yet, select Red.



## Video Content

Your eBook contains helpful videos created by the authors to help you understand the concepts of the chapter and learn to work through example problems.

You can access the eBook's Video content in two ways...

- 1 Look for the **Video icons** within the eBook and click to start watching!
- 2 Click **Videos** on the Main Menu to see a list of videos for the whole course.

The screenshot shows the eBook's user interface. On the left is a 'Main Menu' sidebar with options: Table of Contents, Search Book, Display Options, Account, Bookmarks, Notebook, Videos (highlighted with a green circle and the number 2), and Flashcards. The main content area displays page 16 of Chapter 1, 'Accounting for Intercorporate Investments'. The text discusses GAAP rules for intercompany sales, stating that gross profit must be deferred until sold to an unaffiliated party. Below the text is a journal entry table:

Equity income	30	
Equity investment		30
<i>(to record the deferral of gross profit on inventory sale in the period of sale)</i>		

Below this is another journal entry table:

Equity investment	30	
Equity income		30
<i>(to record the recognition of gross profit on inventory sale in the following period)</i>		

Green video icons with the number 1 are placed over the text and the journal entry tables. The interface also includes a search bar, navigation controls, and a page number '16'.

## Video Content

When accessed through the Main Menu...

- 1 Select a Chapter/Module to expand the list of included videos.
- 2 Click the desired Video to begin watching.

The screenshot illustrates the user interface for accessing video content. On the left, the 'Main Menu' is open, showing options like 'Table of Contents', 'Search Book', 'Display Options', 'Account', 'Bookmarks', 'Notebook', 'Videos', and 'Flashcards'. The 'Videos' section is expanded, showing a list of chapters and modules. The selected video, 'LO1 Describe the equity method of accounting for the Equity Investment', is highlighted with a green circle and a '2' icon. The video player on the right shows the video content, which includes a table titled 'Allocation of Purchase Price' and a list of components for the equity investment.

		Useful life	Deprec./Amort.
Purchase price	\$1,200,000		
Book value of subsidiary	1,000,000		
Acquisition Accounting Premium (AAP)	\$ 200,000		
AAP assigned to identifiable int. assets			
Undervalued PPE	100,000	20	\$10,000
Patent	100,000	10	10,000
Goodwill (i.e., unidentifiable intangible asset)	\$ 100,000	N/A	0
			\$20,000

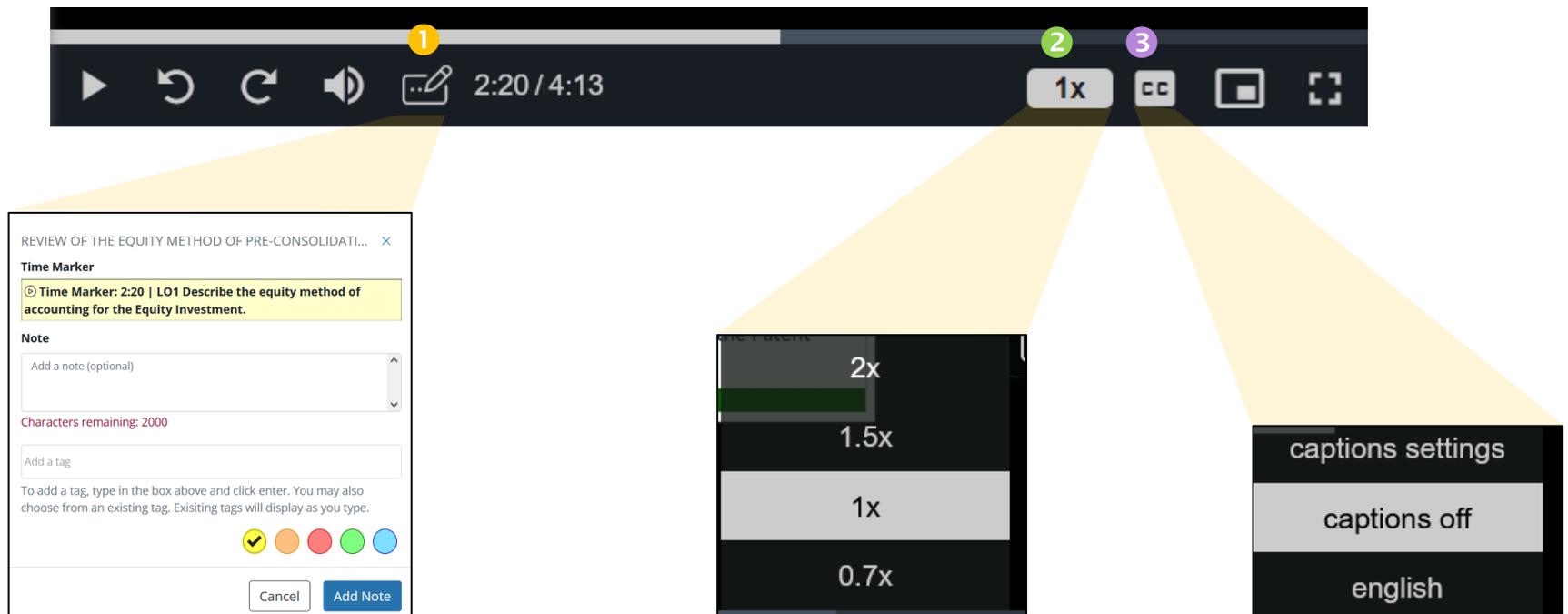
The Equity Investment on the acquisition date has two components:

1. \$1,000,000 book value of the subsidiary's Stockholders' Equity, and
2. \$500,000 of AAP (related to the undervalued PPE, the Patent asset and the Goodwill asset).

## Video Content

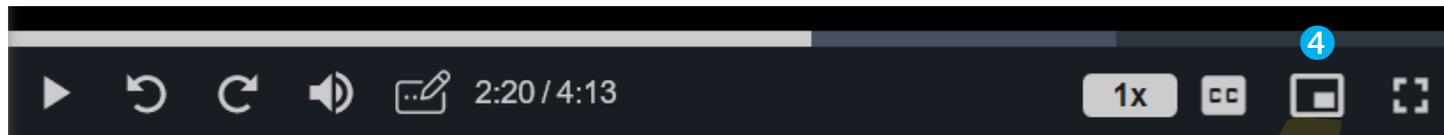
The videos themselves contain some cool features too!

- 1 Add a **Note**.
- 2 Speed up or Slow down the play speed.
- 3 Turn on **Closed Captioning**.



## Video Content

- 4 Selecting **Picture-in-Picture** allows you to play the video and read the text at the same time.



576 Chapter 8 | Consolidation of Foreign Subsidiaries © Cambridge Business Publishers

a. Translate the subsidiary's income statement, statement of retained earnings, balance sheet, and statement of cash flows into \$US (assume that the BOY Retained Earnings is \$6,242,208).

b.<sup>^</sup> Compute the ending Cumulative Translation Adjustment directly, assuming a BOY debit balance of \$1,817,088. What journal entries did the parent company make as a result of this computation?

c. Following are selected financial statement accounts for the parent:

Income statement:		Balance sheet:	
Sales	\$29,472,000	Cash	\$ 2,926,406
Cost of goods sold	(20,830,400)	Accounts receivable	3,772,416
Gross profit	8,641,600	Inventory	5,717,568
Equity income	1,147,776	Equity investment	7,208,400
Operating expenses	(5,599,680)	PPE, net	30,450,470
Net income	\$ 4,389,696		\$50,075,260

Statement of retained earnings:		Liabilities and stockholders' equity	
BOY retained earnings	\$25,382,400	Current liabilities	\$ 2,360,707
Net income	4,389,696	Long-term liabilities	1,600,000
Dividends	(1,015,296)	Common stock	3,346,208
Ending retained earnings	\$28,756,800	APIC	15,555,350

Statement of accum. comp. income:		Retained earnings	
BOY cumulative translation adjustment	\$ (1,817,088)	Retained earnings	28,756,800
Current-year translation gain (loss)	273,283	Cumulative translation adjustment	(1,543,805)
EOY cumulative translation adjustment	\$ (1,543,805)		\$50,075,260

Assume the following information: The purchase price for the subsidiary included an [A] asset relating to land that the parent estimated was worth \$384,000 more than its book value on the subsidiary's balance sheet. Compute the balance of the Equity Investment account of \$7,208,400 on the parent's balance sheet.

d. Using your translated subsidiary financial statements from Part a and the parent's financial data provided in Part c, prepare the consolidation spreadsheet for the year.

**LO1, 3** 43. Translation of financial statements and consolidation of a foreign subsidiary (amortization of AAP)

Assume that your company owns a subsidiary operating in Brazil. The subsidiary maintains its books in the Brazilian real (BRL) as its functional currency. Following are the subsidiary's financial statements (in BRL) for the most recent year:

	(in BRL)	(in BRL)	(in BRL)
<b>Income statement:</b>		<b>Balance sheet:</b>	
Sales	4,200,000	Assets	
Cost of goods sold	(2,520,000)	Cash	1,195,320
Gross profit	1,680,000	Accounts receivable	974,400
		Inventory	1,251,600
		Change in accounts receivable	(162,400)
		Change in inventories	(208,600)
		Change in current liabilities	118,720
		Net income	588,000

**Equity Method Accounting**

- Assume that during the first year following the acquisition:
- Subsidiary's net income is \$1,680,000.
- Pay of dividend of \$1,000,000 to parent.
- The parent made amortization of the land in the amount of \$12,000.
- The parent makes the following equity method journal entries:

## View Customization, Screen Reader, and Other Helpful Tools

Within the eReader, you will find other features on the toolbar at the top of the page when viewing your eBook.



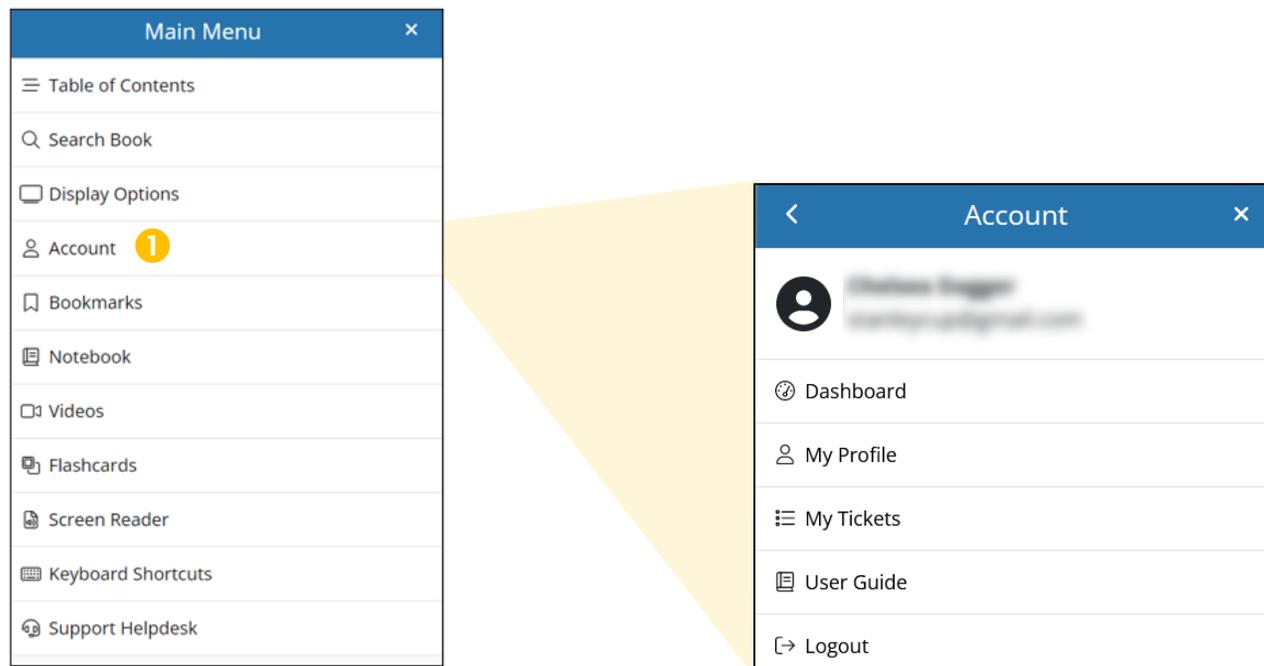
- 1 Adjust the Zoom.
- 2 Select your preferred Page Layout.
- 3 Toggle to Full Screen.
- 4 Change the theme to Dark Mode.
- 5 Submit Feedback.
- 6 Start the Screen Reader to have the text read to you.
- 7 Bookmark
- 8 Print (Restricted)
- 9 Navigate

Some of these features can be accessed or further adjusted by selecting **Display Options** or **Screen Reader** from the Main Menu.

## Account Access

You can also access your Account through the eReader.

- 1 Click **Account** from the Main Menu within the eBook.
  - From here you can return to the **Dashboard**, view/edit your **Profile**, access your **Support Tickets\***, open the **User Guide**, or **Logout**.



\* See next page for more Support Help.

## Need Help?

It happens. We all need help sometimes. Our Support Team is here to lend a hand.

- 1 Click **Support Helpdesk** from the Main Menu.
- 2 Create a **Support ticket**, or
- 3 Request a **Callback**.

