Fair value of net assets acquired (in thousands)	**$2,400**
Total consideration at fair value (80 shares x $20) + $400	**<u>$2,000</u>**
Gain from bargain purchase	**<u>$400</u>**

The entry to record the acquisition of the net assets:

Investment in Sad Co. (+A)	**2,000**	
10% Note payable (+L)		400
Common stock, $10 par (+SE)		800
Additional paid-in-capital (+SE)		800

The entry to record Sad's assets directly on Pit's books:

Cash (+A)	100	
Net receivables (+A)	280	
Inventories (+A)	500	
Land (+A)	200	
Buildings (+A)	1,000	
Equipment (+A)	700	
Patents (+A)	100	
Accounts payable (+L)		120
Notes payable (+L)		270
Other liabilities (+L)		90
Investment in Sad Co. (+A)		**2,000**
Gain from bargain purchase (G, +SE)		**400**

- Other issues: Impairments, disclosures, and the sarbanes-oxley act
  - ✓ Goodwill controversies
    - Capitalized goodwill is the purchase price not assigned to identifiable assets and liabilities.
      Errors in valuing assets and liabilities affect the amount of goodwill recorded.
    - Historically goodwill in most industrialized countries was capitalized and amortized. Current IASB standards, like U.S. GAAP
      - Capitalize goodwill,