**Difference between the book value of net assets (BV) and the fair value of identifiable net assets (FV) is assigned to the specific assets or liabilities
- E.g., undervalued or overvalued inventories, plant assets
- Unrecorded assets (patents) or liabilities (existing contingencies)

Difference between FV and Cost is goodwill or a gain on the bargain purchase

Parent Acquires 90% of Subsidiary—With Goodwill

Pen acquires 90% of Sel's outstanding stock for $45,000

90%

Investment cost : $45,000

Book Value: 40,000

Implied fair value
$45,000/90% = $50,000
$50,000 - $40,000 = $10,000 (goodwill)

*there is $5000 (10% x $50,000) of noncontrolling interest

The elimination journal for 90% ownership :

a. Capital Stock—Sel (-SE)	**30**	
Retained Earnings—Sel (-SE)	**10**	
Goodwill (+A)	**10**	
Investment in Sel (-A)		**45**
Noncontrolling interest (+SE)		**5**

To eliminate the reciprocal investment and equity balances, to assign the $10,000 excess of investment fair value ($50,000) book value ($40,000) to goodwill, and to recognize a $5,000 noncontrolling interest in the net asset of Sel ($50,000 equity x 10% noncontrolling interest)

Consolidated Balance Sheets After Acquisitions

Balance sheet of Pen and Sel at December 31, 2011 after 1 year after acquisition (in thousands)

	Pen	Sel
	BV	BV
Cash	$27.4	$15
Dividends Receivables	9	-
Other current assets	41	28
Plant assets	75	45
Accumulated Depreciation	(20)	(8)
Investment in Sel (90%)	54	-
Total Assets	186.4	$80