

EXAM 6 – UNITED STATES, FALL 2019

21. (2.5 points)

A company is considering the acquisition of two small insurers (all dollar figures are in thousands):

Insurer A		Insurer B	
Assets -- Buildings & Furniture	\$400	Assets -- Buildings & Furniture	\$500
Assets -- Other than Buildings & Furniture	\$9,000	Assets -- Other than Buildings & Furniture	\$8,000
Liabilities	\$6,000	Liabilities	\$7,000

- The purchase price for Insurer A is \$3,000
- The purchase price for Insurer B is \$3,000
- Assume a 0% tax rate

a. (1 point)

Calculate the U.S. GAAP goodwill that would result from the acquisition of each insurer.

b. (0.5 point)

Briefly describe how the acquisition of each insurer would impact the purchasing company's U.S. GAAP income statement.

c. (1 point)

Describe how the valuation of a goodwill asset changes over subsequent reporting periods under each of SAP and U.S. GAAP.