

P16-4B

Tuecke's Concrete acquired 20% of the outstanding common stock of Drew, Inc. on January 1, 2012, by paying \$1,100,000 for 40,000 shares. Drew declared and paid a \$0.50 per share cash dividend on June 30 and again on December 31, 2012. Drew reported net income of \$600,000 for the year. At December 31, 2012, the market price of Drew's common stock was \$30 per share.

Instructions

- (a) Prepare the journal entries for Tuecke's Concrete for 2012, assuming Tuecke's cannot exercise significant influence over Drew. (Use the cost method and assume Drew common stock should be classified as available-for-sale.)
- (b) Prepare the journal entries for Tuecke's Concrete for 2012, assuming Tuecke's can exercise significant influence over Drew. (Use the equity method.)
- (c) Indicate the balance sheet and income statement account balances at December 31, 2012, under each method of accounting.