

Cost method	Simple Equity Method	Sophisticated Equity Method
<b>At acquisition date:</b> Dr. Investment in Sub. Cr. Cash	<b>At acquisition date:</b> Dr. Investment in Sub. Cr. Cash	<b>At acquisition date:</b> Dr. Investment in Sub. Cr. Cash
<b>At subsidiary year-end</b> No entry	<b>At subsidiary year-end</b> Dr. Investment in Sub Cr. Investment Income For our share of sub income	<b>At subsidiary year-end</b> Dr. Investment in Sub Cr. Investment Income <i>For our share of sub income</i> Dr. Amortization Expense Cr. Investment Income <i>For amortization of excess</i>
	<b><i>All intra-co sales &amp; inventory are assumed to have already been eliminated. If not, then we need to eliminate those as well.</i></b>	
<b>At declaration of dividend</b> Dr. Dividend Receivable Cr. Investment Income <b>On receipt of dividend</b> Dr. Cash Cr. Dividend Receivable	<b>At declaration of dividend</b> Do nothing, or else, Dr. Dividend Receivable Cr. Investment in Sub <b>On receipt of dividend</b> If you did nothing above, then Dr. Cash Cr. Investment in Sub. If you made the entry to recognize dividend payable, Dr. Cash Cr. Dividend Receivable	<b>Handle dividends as in simple equity method</b>
<b>Elimination &amp; adjustments:</b> Eliminate equity in subsidiary Distribute excess	<b>Elimination &amp; adjustments:</b> Eliminate equity in subsidiary Distribute excess	<b>Elimination &amp; adjustments:</b> Eliminate equity in subsidiary Distribute excess

- The consolidated statements: I/S, B/S, C/F should be identical independent of which method of accounting for sub you use.
- You can keep your books using a simpler method (cost or simple equity) but report using a more complex method (simple equity or sophisticated equity). Often this is a labor saving option.
- In the sophisticated equity method, income from sub is recognized net of amortization, so amortization has to be provided by a separate entry.