

Consolidated balance sheet and Income Statement

Cash	\$2,000			
Accounts Receivable		\$2,000		
<i>to adjust X's cash for payment in transit from Y</i>				
Sales	\$49,000			
Cost of sales		\$49,000		
<i>to eliminate intercompany sales/purchases</i>				
Cost of Sales	\$ 5,500			
Inventory		\$ 5,500		
<i>to eliminate intercompany profits in ending inventory, per below:</i>				
Intercompany sales, not resold:				
At selling price	\$12,500	\$15,000		
Cost Basis:				
Y to X (÷ 125%)	(10,000)			
X to Y (÷ 125%)		(12,000)		
unrealized profit	\$ 2,500	\$ 3,000		
Acctounts Payable	\$ 6,000			
Acctounts Receivable		\$ 6,000		
<i>to eliminate intercompany receivables/ payables</i>				
Gain-sale of equipment	\$4,000			
Equipment		\$ 1,000		
Accumulated Depreciation		2,200		
Depreciation expense		800		
<i>to eliminate intercompany gain on equipment and related depreciation.</i>				
	1/1/X2	20X2	12/31/X2	
	COST	A/D	DEPR	A/D
original cost	\$8,000	\$3,000	\$1,000	\$ 4,000
New basis	9,000	--	1,800	1,800
	\$1,000		\$ 800	\$ 2,200

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Bonds payable	\$ 75,000	
Investment in bonds		\$ 56,000
Gain on bond retirement		19,000
<i>to eliminate intercompany bond holdings</i>		
Equity in Sub income	\$ 10,320	
Dividends		\$ 4,800
Investment in Y Co.		5,520
<i>to adjust the investment account back to beginning of year balance</i>		
Capital stock- Co. Y	\$ 40,000	
Additional Paid-in capital- Co. Y	12,000	
Retained earnings- Y	41,840	
Differential	26,160	
Investment in Y Co.		\$ 120,000
<i>To eliminate the investment account against beginning of year capital accounts (notice 100% of asset appreciations/reductions are recognized)</i>		
Equipment	\$ 15,000	
Patent	5,000	
Goodwill	21,800	
Accum Depreciation		\$ 5,000
Inventories		4,100
Adjustment to NCI		6,540
Differential		26,160
<i>to distribute the total differential to the specific assets and recognize NCI adjustment</i>		
Inventories	\$ 4,100	
Depr expense	3,000	
Patent Amortization expense	500	
Cost of sales		\$ 4,100
Accum depreciation		3,000
Patent		500
<i>to amortize various asset adjustments for the year. (Notice 100% of adjustment is amortized)</i>		