

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			
Inventories		5,500		
<i>to eliminate intercompany profits in ending inventory, per below</i>				
<i>Intercompany sales, not resold</i>				
	Co. X	CO. Y		
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		
Accounts Payable	6,000			
Accounts 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. Per below:</i>				
Explanation				
	Cost	1/1/02 A/D	20x2 DEPR	12/21/02 A/D
original cost	8,000	3,000	1,000	4,000
New basis	9,000		1,800	1,800
Difference	(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	
Add'l paid-in capital- Co. Y	12,000	
Retained earnings-Co. Y	41,840	
Differential	26,160	
Investment in Y Co.		120,000
<i>To eliminate the investment account against beginning of year capital accounts</i>		
Equipment	15,000	
Patent	5,000	
Goodwill	21,800	
Accumulated Depreciation		5,000
Inventories		4,100
Adj. to NonControlling Interest		6,540
Differential		26,160
<i>To distribute the total differential to the specific assets and recognize the NCI adjustment</i>		
Inventories	4,100	
Depreciation expense	2,000	
Patent amortization expense	500	
Cost of sales		4,100
Accumulated depreciation		2,000
Patent		500
<i>to adjust the asset appreciations/reductions for depreciation/ amortization</i>		