

Consolidated balance sheet only

Cash	2,000			
Accounts Receivable				2,000
<i>to adjust X's cash for payment in transit from Y</i>				
Retained Earnings	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
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Accounts Payable	6,000			
Accounts Receivable				6,000
<i>to eliminate intercompany receivables/ payables</i>				
Retained Earnings	3,200			
Equipment				1,000
Accumulated Depreciation				2,200
<i>to eliminate intercompany gain on equipment and related depreciation. Per below:</i>				
	Cost	1/1/X2 A/D	20X2 DEPR	12/21/X2 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

Consolidated balance sheet only

Bonds Payable	75,000	
Investment in bonds		56,000
Retained earnings		19,000
<i>to eliminate intercompany bond holdings</i>		
Capital stock–Co. Y	40,000	
Add'l paid-in capital- Co. Y	12,000	
Retained earnings-Co. Y	47,360	
Differential	26,160	
Investment in Y Co.		125,520
<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 recognized NCI adjustment (notice 100% of asset appreciations / reductions are recognized)</i>		
Inventories	4,100	
Accumulated depreciation		2,000
Patent		500
Retained earnings		1,600
<i>to adjust the asset appreciations/reductions for depreciation/ amortization</i>		