

Comparison of Entries for Consolidated Balance Sheet with Consolidated Income Statement and Balance Sheet

Balance Sheet Only			Income Statement and Balance Sheet		
Cash	2,000		Cash	2,000	
Accounts Receivable		2,000	Accounts Receivable		2,000
<i>To adjust X's cash for payment in transit from Y</i>					
No entry			Sales	49,000	
			Cost of Goods Sold		49,000
<i>to eliminate intercompany sales/purchases</i>					
Retained earnings	5,500		Cost of Goods Sold	5,500	
Inventories		5,500	Inventories		5,500
<i>to eliminate inter-company 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 Payable	6,000	
Accounts Receivable		6,000	Accounts Receivable		6,000
<i>to eliminate inter-company receivables/payables</i>					
Retained Earnings	3,200		Gain on sale of equip	4,000	
Equipment		1,000	Depreciation expense		800
Accumulated Depreciation		2,200	Equipment		1,000
			Accumulated Deprec		2,200
<i>to eliminate intercompany gain on equipment and related depreciation. Per below:</i>					

<i>Explanation</i>				
	Cost	1/1/02 A/D	2002 DEPR	12/21/02 A/D
original cost	8,000	3,000	1,000	4,000
New basis	9,000	0	1,800	1,800
Difference	(1,000)	3,000	(800)	2,200

Comparison of Entries for Consolidated Balance Sheet with Consolidated Income Statement and Balance Sheet (cont)

Balance Sheet Only			Income Statement and Balance Sheet		
Bonds Payable	75,000		Bonds Payable	75,000	
Investment in bonds		56,000	Investment in bonds		56,000
Retained earnings		19,000	Gain on bond retirement		19,000
<i>To eliminate inter-company bond holdings</i>					
No entry			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		Capital stock - Co. Y	40,000	
Add'l paid-in capital-Co. Y	12,000		Add'l paid-in capital-Co. Y	12,000	
Retained earnings-Co. Y	47,360		Retained earnings-Co. Y	41,840	
Differential	26,160		Differential	26,160	
Investment in Y Co.		125,520	Investment in Y Co.		120,000
<i>To eliminate the ending investment account against the end of year capital balances</i>			<i>To eliminate the beginning investment account against the beginning of year capital balances</i>		
Equipment	15,000		Equipment	15,000	
Patent	5,000		Patent	5,000	
Goodwill	21,800		Goodwill	21,800	
Accumulated Deprec		5,000	Accumulated Deprec		5,000
Inventories		4,100	Inventories		4,100
FV adj. To NCI		6,540	FV adj. To NCI		6,540
Differential		26,160	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		Inventories	4,100	
Accumulated Depreciation		2,000	Depreciation expense	2,000	
Patent		500	Patent Amortization expense	500	
Retained earnings		1,600	Cost of goods sold		4,100
			Accumulated Depreciation		2,000
			Patent		500
<i>to adjust the asset appreciations/reductions for depreciation/ amortization</i>					