

Amboy Corporation acquired all of the outstanding \$10 par voting common stock of Taft, Inc., on January 1, 1982, in exchange for 50,000 shares of its \$10 par voting common stock. On December 31, 1981, Amboy's common stock had a closing market price of \$15 per share on a national stock exchange. The acquisition was appropriately accounted for as a purchase. Both companies continued to operate as separate business entities maintaining separate accounting records with years ending December 31.

On December 31, 1982, after year-end adjustments but before the nominal accounts were closed, the companies had condensed general ledger trial balances as follows:

	Amboy Dr. (Cr.)	Taft Dr. (Cr.)
Net sales	\$(1,900,000)	\$(1,500,000)
Dividend income from Taft, Inc.	(40,000)	
Gain on sale of warehouse	(30,000)	
Cost of goods sold	1,180,000	870,000
Operating expense (includes depreciation)	550,000	440,000
Cash	285,000	150,000
Accounts receivable (net)	430,000	350,000
Inventories	530,000	410,000
Land, plant & equipment	660,000	680,000
Accumulated depreciation	(185,000)	(210,000)
Investment in Taft, Inc. (at cost)	750,000	
Accounts payable & accrued expenses	(670,000)	(594,000)
Common stock (\$10 par)	(1,200,000)	(400,000)
Additional paid-in capital	(140,000)	(80,000)
Retained earnings (1/1/82)	(220,000)	(156,000)
Dividends paid		40,000
Total	\$ -0-	\$ -0-

Additional information is as follows:

1. There were no changes in the common stock and additional paid-in capital accounts during 1982 except the one necessitated by Amboy's acquisition of Taft.
2. At the acquisition date the current value of Taft's machinery exceeded its book value by \$54,000. The excess will be amortized over the estimated average remaining life of six years. The fair values of all of Taft's other assets and liabilities were equal to their book values.
3. On July 1, 1982, Amboy sold a warehouse facility to Taft for \$129,000 cash. At the date of sale Amboy's book values were \$33,000 for the land and \$66,000 for the underpreciated cost of the building. Taft allocated the \$129,000 purchase price to the land for \$43,000 and to the building for \$86,000. Taft is depreciating the building over its estimated five-year remaining useful life by the straight-line method with no salvage value.
4. During 1982 Amboy purchased merchandise from Taft at an aggregate invoice price of \$180,000, which included a 100% markup on Taft's cost. At December 31, 1982, Amboy owed Taft \$75,000 on these purchases, and \$36,000 of the merchandise purchased remained in Amboy's inventory.

Required:

Complete the tear-out worksheet to prepare a consolidated income statement and retained earnings statement for the year ended December 31, 1982, and a consolidated balance sheet as at December 31, 1982, for Amboy Corporation and its subsidiary, Taft, Inc. Formal consolidated statements and journal entries are not required. Ignore income tax considerations. Supporting computations should be in good form. Include the completed tear-out worksheet in the proper sequence and turn in with other answer sheets.

Handout Problem No. Cn-100R (continued)

Amboy Corporation and Subsidiary
CONSOLIDATING STATEMENT WORKSHEET
December 31, 1982

<i>Income Statement</i>	<i>Amboy Corporation</i>	<i>Taft Inc.</i>	<i>Adjustments and Eliminations</i>				<i>Adjusted Balance</i>
			<i>Debit</i>		<i>Credit</i>		
Net sales	\$(1,900,000)	\$(1,500,000)					
Dividends from Taft	(40,000)						
Gain on sale of warehouse	(30,000)						
Cost of goods sold	1,180,000	870,000					
Operating expenses (including depreciation)	550,000	440,000					
Net income	\$ (240,000)	\$ (190,000)					
<i>Retained Earnings Statement</i>							
Balance, 1/1/82	\$ (220,000)	\$ (156,000)					
Net income	(240,000)	(190,000)					
Dividends paid		40,000					
Balance, 12/31/82	\$ (460,000)	\$ (306,000)					
<i>Balance Sheet</i>							
Assets:							
Cash	\$ 285,000	\$ 150,000					
Accounts receivable (net)	430,000	350,000					
Inventories	530,000	410,000					
Land, plant & equipment	660,000	680,000					
Accumulated depreciation	(185,000)	(210,000)					
Investment in Taft (at cost)	750,000						
	\$ 2,470,000	\$ 1,380,000					
Liabilities & Stockholders' Equity:							
Accounts pay. & accrued exp.	\$ (670,000)	\$ (594,000)					
Common stock (\$10 par)	(1,200,000)	(400,000)					
Additional paid-in capital	(140,000)	(80,000)					
Retained Earnings	(460,000)	(306,000)					
	\$(2,470,000)	\$(1,380,000)					