

A COMPANY AND B COMPANY CONSOLIDATED WORKING PAPERS
Year Ended December 31, 2005

	A Company	B Company	Adjustment Dr.	Elimination (Cr.)	Minority Interest	Consolidated Balance
Balance sheet						
12/31/05						
Cash	\$45,300	\$6,400				\$51,700
Accounts receivable	\$43,700	\$12,100				\$55,800
Inventories	\$38,300	\$20,750				\$59,050
Equipment	\$195,000	\$57,000				\$252,000
Accumulated depreciation	(\$35,200)	(\$18,900)				(\$54,100)
Investment in stock of B Company	\$125,460					\$125,460
Investment in bonds of A Company		\$44,000				\$44,000
Patents		\$9,000				\$9,000
Total assets	\$412,560	\$130,350	\$0	\$0	\$0	\$542,910
Accounts payable	\$8,900	\$18,950				\$27,850
Bonds payable	\$100,000					\$100,000
Capital stock	\$154,000	\$50,000				\$204,000
Additional paid-in-capital	\$81,600	\$15,000				\$96,600
Retained earnings*4 (from *3)	\$68,060	\$46,400	\$0	\$0	\$0	\$114,460
Minority interest						\$0
Total liabilities and equity	\$412,560	\$130,350	\$0	\$0	\$0	\$542,910
Income statement						
12/31/05						
Sales	\$750,000	\$420,000				\$1,170,000
Cost of sales	\$581,000	\$266,000				\$847,000
Gross margin	\$169,000	\$154,000	\$0	\$0	\$0	\$323,000
Depreciation and interest expense	\$28,400	\$16,200				\$44,600
Other operating expenses	\$117,000	\$128,400				\$245,400
Net income from operations	\$23,600	\$9,400	\$0	\$0	\$0	\$33,000
Gain on sale of equipment	\$3,000					\$3,000
Gain on bonds						\$0
Equity in subsidiary's income	\$8,460					\$8,460
Minority income						\$0
Net income*1 (to *2)	\$35,060	\$9,400	\$0	\$0	\$0	\$44,460
Statement of retained earnings						
12/31/05						
1/1/05 Retained earnings*2 (from *1)	\$48,000	\$41,000	\$0	\$0	\$0	\$89,000
Add net income	\$35,060	\$9,400				\$44,460
Total	\$83,060	\$50,400	\$0	\$0	\$0	\$133,460
Deduct Dividends	\$15,000	\$4,000				\$19,000
Balance 12/31/05*3 (to *4)	\$68,060	\$46,400	\$0	\$0	\$0	\$114,460