

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	\$900	\$900		\$59,050
Equipment	\$195,000	\$57,000	\$9,000			\$261,000
Accumulated depreciation	(\$35,200)	(\$18,900)		\$3,600		(\$57,700)
Investment in stock of B Company	\$125,460					\$125,460
Differential			\$25,200	\$25,200		\$0
GoodWill			\$14,400			\$14,400
Investment in bonds of A Company		\$44,000				\$44,000
Patents		\$9,000	\$2,700	\$270		\$11,430
Total assets	\$412,560	\$130,350	\$52,200	\$29,970	\$0	\$565,140
Accounts payable	\$8,900	\$18,950				\$27,850
Bonds payable	\$100,000					\$100,000
Capital stock	\$154,000	\$50,000	\$45,000		\$5,000	\$154,000
Additional paid-in-capital	\$81,600	\$15,000	\$13,500		\$1,500	\$81,600
Retained earnings*4 (from *3)	\$68,060	\$46,400	(\$2,970)	\$0	\$0	\$117,430
Minority interest					\$6,500	(\$6,500)
Total liabilities and equity	\$412,560	\$130,350	\$55,530	\$0	\$13,000	\$474,380
Income statement						
12/31/05						
Sales	\$750,000	\$420,000				\$1,170,000
Cost of sales	\$581,000	\$266,000	\$900			\$847,900
Gross margin	\$169,000	\$154,000	(\$900)	\$0	\$0	\$322,100
Depreciation and interest expense	\$28,400	\$16,200	\$1,800			\$46,400
Other operating expenses	\$117,000	\$128,400	\$270			\$245,670
Net income from operations	\$23,600	\$9,400	(\$2,970)	\$0	\$0	\$30,030
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	(\$2,970)	\$0	\$0	\$41,490
Statement of retained earnings						
12/31/05						
1/1/05 Retained earnings*2 (from *1)	\$48,000	\$41,000	(\$2,970)	\$0	\$0	\$91,970
Add net income	\$35,060	\$9,400				\$44,460
Total	\$83,060	\$50,400	(\$2,970)	\$0	\$0	\$136,430
Deduct Dividends	\$15,000	\$4,000				\$19,000
Balance 12/31/05*3 (to *4)	\$68,060	\$46,400	(\$2,970)	\$0	\$0	\$117,430