

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
<b>Balance sheet</b> <b>12/31/05</b>						
Cash	\$45,300	\$6,400	\$1,000			\$52,700
Accounts receivable	\$43,700	\$12,100		\$1,000		\$50,800
				\$4,000		
Inventories	\$38,300	\$20,750	\$900	\$900		\$54,050
				\$5,000		
Equipment	\$195,000	\$57,000	\$9,000	\$2,000		\$259,000
Accumulated depreciation	(\$35,200)	(\$18,900)		\$3,600		(\$57,950)
				\$250		
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	\$53,200	\$42,220	\$0	\$553,890
Accounts payable	\$8,900	\$18,950	\$4,000			\$23,850
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
<b>Retained earnings*4 (from *3)</b>	<b>\$68,060</b>	<b>\$46,400</b>	<b>\$38,030</b>	<b>(\$38,750)</b>	<b>\$0</b>	<b>\$37,680</b>
Minority interest					\$6,500	(\$6,500)
Total liabilities and equity	\$412,560	\$130,350	\$100,530	(\$38,750)	\$13,000	\$390,630
<b>Income statement</b> <b>12/31/05</b>						
Sales	\$750,000	\$420,000	\$38,000			\$1,132,000
Cost of sales	\$581,000	\$266,000	\$900	\$38,000		\$814,900
			\$5,000			
Gross margin	\$169,000	\$154,000	\$37,100	(\$38,000)	\$0	\$317,100
Depreciation and interest expense	\$28,400	\$16,200	\$1,800	\$750		\$45,650
Other operating expenses	\$117,000	\$128,400	\$270			\$245,670
Net income from operations	\$23,600	\$9,400	\$35,030	(\$38,750)	\$0	\$25,780
Gain on sale of equipment	\$3,000		\$3,000			\$0
Gain on bonds						\$0
Equity in subsidiary's income	\$8,460					\$8,460
Minority income						\$0
<b>Net income*1 (to *2)</b>	<b>\$35,060</b>	<b>\$9,400</b>	<b>\$38,030</b>	<b>(\$38,750)</b>	<b>\$0</b>	<b>\$43,740</b>
<b>Statement of retained earnings</b> <b>12/31/05</b>						
1/1/05 Retained earnings*2 (from *1)	\$48,000	\$41,000	\$38,030	(\$38,750)	\$0	\$12,220
Add net income	\$35,060	\$9,400				\$44,460
Total	\$83,060	\$50,400	\$38,030	(\$38,750)	\$0	\$56,680
Deduct Dividends	\$15,000	\$4,000				\$19,000
<b>Balance 12/31/05*3 (to *4)</b>	<b>\$68,060</b>	<b>\$46,400</b>	<b>\$38,030</b>	<b>(\$38,750)</b>	<b>\$0</b>	<b>\$37,680</b>