	Plate	Stone
Cash	$ 3,000,000	$ 700,000
Accounts Receivable	7,500,000	2,100,000
Inventories	14,300,000	5,600,000
Land	9,000,000	2,500,000
Plant and Equipment	26,400,000	12,000,000
Patents	1,400,000	-0-
Investment in Stone (At Cost)	7,800,000	-0-
Cost of Goods Sold	6,400,000	3,400,000
Other Expenses	3,800,000	1,600,000
Dividends Declared	2,000,000	1,000,000
Total Debits	$81,600,000	$28,900,000
Accumulated Depreciation	$10,600,000	$ 6,500,000
Current Liabilities	8,500,000	1,200,000
Long-Term Liabilities	15,000,000	4,500,000
Common Stock - No Par	20,000,000	3,000,000
Reserve for Contingencies	-0-	500,000
Unrestricted Retained Earnings	11,000,000	6,200,000
Total Revenues	16,500,000	7,000,000
Total Credits	$81,600,000	$28,900,000

Other Information:

1. There have been no additions or disposals of Plant and Equipment by the Stone Company between December 31, 2002 and December 31, 2007. The land on the books of the Stone Company on December 31, 2002 has not been sold.

2. In each of the years since Plate acquired control over Stone, the goodwill arising on this business combination transaction has been tested for impairment. No impairment was found in any of the years since acquisition.

3. All of the Long-Term Liabilities of the Stone Company mature on December 31, 2012.

Item #3 correction

December 31, 2011 should be 2012.

4. On January 1, 2004, the Stone Company purchased a Patent for $1,100,000. On that date, the remaining legal life of the Patent was 11 years. On January 1, 2005 the Patent had a carrying value on the Stone Company's books of $1,000,000. At this time, the Patent was sold to the Plate Company for $2,000,000.

5. During 2007, the Plate Company sold Land to the Stone Company for $1,000,000. The carrying value of the Land on the books of the Plate Company was $500,000.

6. During 2007, $2,000,000 of the Stone Company's Sales were made to the Plate Company. A total of $500,000 of this merchandise remains in the December 31, 2007 Inventories of the Plate Company. The December 31, 2006 Inventories of the Plate Company contained merchandise purchased from the Stone Company for $800,000. All intercompany sales are priced to provide the selling Company with a gross profit margin on sales price of 30 percent.

7. Both Companies use the straight line method to calculate all amortization.

Required:

A. Prepare a consolidated Income Statement for the Plate Company and its subsidiary, the