

In Paragraph 8-119, only 60 percent of the downstream sales need to be eliminated, not 100 percent.

In Paragraph 8-122, this error affects both the consolidated Sales and Cost of Goods Sold figures, but does not affect consolidated Net Income.

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8-119. RI's 40 percent share of the upstream sale was eliminated in our first journal entry. This means that we will only need to eliminate **\$768,000** [(60%)($\$420,000$) + (60%)($\$860,000$)] of these sales. The required entry is as follows:

| | | |
|--------------------|------------------|------------------|
| Sales | \$768,000 | |
| Cost Of Goods Sold | | \$768,000 |

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8-122. The required consolidated Income Statement would be prepared as follows:

| LL And Investee CEI Consolidated Income Statement (Proportionate Basis) Year Ending December 31, 2007 | |
|---|---------------------|
| Sales ($\$4,200,000 + \$2,800,000 - \$1,120,000 - $ \$768,000) | \$5,112,000 |
| Gain On Sale Of Building ($\$500,000 - \$450,000 + \$7,500$) | 57,500 |
| Cost Of Goods Sold ($\$2,500,000 + \$1,500,000 - \$600,000 - $ \$768,000 + $\$78,000$) | (2,710,000) |
| Amortization Expense ($\$700,000 + \$100,000 - \$40,000 - \$15,000$) | (745,000) |
| Other Expenses ($\$400,000 + \$700,000 - \$280,000$) | (820,000) |
| Consolidated Net Income | \$ 894,500 |