**Consolidation work and financial statements subsequent to acquisition**

Background and Information

Palus Corporation acquired 90 percent of Stalus Company’s voting stock on January 1, 2010. The price paid was $145,000. The excess of costs over book value was $10,000, which should be attributed to goodwill and must be amortized over 10 years. The fair value of the non-controlling (minority) interest was equal to 10 percent of the book value of Stalus at that date. Palus uses the equity method in accounting for its ownership of Stalus during the year 2010. Income during the year was $30,000 for Stalus and the company also declared dividends of $10,000. On December 31, 2010, the trial balances of the two companies are as follows:

**Palus Corporation Stalus Company**

**Debit Credit Debit Credit**

**Item**

Current Assets $173,000 $105,000

Depreciable Assets 500,000 300,000

Investment in Stalus Company 163,000

Dividends Declared 10,000

Accumulated Depreciation $ 175,000 $ 75,000

Current Liabilities 171,000 115,000

Long-Term Debt 100,000 45,000

Common Stock 200,000 100,000

Retained Earnings 123,000 50,000

Sales 100,000 80,000

Expenses 60,000 50,000

Income from Subsidiary 27,000 \_\_\_\_\_

$896,000 $896,000 $465,000 $465,000

***Required***

1. Prepare all eliminating journal entries required as of December 31, 2010, to prepare the consolidated worksheet.
2. Prepare a \*\*“condensed” multilevel consolidation worksheetshowing the trial balance, eliminations and adjustments, the minority interest, controlling retained earnings, consolidated income statement, and consolidated balance sheet.
3. Prepare the formal consolidated balance sheet, income statement, and retained earnings statements as of December 31, 2010.

\*\*You may condense the assets (net of liabilities) in order to shorten the trial balance and worksheet