Investment: Equity Method	ARCH COMPANY AND ZION COMPANY Consolidation Worksheet For Year Ending December 31, 2015					*Ownership: 80%*
Accounts	**Arch Company**	**Zion Company**	**Consolidation Entries Debit**	**Consolidation Entries Credit**	**Noncontrolling Interest**	**Consolidated Totals**
Income Statement						
Revenues	(600,000)	(260,000)				(860,000)
Expenses	425,000	160,000	(E) 10,000			595,000
Equity in subsidiary earnings	(72,000)	-0-	(I) 72,000			-0-
Gain on revaluation of Zion	(20,000)	-0-				(20,000)
Separate company net income	(267,000)	(100,000)				
Consolidated net income						(285,000)
Net income attributable to noncontrolling interest					(18,000)	18,000
Net income attributable to Arch Company						(267,000)
Statement of Retained Earnings						
Retained earnings, 1/1						
Arch Company	(758,000)					(758,000)
Zion Company		(230,000)	(S) 230,000			
Net income (above)	(267,000)	(100,000)				(267,000)
Dividends declared	125,000	20,000		(D) 16,000	4,000	125,000
Retained earnings, 12/31	(900,000)	(310,000)				(900,000)
Balance Sheet						
Current assets	509,000	280,000				789,000
Land	205,000	90,000				295,000
Buildings (net)	646,000	310,000				956,000
Investment in Zion Company	616,000	-0-	(D) 16,000	(A) 160,000 (S) 400,000 (I) 72,000		-0-
Customer base	-0-	-0-	(A) 200,000	(E) 10,000		190,000
Total assets	1,976,000	680,000				2,230,000
Liabilities	(461,000)	(100,000)				(561,000)
Noncontrolling interest in Zion Company, 1/1	-0-	-0-		(S) 100,000 (A) 40,000	(140,000)	
Noncontrolling interest in Zion Company, 12/31	-0-	-0-			(154,000)	(154,000)
Common stock	(355,000)	(200,000)	(S) 200,000			(355,000)
Additional paid-in capital	(260,000)	(70,000)	(S) 70,000			(260,000)
Retained earnings, 12/31 (above)	(900,000)	(310,000)				(900,000)
Total liabilities and equities	(1,976,000)	(680,000)	798,000	798,000		(2,230,000)

Note: Parentheses indicate a credit balance.

Consolidation entries:

(S) Elimination of subsidiary's stockholders' equity along with recognition of 1/1 noncontrolling interest.
(A) Allocation of subsidiary total fair value in excess of book value, unamortized balances as of 1/1.
(I) Elimination of intra-entity income (equity accrual less amortization expenses).
(D) Elimination of intra-entity dividends.
(E) Recognition of amortization expenses on fair-value allocations.

EXHIBIT 4.12 Step Acquisition Illustrated

- The consolidation worksheet entries are essentially the same as if Arch had acquired its entire 80 percent ownership on January 1, 2015.
- The noncontrolling interest is allocated 20 percent of the excess fair-value allocation from the customer base.
- The noncontrolling interest is allocated 20 percent of Zion's 2015 income less its share of the excess amortization attributable to the customer base.
- The gain on revaluation of Arch's initial investment in Zion is recognized as income of the current period.

Example: Step Acquisition Resulting After Control Is Obtained