EXHIBIT 1
Consolidated Balance Sheets Under Current GAAP
and SFASs 141(R) and SFAS 160 (80% Interest)

P Company acquires 80% of S for $1 million in cash, plus contingent consideration based on the company's performance during the next two years valued at $100,000 on the acquisition date, and $20,000 of merger costs. S's identifiable net assets are carried at $500,000 and have a fair value of $900,000, due solely to undervalued long-lived assets with a five-year life. Available evidence indicates that the price paid for the 80% interest includes a control premium, and the SFAS 141(R) methodology estimates S's total fair value at $1,350,000.

Current GAAP records the investment in S at $1,020,000 ($1 million paid + $20,000 merger costs), whereas SFAS 141(R) computes the investment cost to be $1,100,000 ($1 million paid + $100,000 contingent consideration liability incurred). P and S appear prior to consolidation under current GAAP, followed by comparative consolidated amounts.

			P & S Companies Consolidated			
	P Company	S Company	Current GAAP	Note	SFAS 141(R) and SFAS 160 (2007)	Note
Other Assets	$2,000,000	$ 800,000	$3,120,000	1	$3,200,000	4
Investment in S*	1,020,000					
Goodwill	________	________	300,000	2	450,000	5
Total assets	$3,020,000	$ 800,000	$3,420,000		$3,650,000	
Other liabilities	800,000	300,000	1,100,000		1,100,000	
*Contingent consideration liability***	________	________	________		100,000	
Total liabilities	$ 800,000	$ 300,000	$1,100,000		$1,200,000	
Noncontrolling interest			100,000	3		
Stockholders' equity:						
*Controlling interest:***						
Capital stock	500,000	100,000	500,000		500,000	
Retained earnings	1,720,000	400,000	1,720,000		1,700,000	6
*Total controlling interest***					2,200,000	
*Noncontrolling interest in subsidiary***	________	________	________		250,000	7
Total stockholders' equity	2,220,000	500,000	2,220,000		2,450,000	8
Total liabilities and stockholders' equity	$3,020,000	$ 800,000	$3,420,000		$3,650,000	

* For simplicity, the authors report the investment in S account according to current GAAP by including the $20,000 merger costs but not the fair value of the contingent consideration.
** New accounts or placements are highlighted in italics.

Notes:
1. $2,000,000 + 800,000 + 320,000 [80% of difference between fair value and book value of S Company's identifiable net assets = 0.8 x ($900,000 – $500,000)]
2. $1,020,000 (investment cost) – $720,000 (80% of fair value of identifiable net assets of $900,000)
3. $500,000 book value of S Company x 20%
4. $2,000,000 + 800,000 + 400,000 (adjustment to full fair value)
5. $450,000 = total fair value of S Company of $1,350,000 – $900,000 fair value of identifiable net assets
6. P Company's retained earnings charged with merger costs of $20,000
7. Noncontrolling interest of $250,000 = 0.2 x [$100,000 + $400,000] (S Company's stockholders equity) + 0.2 x [$900,000 – $500,000] (identifiable asset revaluation) + [$450,000 (total goodwill) – $380,000 (purchased goodwill)] = $100,000 + $80,000 + $70,000.
8. The $2,450,000 reflects P Company's book value ($2,220,000) – investment in S account ($1,020,000) + S Company's full fair value = $1,200,000 + $1,350,000 – $100,000 contingent consideration liability.