

1120: CONSOLIDATIONS

A consolidation consists of a Top Consolidation and/or a Subconsolidation return that holds the combined results of:

- Parent, Subconsolidation(s), or Divisional Consolidation
- Elimination Return
- Subsidiaries/Divisions

When preparing and processing an 1120 consolidation, you will be dealing with some or all of the following types of returns:

- Parent return
- Top consolidation return
- Elimination return
- Subconsolidation return
- Subsidiary/division returns
- Divisional consolidation

TOPICS

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CONSOLIDATIONS PROCESS CHART

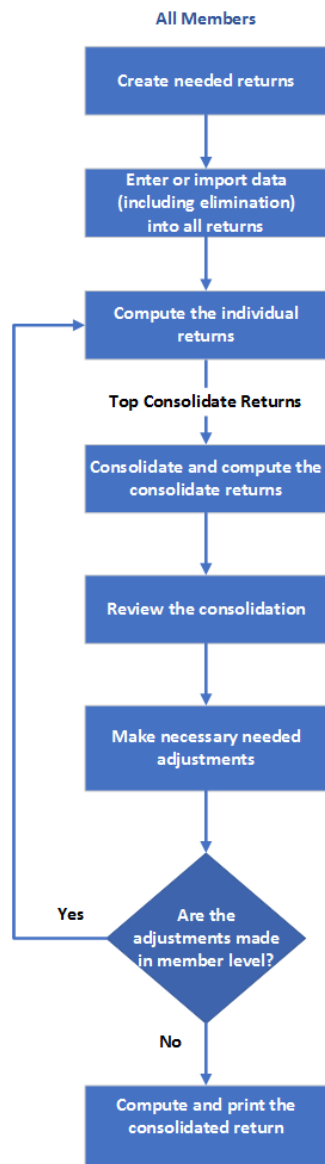


Figure 1

REQUIRED INPUT

Consolidation

When creating the returns, you must enter the following information on the Consolidation return in the consolidation:

- Company name
- Form 851 detail
- Parent / Subsidiary / Eliminations return list

Parent

When creating the returns, you must enter the following information on the Parent Company return in the consolidation:

- Company name
- Company address
- Federal EIN
- Date of Incorporation
- Year, if other than calendar
- Principal Business Activity
- Principal Business Activity (PBA) Code
- Schedule K questions

Subsidiaries/Divisions

When creating the returns, you must enter the following information on the Subsidiary/Division returns in the consolidation:

- Company name
- Company address
- Principal Business Activity (PBA) Code
- Federal EIN
- Year, if other than calendar
- Principal Business Activity
- Data Input

Elimination Company

You must always create an Elimination Company. Include the following information on the Elimination Company return:

- Company name
- Data Input

CREATING RETURNS

Create any needed new returns. Select **Returns** from the top menu, and then select **Create**. This opens the screen to create new returns.

The screenshot shows the top navigation bar with 'Home', 'Returns' (highlighted in orange), 'Returns Processing', 'Admin', 'Reports', 'Support', and 'e-Form RS'. Below this is a 'Returns' section with a 'Record Count : 2028'. A toolbar contains buttons: 'Create' (highlighted with a red box), 'Open', 'Info', 'E-file Viewer', 'Save As', 'More', 'Reset', and a settings gear. Below the toolbar is a table with columns: Account, Return, Tax Type, Taxpayer Name, and Client Code. The table lists four entries for account 8321 with different return types (0033IT, 0037IT, 0039IT, 0790IT) and taxpayer names (1120-PC LRD, 1120-PC LRD, 1120-pc lrd, CORPORATION B).

Account	Return	Tax Type	Taxpayer Name	Client Code
8321	starts with	1120	contains..	contains..
8321	0033IT	1120	1120-PC LRD	
8321	0037IT	1120	1120-PC LRD	
8321	0039IT	1120	1120-pc lrd	
8321	0790IT	1120	CORPORATION B	

Figure 2

On the **Create a Return** screen, enter the **Account***, **Year***, **Type***, and **Client Code**. Then enter the **Entity Name***, **Return Type***, and **Entity Type***. Items marked with an asterisk are **required**. Select the check box to **Open this Return** in a new window after creating. Click the **Create** button.

The screenshot shows the 'Create a Return' screen. It has a top navigation bar with 'Home', 'Returns' (highlighted in orange), 'Returns Processing', 'Admin', 'Reports', 'Support', and 'e-Form RS'. Below the navigation bar is a 'Returns' section with a 'Create a Return' heading. The form contains several input fields: 'Account*' (8321), 'Year*' (2018), 'Type*' (1120), 'Client Code' (empty), 'Entity Name*' (Bedford), 'Return Type*' (1120 - U.S. Corporation), and 'Entity Type*' (Corporate Single Entity). There are two expandable sections: 'Other Return Info' (Optional) and 'Assign Group' (Optional). A 'Required*' section contains a checkbox labeled 'Open this Return in a new window after creating.' which is checked. At the bottom are 'Create' and 'Cancel' buttons.

Account* 8321 Year* 2018 Type* 1120 Client Code

Entity Name* Bedford Return Type* 1120 - U.S. Corporation Entity Type* Corporate Single Entity

Other Return Info Optional

Assign Group Optional

Required*

☒ Open this Return in a new window after creating.

Create Cancel

Figure 3

For each return, access the **Entity Information** tab on the **General Information > Basic Return Information** screen. It is **mandatory** that you specify the appropriate return type for all returns in the consolidation.

The screenshot shows the 'Entity Information' tab in the software. The left sidebar has a red box around 'General Information' > 'Basic Return Information'. The main area shows the 'RETURN / ENTITY TYPE' section with a dropdown menu open for 'Return type', listing various entity types like '1120 - U.S. Corporation', '1120S - S Corporation', '1120-C - Cooperative Associations', '1120F - Foreign Corporation', '1120-H - Homeowners Association', '1120-RIC - Regulated Investment Company', '1120-REIT - Real Estate Investment Trust', and '1120-IC-DISC - Interest Charge Corporation'. Below this are 'DATES' and 'BUSINESS ACTIVITY' sections.

Figure 4

You must also select the appropriate **Return/Entity Type** for each return in the consolidation.

This is a close-up of the 'RETURN / ENTITY TYPE' section. A red arrow points to the 'Entity type' dropdown menu, which is open and showing options like '(None selected)', 'Corporate single entity', 'Parent', 'Subsidiary', 'Division', 'Eliminations company', 'Top consolidation', 'Subconsolidation', and 'Divisional consolidation'. The 'Return type' dropdown is also visible above it.

Figure 5

Use the **Entity Information** Organizer screen to enter the name, address, and federal EIN information for each of the returns in the consolidation. All company information entered on this screen carries to the consolidated return, Form 851, and Form 1122. The company name and ID number carries to all detail schedules. All company information entered on this screen in the parent return will print on the consolidated return.

Entity Information	Return Information	Return/Entity Type Conversion
<div>HELP</div> <div>Business Activity Codes</div>		
<div>ENTITY INFORMATION</div> <div> Name..... Hall and Lerman Name (cont'd)..... <input type="checkbox"/> Name change Entity number..... EIN..... <input type="checkbox"/> Applied for </div>		
<div>ADDRESS</div> <div> Address..... City..... State..... (None selected) ▼ ZIP..... <div>OR</div> <input type="checkbox"/> Address change </div>		

Figure 6

CONSOLIDATION SUBSIDIARY LIST

The **Consolidated Returns** folder appears in the Forms List Window only if you select a consolidation entity type on the **General Information > Basic Return Information > Entity Information** screen in the Top Consolidation (TopCon).

The screenshot shows the 'Entity Information' tab in the TopCon software. The 'Return / Entity Type' dropdown menu is open, displaying a list of options. The 'Consolidation company' option is highlighted in blue. The left sidebar shows the 'Consolidated Returns' folder expanded, with steps 1 through 6 listed. The 'Consolidated Returns' folder is highlighted in red.

Figure 7

Complete the **Consolidation Return List** tab on the TopCon. Do not enter the consolidation company return number. Both the parent and eliminations return numbers are mandatory entries.

The screenshot shows the 'Consolidated Return List' tab in the TopCon software. The 'SUBSIDIARY LISTING' section is visible, with a table for 'SUBSIDIARIES AND DIVISIONS ONLY'. The table has columns for 'No.', 'Return', 'Company Name', and 'Account (if different)'. The first row shows '1' in the 'No.' and 'Return' columns, and '1' in the 'Account' column. The 'Mandatory' section shows 'Parent' and 'Elim' fields.

Figure 8

You must enter the eliminations return number even if there are no elimination entries. The first subsidiary must be number 2. By default, the parent is number 1. The order in which the subsidiary returns are listed is the order in which they print on supporting reports. The parent company prints first.

Consolidated Return List

Federal Forms to Consolidate

States to Combine / Consolidate

Inactive

When list is completed or modified, click on "Subsidiary Listing Complete".

The company name will be transferred when you click on "Subsidiary Listing Complete".

After consolidation, you may access Print Preview and choose Subsidiary Listing from Selected Federal Return.

Mandatory

Subsidiary Listing Complete

Account (if different)

Parent	16819P	LEARMAN, INC.	
Elim	16825P	Learman, Inc. (Elim)	

SUBSIDIARIES AND DIVISIONS ONLY

Begin subsidiary listing with company number 2; the parent company is always company number 1.

Company		Account
No.	Return	(if different)
2	16821P	LMC, Inc.
3	16823P	Bronco, Inc.

Figure 9

When you have completed entering the parent, eliminations, and all subsidiaries return numbers in the appropriate fields, click the **Subsidiary Listing Complete** button.

After you select the **Subsidiary List Complete** button, the following message will appear.

Platform extension (LIST)

i

List successfully completed.

OK

Figure 10

Exit the TopCon, and then select to open it again. All locators associated with the TopCon will be locked.

AFFILIATION SCHEDULE

On the consolidation return, use the **851 Affiliation Schedule** Organizer screen to enter the information for Form 851, Part II. Part I information automatically transfers from the separate companies.

Figure 11

Click the **Provide Detail** link for Subsidiary Corporations. Review the various columns on this screen to see the information you need to enter on the consolidated tax return. If the Company No. is entered on the **Consolidation Locator List** screen, it will carry here automatically (see area indicated in **red**). When the Company No. appears, the Principal Business Activity will carry automatically from the individual companies' Schedule K questions 2a and b (area in **blue**). If the Company No. appears in the column (area in **red**), the PBA Code will carry from the individual companies' Schedule K questions 2a and b automatically (area in **blue**).

Figure 12

The columns outlined in **purple** must be entered on the consolidated tax return. Entries for these columns and the **Owned by Corporation no.** column, not shown here, must be entered on this screen. They will not carry in from other screens.

CONSOLIDATE

Before you consolidate, select your print and calculation options and make sure that you have completed the tasks on the **Step 4 - Review Preconsolidation Checklist** in the **Consolidated Returns** folder.

Once you have reviewed the steps, click the **Preconsolidation Utilities** link to continue review.

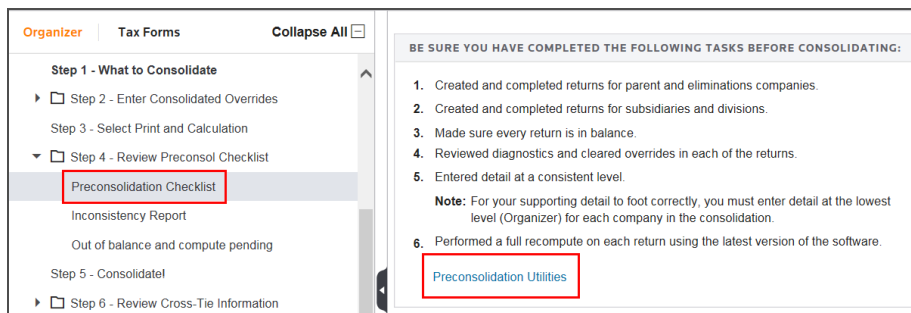


Figure 13

Consider the available options under the **Preconsolidation Checklist for Federal** and **Preconsolidation Checklist for States**. Click the **Consolidate with cross-ties** check box if you want to consolidate with cross-ties. Then click the **Consolidate** button. You can also access the **Consolidate!** screen by selecting **Consolidated Returns > Step 5 - Consolidate**.

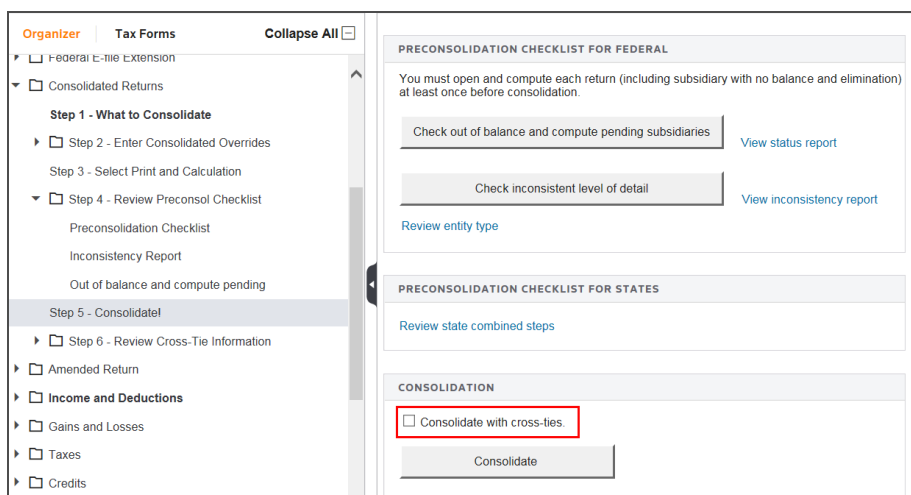


Figure 14

CONSOLIDATION REVIEW

Once the consolidation process is completed, you can review the **Combined**, **Eliminations**, and **Adjustments** columns on the **Consolidation Review** screens (**Tax Forms > 1120-US Corporation Income Tax Return > 1120-US Corporation Income Tax Return > Consolidated Review**). These review columns are available for most federal forms.

The screenshot shows the 'Tax Forms' tab in the software. Under the '1120-US Corporation Income Tax Return' section, the 'Consolidated Review' option is selected and highlighted with a red box. The main area displays the 'Page 1 Cons Review' for 'Form 1125-A'. It includes a table with columns for 'Combined', 'Eliminations', 'Adjustments', and 'Consolidated'. The table contains data for lines 1a through 3, with values such as 274,327,451 for line 1a and 56,855,487 for line 3.

Figure 16

Right-click any field to access the **Shortcut** menu. From the **Shortcut** menu, click **Subview**.

This screenshot shows the 'Page 1 Cons Review' for 'Form 1125-A' with a right-click context menu open over the 'Combined' column. A red arrow points to the 'Subview' option in the menu. The menu includes options like 'Related', 'Direct To Organizer', 'FormView Name', 'Display Values', 'Subview', 'Transfer All', 'Clear Override', 'Estimated value', 'Tick', 'Lock', 'Field Info', 'Delete Line', 'Cut', 'Copy', and 'Paste'. The table data is the same as in Figure 16.

Figure 17

The **Subview** dialog box appears. The parent and subsidiaries are listed in the **Subview** section. Select an entity to access and review its information.

SubView - ABC Comp

Company No	Company Name	Return	Amount
ABC Comp	ABC Comp	3314JB	
Parent Test Locator XXX End	Parent Test Locator XXX End	3356JB	
Subs 1 Test Locator XXX End	Subs 1 Test Locator XXX End	3350JB	
Elims Test Locator XXX End	Elims Test Locator XXX End	3362JB	

Total from subsidiaries of selected return 0
 Adjustment
 Total on selected return 0

Subview

Figure 18

The appropriate return is automatically accessed. You can track every number from the consolidated return to the parent or subsidiary to which it relates.

1120 | ABC Comp

SubView - ABC Comp

Company No	Company Name	Return	Amount
ABC Comp	ABC Comp	3314JB	
Parent Test Locator XXX End	Parent Test Locator XXX End	3356JB	
Subs 1 Test Locator XXX End	Subs 1 Test Locator XXX End	3350JB	
Elims Test Locator XXX End	Elims Test Locator XXX End	3362JB	

Total from subsidiaries of selected return 0
 Adjustment
 Total on selected return 0

Consolidated

15,959,677
969,645
13,959,932
13,959,932
68,260
87,065
25,746
50,265
62,259
13,881,926
969,242
145,120

Figure 19

You can close this return and return to the consolidation return by clicking the **Close** button on the **Subview** dialog.

You are now returned to the **Consolidated Review in Tax Forms**. The electronic audit trail allows you to track each number back to its source, thus reducing the time needed to review a return.

Page 1 Cons Review Sch C Sch L Beg Sch L End Sch M1/M2 Form 1125-A				
If you want to print the overrides on this screen, please select printing of Summary Schedule options.				
Select print option				
1120, Page 1				
Income	Combined	Eliminations	Adjustments	Consolidated
1a Gross receipts or sales.....	19,959,277			19,959,277
b Less returns and allowances.....	369,345			369,345
c Balance.....	19,589,932			19,589,932
2 Cost of goods sold (Form 1125-A, line 8).....				
3 Gross profit. Subtract line 2 from line 1c.....	19,589,932			19,589,932
4 Dividends (Schedule C, line 23).....	65,360			65,360
5 Interest.....	87,065			87,065
6 Gross rents.....	25,746			25,746
7 Gross royalties.....	50,565			50,565
8 Capital gain net income.....			1	
9 Net gain or (loss) from Form 4797.....			1	
10 Other income.....	69,258			69,258
11 Total income.....	19,881,926			19,881,926
12 Compensation of officers.....	569,242			569,242
13 Salaries and wages.....	165,120			165,120

Figure 20

CONSOLIDATIONS - PRINT PREVIEW

You may want to use **Print Preview** to perform an on-screen review of the actual consolidated tax return before printing a hard copy. To do this, select the **Print** icon.

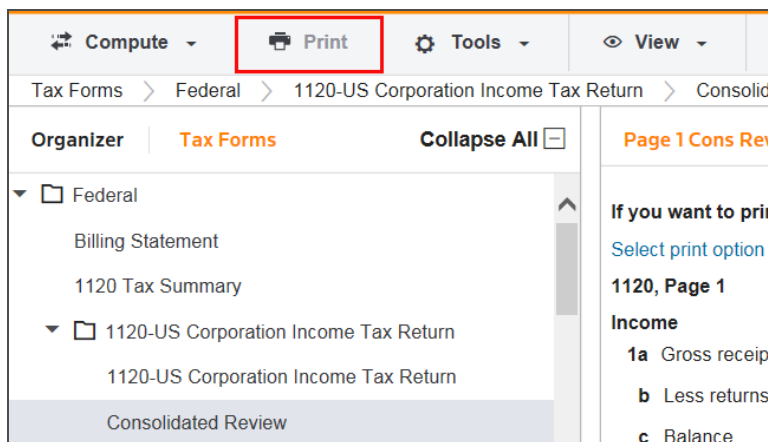


Figure 21

The **Print Preview** dialog box appears. Select what you want to include in the print file.

 A screenshot of a 'PRINT SELECTION' dialog box. The title bar reads 'PRINT SELECTION - Hall and Meachum - C7866128'. The dialog is divided into three main sections: 'Type', 'Copy Types', and 'Options'. The 'Type' section has a dropdown menu. The 'Copy Types' section has checkboxes for 'All' (checked), 'Taxpayer', and 'Government'. The 'Options' section has checkboxes for 'e-File Attachments' (checked) and 'Redact Personally Identifiable Information' (unchecked). Below these sections is a 'Pages' section with a search bar labeled 'Search Pages', a magnifying glass icon, and a 'Search results: 0' indicator. At the bottom, there is a 'File Name' section with a text box containing 'C7866128_Hall and Meachum' and a 'RESET' button. A 'CREATE' button is located at the bottom left.

Figure 22

To review a form or statement, you must first click the **Federal Return** folder to open it.

PRINT SELECTION - ABC Comp - C3314JB9

Type

1120 Tax Return

Copy Types

☒ All
☐ Taxpayer
☐ Government

Options

☐ e-File Attachments
☐ Redact Personally Identifiable Information

Pages

Search Pages

Q

↑

↓

Search results: 0

1120

All Returns

Federal Return

All State & City Returns

All City Returns

All Estimates

All Extensions

▶ Selected Federal C Corp

▶ Selected States

File Name

C3314JB9_ABC Comp

RESET

CREATE

Figure 23

Select the **Federal** check box. Click check box to select **Form 1120, Page 1** to view it.

PDF PREVIEW - C3314JB9 C3314JB9 ABC Comp.pdf Refresh Zoom Out Zoom In Fit Page Full Width Automatic Zoom Last link

Bookmarks Collapse All

Search results: 0

☒ All

☒ Reports

☒ Federal

☒ 1120 Transmittal Letter

☒ 1120 Federal Filing Instruction (e-file)

☒ 1120 Federal Estimate Filing Instruction

☒ KPMG Tax Return Cover Title Sheet

☒ Override Summary Report

☒ Override Summary Report

☒ Override Summary Report

☒ Index of Forms

☒ 1120-W Estimated Tax for Corporations

☒ Form 1120, Page 1

☒ Form 1120, Page 2

☒ Form 1120, Page 3

☒ Form 1120, Page 4

☒ Form 1120, Page 5

☒ Form 1120, Page 6

☒ Sch B (Form 1120)

☒ 851 Affiliations Schedule

☒ 851 Affiliations Schedule P2

☒ 851 Affiliations Schedule P3

☒ Sch M-3, Page 1

☒ Sch M-3, Page 2

☒ Sch M-3, Page 3

☒ Sch M-3, Page 2

☒ Sch M-3, Page 3

57 of 57 Pages Selected

SEND TO PDF

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1120 U.S. Corporation Income Tax Return

Form 1120-100 For calendar year 2010 or tax year beginning 01/01/2010 ending 12/31/2010

OMB No. 1545-0047

20

Form 1120-100

Department of the Treasury Internal Revenue Service

Go to www.irs.gov/Form1120 for instructions and the latest information.

A Check if:

1a Consolidated return (attach Form 990) ☒

1b Life-monthly consolidated return ☐

1c Personal holding company (attach Sch. PHC) ☐

1d Personal service firm (see instructions) ☐

2 TYPE OR PRINT

Name ABC COMP

Number, street, and room or suite no. If a P.O. box, see instructions. PARENT ADDRESS

City or town, state, or province, country, and ZIP or foreign postal code PARENT CITY, AL 36666

3 Employer identification number 45-6321789

4 Date incorporated 01/01/2010

5 Total assets (see instructions) NONE

6 Schedule M-1 attached ☒ E Check if:

(1) Initial return (2) Final return (3) Name change (4) Address change

1a Gross receipts or sales 1a 13,959,277.

1b Returns and allowances 1b 369,345.

1c Balance. Subtract line 1b from line 1a. 1c 13,589,932.

2 Cost of goods sold (attach Form 1125-A). 2

3 Gross profit. Subtract line 2 from line 1c. 3 13,589,932.

4 Dividends and inclusions (Schedule C, line 23) 4 65,360.

5 Interest 5 87,065.

6 Gross rents 6 25,746.

7 Gross royalties 7 50,565.

8 Capital gain net income (attach Schedule D (Form 1120)). 8

9 Net gain or (loss) from Form 4797, Part II, line 17 (attach Form 4797). 9

10 Other income (see instructions - attach statement). 10 63,258.

11 Total income. Add lines 3 through 10. 11 13,881,926.

12 Compensation of officers (see instructions - attach Form 1125-E). 12 569,242.

13 Salaries and wages (less employment credits). 13 165,120.

14 Repairs and maintenance. 14 38,890.

15 Bad debts. 15 2,261.

16 Rents. 16 4,910.

17 Taxes and licenses. 17

18 Interest (see instructions). 18 2,580.

19 Charitable contributions. 19

20 Depreciation from Form 4562 not claimed on Form 1125-A or elsewhere on return (attach Form 4562). 20

21 Depletion. 21

22 Advertising. 22 6,705.

23 Pension, profit-sharing, etc., plans. 23

24 Employee benefit programs. 24

25 Reserved for future use. 25

26 Other deductions (attach statement). 26 6,325.

27 Total deductions. Add lines 12 through 26. 27 796,033.

28 Taxable income before net operating loss deduction and special deductions. Subtract line 27 from line 11. 28 13,085,893.

29a Net operating loss deduction (see instructions). 29a

29b Special deductions (Schedule C, line 24). 29b

29c Add lines 29a and 29b. 29c

30 Taxable income. Subtract line 29c from line 28. See instructions. 30 13,085,893.

31 Total tax (Schedule J, Part I, line 11). 31 2,748,038.

32 2019 net 905 tax liability paid (Schedule J, Part II, line 12). 32

33 Total payments, credits, and section 905 net tax liability (Schedule J, Part III, line 23). 33

Figure 24

If you need to maximize the view of the form, select **Full Width** on the toolbar.

Use the **Previous** and **Next** icons on the toolbar to move backward or forward one form at a time.

df Refresh Zoom Out Zoom In Fit Page **Full Width** Automatic Zoom Last link

K < > M 16 Go

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1120 U.S. Corporation Income Tax Return
Form Department of the Treasury Internal Revenue Service
For calendar year 2016 or tax year beginning , ending
Go to www.irs.gov/Form1120 for instructions and the latest information.

OMB No. 1545-0123 20

A Check if:
1a Consolidated return (attach Form 990) ☒
b Life/nonlife consolidated return ☐
2 Personal holding co. (attach Sch. PH) ☐
3 Personal service corp. (see instructions) ☐
4 Schedule M-3 attached ☐

TYPE OR PRINT

Name
ABC COMP
Number, street, and room or suite no. If a P.O. box, see instructions.
PARENT ADDRESS
City or town, state, or province, country, and ZIP or foreign postal code
PARENT CITY, AL 74582-6666

B Employer identification number
45-6321789
C Date incorporated
01/01/2016
D Total assets (see instructions)
\$ NONE

Figure 25

To view a statement on-screen, click anywhere within the words *See Statement [statement number]* on the tax form.

The statement appears. If you see something that needs to be changed during your review, go back to the appropriate entity to make the change. Re-compute the return and then re-consolidate.

ABC COMP	45-6321789
1120 PAGE 1 DETAIL	
=====	
LINE 22 - ADVERTISING	
=====	
PARENT TEST LOCATOR XXX END	

ADVERTISING	2,580.

SUBTOTAL	2,580.

SUBS 1 TEST LOCATOR XXX END	

ADVERTISING	4,125.

SUBTOTAL	4,125.

TOTAL LINE 22 - ADVERTISING	6,705.
	=====
LINE 26 - OTHER DEDUCTIONS	
=====	
SUBS 1 TEST LOCATOR XXX END	

MISC. DEDUCTION	6,325.

SUBTOTAL	6,325.

TOTAL LINE 26 - OTHER DEDUCTIONS	6,325.
	=====

Figure 26

CONSOLIDATION TIPS

- If data is changed in the parent or a subsidiary, you must recompute the return and then re-consolidate.
- Data must be entered at a consistent level, preferably at the lowest-level Organizer screen.
- The help system is extensive. Use it to your advantage.
- You should re-compute each return in the consolidated group after a new version of tax software is installed.
- Each consolidation return must be in balance.
- Clear all diagnostics for all consolidation entities.
- Each entity must have a return type and entity type specified.

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