

Solution:

CONSOLIDATE BALANCE SHEET (in thousands of \$)		
Name: Wagner Co.		
Particulars		Amount
ASSETS:		
Current Assets:		
Cash		300
Non-current Assets:		
Land		500
Buildings:		
Historical cost	2,600	
Less: Depreciation	(600)	
		2,000
Total assets		2,800
LIABILITIES:		
Mortgage Loan		1,800
STOCKHOLDERS' EQUITY:		
Net Stockholders' equity		1,000
Total liabilities & stockholders' equity		2,800

Significance of the balance sheet is that it shows that the value of the building, before modernization was significantly undervalued at \$1 million (while the market value was \$3 million, as per appraiser). This means that after modernization, the company has made a better statement of its economic condition but in this process, it became more risky with higher debt-to-equity ratio (1.8), as it was previously debt-free.