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**Net Income (Loss) Reconciliation for S Corporations  
With Total Assets of \$10 Million or More**

**2013**

Department of the Treasury  
Internal Revenue Service

▶ Attach to Form 1120S.

▶ Information about Sch. M-3 (Form 1120S) and its separate instructions is at [www.irs.gov/form1120s](http://www.irs.gov/form1120s).

Name of corporation

Employer identification number

**Part I Financial Information and Net Income (Loss) Reconciliation** (see instructions)

- 1 a** Did the corporation prepare a certified audited non-tax-basis income statement for the period ending with or within this tax year? (See instructions if multiple non-tax-basis income statements are prepared.)  
 **Yes.** Skip line 1b and complete lines 2 through 11 with respect to that income statement.  
 **No.** Go to line 1b.
- b** Did the corporation prepare a non-tax-basis income statement for that period?  
 **Yes.** Complete lines 2 through 11 with respect to that income statement.  
 **No.** Skip lines 2 through 3b and enter the corporation's net income (loss) per its books and records on line 4a.
- 2** Enter the income statement period: Beginning      /      /      Ending      /      /
- 3 a** Has the corporation's income statement been restated for the income statement period on line 2?  
 **Yes.** (If "Yes," attach an explanation and the amount of each item restated.)  
 **No.**
- b** Has the corporation's income statement been restated for any of the five income statement periods preceding the period on line 2?  
 **Yes.** (If "Yes," attach an explanation and the amount of each item restated.)  
 **No.**

<b>4 a</b> Worldwide consolidated net income (loss) from income statement source identified in Part I, line 1 . . . . .	<b>4a</b>	
<b>b</b> Indicate accounting standard used for line 4a (see instructions): (1) <input type="checkbox"/> GAAP                      (2) <input type="checkbox"/> IFRS (3) <input type="checkbox"/> Tax-basis                    (4) <input type="checkbox"/> Other (specify) _____		
<b>5 a</b> Net income from nonincludible foreign entities (attach statement) . . . . .	<b>5a</b>	(                    )
<b>b</b> Net loss from nonincludible foreign entities (attach statement and enter as a positive amount) . . . . .	<b>5b</b>	
<b>6 a</b> Net income from nonincludible U.S. entities (attach statement) . . . . .	<b>6a</b>	(                    )
<b>b</b> Net loss from nonincludible U.S. entities (attach statement and enter as a positive amount) . . . . .	<b>6b</b>	
<b>7 a</b> Net income (loss) of other foreign disregarded entities (attach statement) . . . . .	<b>7a</b>	
<b>b</b> Net income (loss) of other U.S. disregarded entities (except qualified subchapter S subsidiaries) (attach statement) . . . . .	<b>7b</b>	
<b>c</b> Net income (loss) of other qualified subchapter S subsidiaries (QSubs) (attach statement) . . . . .	<b>7c</b>	
<b>8</b> Adjustment to eliminations of transactions between includible entities and nonincludible entities (attach statement) . . . . .	<b>8</b>	
<b>9</b> Adjustment to reconcile income statement period to tax year (attach statement) . . . . .	<b>9</b>	
<b>10</b> Other adjustments to reconcile to amount on line 11 (attach statement) . . . . .	<b>10</b>	
<b>11</b> <b>Net income (loss) per income statement of the corporation.</b> Combine lines 4 through 10 . . . . . <b>Note.</b> Part I, line 11, must equal Part II, line 26, column (a).	<b>11</b>	

**12** Enter the total amount (not just the corporation's share) of the assets and liabilities of all entities included or removed on the following lines:

	Total Assets	Total Liabilities
<b>a</b> Included on Part I, line 4		
<b>b</b> Removed on Part I, line 5		
<b>c</b> Removed on Part I, line 6		
<b>d</b> Included on Part I, line 7		

Name of corporation

Employer identification number

**Part II Reconciliation of Net Income (Loss) per Income Statement of the Corporation With Total Income (Loss) per Return** (see instructions)

Income (Loss) Items	(a) Income (Loss) per Income Statement	(b) Temporary Difference	(c) Permanent Difference	(d) Income (Loss) per Tax Return
1	Income (loss) from equity method foreign corporations (attach statement)			
2	Gross foreign dividends not previously taxed			
3	Subpart F, QEF, and similar income inclusions (attach statement)			
4	Gross foreign distributions previously taxed (attach statement)			
5	Income (loss) from equity method U.S. corporations (attach statement)			
6	U.S. dividends not eliminated in tax consolidation			
7	Income (loss) from U.S. partnerships (attach statement)			
8	Income (loss) from foreign partnerships (attach statement)			
9	Income (loss) from other pass-through entities (attach statement)			
10	Items relating to reportable transactions (attach statement)			
11	Interest income (attach Form 8916-A)			
12	Total accrual to cash adjustment			
13	Hedging transactions			
14	Mark-to-market income (loss)			
15	Cost of goods sold (attach Form 8916-A)	(            )		(            )
16	Sale versus lease (for sellers and/or lessors)			
17	Section 481(a) adjustments			
18	Unearned/deferred revenue			
19	Income recognition from long-term contracts			
20	Original issue discount and other imputed interest			
21a	Income statement gain/loss on sale, exchange, abandonment, worthlessness, or other disposition of assets other than inventory and pass-through entities			
b	Gross capital gains from Schedule D, excluding amounts from pass-through entities			
c	Gross capital losses from Schedule D, excluding amounts from pass-through entities, abandonment losses, and worthless stock losses			
d	Net gain/loss reported on Form 4797, line 17, excluding amounts from pass-through entities, abandonment losses, and worthless stock losses			
e	Abandonment losses			
f	Worthless stock losses (attach statement)			
g	Other gain/loss on disposition of assets other than inventory			
22	Other income (loss) items with differences (attach statement)			
23	<b>Total income (loss) items.</b> Combine lines 1 through 22			
24	<b>Total expense/deduction items</b> (from Part III, line 32)			
25	Other items with no differences			
26	<b>Reconciliation totals.</b> Combine lines 23 through 25			

**Note.** Line 26, column (a), must equal the amount on Part I, line 11, and column (d) must equal Form 1120S, Schedule K, line 18.

Name of corporation

Employer identification number

**Part III Reconciliation of Net Income (Loss) per Income Statement of the Corporation With Total Income (Loss) per Return—Expense/Deduction Items** (see instructions)

	Expense/Deduction Items	(a) Expense per Income Statement	(b) Temporary Difference	(c) Permanent Difference	(d) Deduction per Tax Return
1	U.S. current income tax expense . . . . .				
2	U.S. deferred income tax expense . . . . .				
3	State and local current income tax expense . . . . .				
4	State and local deferred income tax expense . . . . .				
5	Foreign current income tax expense (other than foreign withholding taxes) . . . . .				
6	Foreign deferred income tax expense . . . . .				
7	Equity-based compensation . . . . .				
8	Meals and entertainment . . . . .				
9	Fines and penalties . . . . .				
10	Judgments, damages, awards, and similar costs . . . . .				
11	Pension and profit-sharing . . . . .				
12	Other post-retirement benefits . . . . .				
13	Deferred compensation . . . . .				
14	Charitable contribution of cash and tangible property . . . . .				
15	Charitable contribution of intangible property . . . . .				
16	Current year acquisition or reorganization investment banking fees . . . . .				
17	Current year acquisition or reorganization legal and accounting fees . . . . .				
18	Current year acquisition/reorganization other costs . . . . .				
19	Amortization/impairment of goodwill . . . . .				
20	Amortization of acquisition, reorganization, and start-up costs . . . . .				
21	Other amortization or impairment write-offs . . . . .				
22	Reserved . . . . .				
23a	Depletion—Oil & Gas . . . . .				
b	Depletion—Other than Oil & Gas . . . . .				
24	Depreciation . . . . .				
25	Bad debt expense . . . . .				
26	Interest expense (attach Form 8916-A) . . . . .				
27	Corporate owned life insurance premiums . . . . .				
28	Purchase versus lease (for purchasers and/or lessees) . . . . .				
29	Research and development costs . . . . .				
30	Section 118 exclusion (attach statement) . . . . .				
31	Other expense/deduction items with differences (attach statement) . . . . .				
32	<b>Total expense/deduction items.</b> Combine lines 1 through 31. Enter here and on Part II, line 24, reporting positive amounts as negative and negative amounts as positive . . . . .				