Stearns Corporation was a diversified company with two separate lines of business - chemicals and financial services. At the beginning of 20X7, a strategic shift resulted in Stearns selling its financial services unit, resulting in a $3,000,000 pretax gain. The following additional transactions and events pertain to 20X7:

The chemical unit sold a paint factory at pretax loss of $500,000. This asset sale did not represent a strategic shift for Stearns.

General information for 20X7 is as follows: Sales, $7,500,000; Cost of Goods Sold, $3,200,000; Selling Expenses, $1,000,000; and General & Administrative Expenses, $1,500,000. The company's income tax rate is 30%.

Stearns changed its method of accounting for inventory at the beginning of 20X7. The cost of goods sold of $3,200,000 is based on the new method. Cumulatively, prior years' income would have been $2,400,000 higher (net of tax effects) had the new method been in use all along.

The company discovered an error in a prior year's report. The error resulted in a $420,000 overstatement of 20X5 net income.

(a) Prepare the 20X7 income statement for Stearns Corporation.

(b) Retained earnings at January 1, 20X7, was $5,500,000 before giving consideration to the correction of error or accounting change described above. What is the balance of the revised beginning retained earnings?

(c) If the company had $400,000 of other comprehensive income (net of any tax effects) related to holding gains on available for sale securities, how much is total "comprehensive income?"