The solution which follows is based on an adjustment of Investment Income rather than disclosure through a separate provision. The Income Statement of the Pork Company would be as follows:

Pork Company
Income Statement
For The Year Ending December 31, 2005

Sales	$600,000
Cost Of Goods Sold	$250,000
Other Expenses	300,000
Investment Loss - Ordinary (Note One)	68,000
Total Expenses	$618,000
Income (Loss) Before Extraordinary Items	($ 18,000)
Extraordinary Gain	100,000
Investment Loss - Extraordinary [(80%)($200,000)]	(160,000)
Net Income (Loss)	($ 78,000)

Solution Six-4 correction

Note One "Ordinary Investment Loss" (total) should be ($68,000) not ($78,000).

Note One The Ordinary Investment Loss would be calculated as follows:

Salt's Ordinary Income (Loss)	($50,000)
Realization Of Intercompany Gain	25,000
Adjusted Loss	($25,000)
Pork's Ownership Percent	80%
Pork's Share Of The Loss	($20,000)
Bonds Payable Amortization	(8,000)
Goodwill Impairment Loss	(40,000)
Ordinary Investment Loss	($68,000)

Pork's Net Loss of $78,000 when the equity method is used is equal to the previously calculated consolidated Net Loss. This result is a reflection of a requirement stated in Paragraph 3050.08 of the *CICA Handbook* as follows:

> *Investment income as calculated by the equity method should be that amount necessary to increase or decrease the investor's income to that which would have been recognized if the results of the investee's operations had been consolidated with those of the investor.*

The goodwill impairment loss for an investment under the equity method is accounted for as part of investment income, not as a goodwill impairment loss. This is stated in Paragraph 3050.12 of the *CICA Handbook:*

> ... The portion of the difference between the investor's cost and the amount of its underlying equity in the net assets of the investee that is similar to goodwill (equity method goodwill) is not amortized. No part of an impairment write-down of an investment accounted for by the equity method is presented in the income statement as a goodwill impairment loss (see GOODWILL AND OTHER INTANGIBLE ASSETS, Section 3062).