TIF Problem Six - 6 (Page 56)
Consolidated Income Statement vs Equity Method Income

In Part 5, the years should be 2008 (not 2005) and 2006 (not 2003).

5. On January 1, **2008**, the Snapper Company sold equipment to the Pompano Company for $126,000. This equipment had cost the Snapper Company $200,000 on January 1, **2006** and was being amortized on Snapper's books over a total expected life of 10 years with no anticipated salvage value.

TIF Solution Six - 6 (Page S-61)

Related to the error in Part 5 of the problem, the year of the sale should be 2008, not 2005.

Upstream Unrealized Machine Loss At the time of the intercompany sale on January 1, **2008**, the machine would have been carried on Snapper's books at a value of $160,000 [($200,000)(8/10)]. Since the intercompany sale price was $126,000, a loss of $34,000 was recorded by Snapper. This loss will become realized over the remaining 8 year life of the machine through a $4,250 increase in consolidated Amortization Expense.