

Solution to Self Study Problem Six - 2

In the journal entry for the patent on page S-122 below, there is a spelling error. It is a sale of the patent, not the parent.

Step B - Elimination The 2007 upstream sale of the **PATENT** resulted in an unrealized gain of \$1,000,000 (\$2,000,000 - \$1,000,000). This gain will be realized at the rate of \$100,000 per year (\$1,000,000 ÷ 10). The required entry for 2009 is as follows:

Retained Earnings - Stone's Opening		
[\$1,000,000 - (2)(\$100,000)]	\$800,000	
Other Expenses (2009)		\$100,000
Patents [\$1,000,000 - (3)(\$100,000)]		700,000