**1.** (TCO 1) Wathan Inc. sold $180,000 in inventory to Miller Co. during 2008, for $270,000. Miller resold $108,000 of this merchandise in 2008 with the remainder to be disposed of during 2009.
*Required:* Assuming Wathan owns 25% of Miller and applies the equity method, prepare the journal entry Walthan should have recorded at the end of 2008 to defer the unrealized inter-company inventory profit? Show all of your work to arrive at the amount in your journal entry. Showing only the answer will result in zero points.



**3.** (TCO 3) What is pre-acquisition income? Be Specific



**4.** (TCO 3) Pennant Corp. owns 70% of the common stock of Scarvens Co. Scarvens' revenues for 2009 totaled $200,000.

*Required:* What amount of Scarvens' revenues would be included in the consolidated total under the economic unit concept?