

Problem 23-b (p. 731) charts

	P		Q		Asset	Book	Basis	
	CA	OB	CA	OB	Cash	10,000	10,000	} Formation
①	10,000	6,000	10,000	10,000	Property	10,000	6,000	
§704(b)	(1,000)		(1,000)			(2,000)	(1,200)	
§704(c)(1)(A)		(200)		(1,000)			3,200	§704(c)(1)(B)(iii)
	9,000	5,800	9,000	9,000		2,000		Book-Up
§704(c)(1)(B)(iii)		3,200 ^②						
Book-Up	1,000		1,000					
Distribution			(10,000)	(8,000)				
	10,000	9,000	0	1,000				

1.704-1(b)(2)(iv)(e)(i)
 §733(2)

① At formation, OB = carryover, §722; CA = fair market value, 1.704-1(b)(2)(iv)(d)(i)

② P recognizes a gain of \$3,200, §704(c)(1)(B)(i)