Solution:

(1)

At the end of sixth year, the price of the airline becomes:

$$Book\ Price = \$250 - \left(\frac{6}{25} \times (250 - 70)\right) = \$206.8\ million$$

Thus, we had a gain on this sale given by

$$Gain\ on\ Sale = \$220 - \$206.8 = \$13.2\ million$$

On balance sheet, the following effects will be shown:

Assets	= Liabilities	+ Stockholders' Equity
+$220 million **(increase in cash)** **-$250 million** **(decrease in aircraft)**		**-$43.2 million** **(Increase in depreciation)** **+$13.2 million** **(increase in gains)**

The sale will appear in the cash obtained from investment activities in the income statement.

(2)

(a)

JOURNAL ENTRIES FOR SALE OF THE EQUIPMENT (in millions of $)		
Particulars	Debit	Credit
Cash	220	
To Aircraft		206.8
To Gain in Sale of Assets		13.2

(b)

JOURNAL ENTRIES FOR SALE OF THE EQUIPMENT (in millions of $)		
Particulars	Debit	Credit
Cash	195.0	
Loss in Sale of Assets	11.8	
To Aircraft		206.8