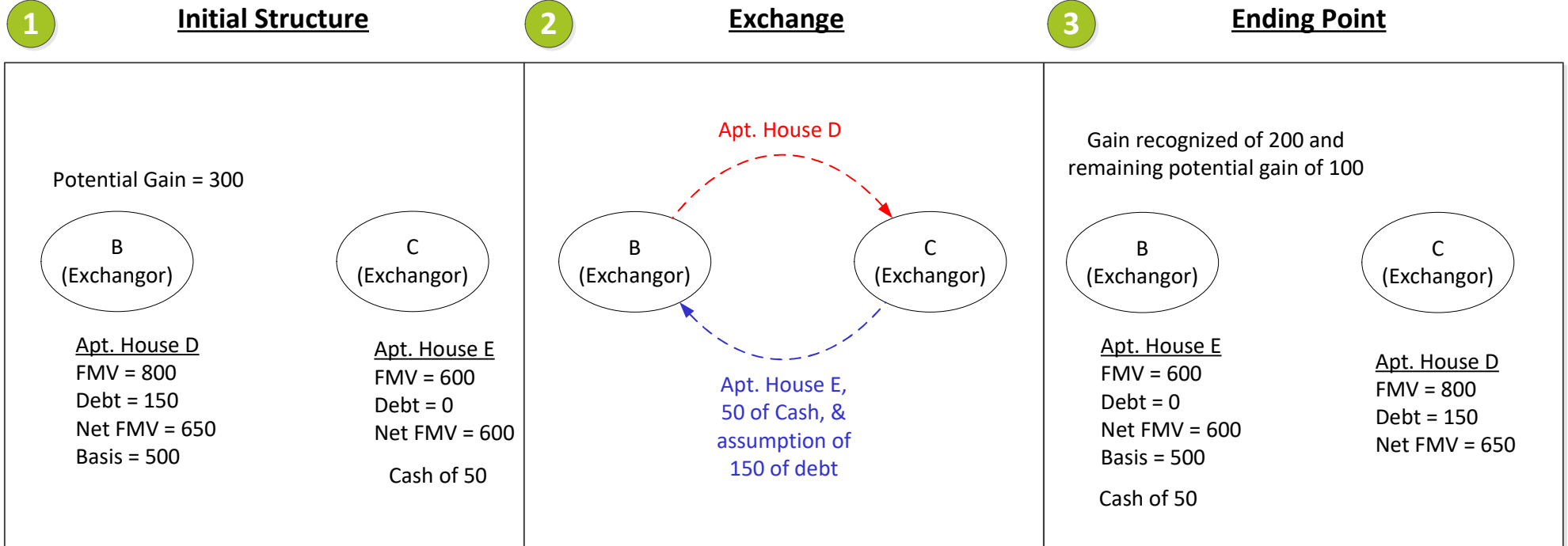


**Two Party Like-Kind Exchange:**  
**Assumption of Liabilities**



B, an individual, owns an apartment house which has an adjusted basis in his hands of \$500,000, but which is subject to a mortgage of \$150,000. On September 1, 1954, he transfers the apartment house to C, receiving in exchange therefor \$50,000 in cash and another apartment house with a fair market value on that date of \$600,000. The transfer to C is made subject to the \$150,000 mortgage. B realizes a gain of \$300,000 on the exchange, computed as follows:

Value of property received		\$600,000
Cash		50,000
Liabilities subject to which old property was transferred		150,000
Total consideration received		800,000
Less: Adjusted basis of property transferred		500,000
Gain realized		300,000
Under section 1031 (b), \$200,000 of the \$300,000 gain is recognized. The basis of the apartment house acquired by B upon the exchange is \$500,000 computed as follows: Adjusted basis of property transferred		500,000
Less: Amount of money received:	\$50,000	
	150,000	
	----	200,000
Difference		300,000
Plus : Amount of gain recognized upon the exchange		200,000
Basis of property acquired upon the exchange		500,000