This project will require you to research accounting literature. Doing so requires access to the large volume of “rules” which are now all contained in an online database, the FASB Accounting Standards Codification (ASC).

Link to ASC Materials… http://econ.ucsb.edu/~anderson/Password/FASBCODIFICATION.htm

FACTS:
FastMoney, Inc. has just acquired a note receivable with deteriorated credit quality from a bank. The note receivable is in default, the borrower is behind on payments, and their credit quality has suffered as a result of the poor economy. Accordingly, FastMoney was able to acquire this note with deteriorated credit quality for only 10% of the contractual payments due under the terms of the note.

The note receivable is secured by real estate; real estate that FastMoney wants. FastMoney intends to immediately initiate foreclosure proceedings and will not ‘workout” the note for anything less than 100% of the contractual balance due. Based upon the value of the real estate the borrower will almost certainly lose the property to FastMoney.

The CFO has presented this proposed transaction to you and asked that you (1) identify applicable accounting literature (2) determine how to account for the acquisition.

ASSIGNMENT:
Perform research and document your findings, including a conclusion, which you would present to the CFO in response to her request.

Points will be allocated for: identifying the appropriate literature, developing a position, and supporting your position with references to the identified literature.

COMPLETE ON ONE PAGE PLEASE- This constraint will help you be concise in your response.

NOTE: Much like in the real-world, you are responsible for taking the initiative. The instructor is available as a boss would be for you to seek guidance from. BUT no guidance will be granted unless a clear effort has been made first by the student. The goal is NOT the right answer, but you learning how to research, support your positions with GAAP, and clearly document this.

HOW TO REFERENCE THE LITERATURE, an example..
Say that you need to know if a loss contingency should be recorded as a liability and you find in the Accounting Standards Codification (ASC) 450-20-05-5 indicates that a liability should be reported when “a probability threshold for recognition of a loss contingency and that the amount of the loss be reasonably estimable”…. We just answered the question, supported by GAAP using an ASC reference!!!

Also note, once you have put that (ASC) in your document the first time, you no longer need to type out all that FASB Accoun…. stuff again, you have defined it as ASC and by typing ASC in your document anywhere after you have already defined it, you are golden. If you look at the intro. to this research project, you will see that I have done that in the link to the ASC, in fact I just did it again…