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9. Lawsuit - Upside-Down is being sued by a former employee for wrongful termination. The employee is seeking back wages in the amount of \$50,000. Mr. Glib presented a letter to Ms. Cash from the corporation counsel stating that the suit is without merit and that the company is unlikely to be found liable.
10. Loan From Owner - Included in contributed capital is a promissory note payable to Mr. Glib in the amount of \$50,000. This note originated on December 30, 2000, and is due December 30, 2001. The company needed cash to pay the overdue advertising bill. Mr. Glib loaned the \$50,000 to the company.
11. Utility Bill - The company has not yet recorded its utility bill for December but estimates that it will be about \$1,000. The bill usually arrives in the middle of the following month.

2000 is the first year of operations. Rent is paid at the beginning of the month for that month. Mr Glib provided the bank with the following income statement (which contains errors).

Upside-Down Ski School Income Statement (Unaudited) Year Ended December 31, 2000		
Ski Lesson Revenue		\$ 480,000
Expenses:		
Salaries	\$ 213,500	
Building Rent	33,000	
Owner Withdrawal	24,000	
Supplies	23,000	
Utilities	10,000	
Interest	8,000	
Insurance	8,500	
	320,000	
Net Income		\$ 160,000

Requirements

1. Assume you are working for Ms. Countess, CPA. Using the ~~spreadsheet~~ ^{YOUR OWN} template provided at the end of this case, enter the changes, if any, to the balance sheet accounts that each of the above items require. Remember to maintain the integrity of the balance sheet by maintaining the balance sheet equation on every row (perform an equality check). Item #1 has already been entered for you.
2. Prepare a revised balance sheet as of December 31, 2000. Be sure to include subtotals for current assets, fixed assets, current liabilities, and long-term liabilities (if needed).
3. Prepare a revised income statement for the year ending December 31, 2000.
4. Assume the role of the loan officer in this case. Apply to Upside-Down Ski School the Metropolis Commercial Bank's policy for qualifying loan applicants. What decision should Jacqueline Cash make? Write a memo to Mr. Glib informing him of your decision. Be sure to reference specific balance sheet and income statement information in support of your decision.