

## Survive the Year

*Topic:* Asset Valuation/Write-Downs

*Characters:* Chris, new controller of a small construction company  
Robin, CEO of the same company

Chris, a CPA and formerly a staff accountant for a large public accounting firm, is the new controller for a small construction company that employs 60 people. The company is now facing tough times in light of a downturn in the construction industry.

Both Chris and the CEO, Robin, know the collectibility of a material receivable from Ender Corporation is in doubt. Just before year-end, Chris goes in to talk to Robin. Chris says, “Ender has real problems. The word on the street is they won’t last the year. We need to adjust the allowance for the Ender receivable.”

Robin replies, “If we do that, we're not going to look good, and the auditor may have to mention our shaky financial position. If we don’t get a clean opinion, we won’t get the bank loan we’re applying for, and we might be out of business, too, by this time next year. This loan is really important to us. If we can just weather this downturn, I know business will pick up.”

Back in the controller’s office, Chris ponders what can be done to help Robin and the company. Chris remembers the past years working in public accounting and is certain the auditor would want to know about Ender’s difficulties.

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