Question 2

Cash

Assets			Liabilities		
	Basis	Book Value	* Debt		Book Value
Cash	240,000	240,000	Recourse		60,000
Building					
			* Equity		
				Basis	Book Value
			S		
			T	120,000	120,000
			U	120,000	120,000
			Total Equity	240	240
Total Assets	240		Total Liabilities	240	240

Buildings

Assets			Liabilities		
	Basis	Book Value	* Debt		Book Value
Cash	240	240	Recourse		60
Building	360	180			
			* Equity		
				Basis	Book Value
			S	360	120
			T	120	120
			U	120	120
			Total Equity	600	360
Total Assets	600	420	Total Liabilities	600	420

Debt

Assets			Liabilities		
	Basis	Book Value	* Debt		Book Value
Cash	240	240	Reserve		60
Buildings	300	180			
			* Equity		
				Basis	Book Value
			S	320	120
			T	190	120
			U	140	120
			Total Equity	600	360
Total Assets	600	420	Total Liabilities	600	420

Year 1 end

Assets			Liabilities		
	Basis	Book Value	* Debt		Book Value
Cash	240	240	Reserve		60
Building	324	162			
			* Equity		
				Basis	Book Value
			S	296	114
			T		114
			U		114
			Total Equity		
Total Assets	564	402	Total Liabilities	564	402