



## Accounting for Mergers & Acquisitions

This one-day intensive course presents an analyst's approach to accounting for business combinations. The program's objectives focus on the application of financial accounting and federal income tax principles for projecting earnings accretion/dilution and cash flows of the post-combination entity. Several of the items discussed are unique to accounting for business combinations and are typically excluded in other financial accounting courses.

### Available Session(s):

05-Dec-2008 -- 05-Dec-2008    New York    USD \$1475

NY Institute of Finance -    9:00am - 4:30pm    Fri  
Midtown

Instructor(s):[James E. Morris; ]

### Targeted Audience

This course is suggested for financial analysts/managers, bankers, strategic planning professionals, financial decision-makers in corporations, corporate finance lawyers, corporate finance accountants, financial management consultants, market regulators and professionals interested in the accounting analysis of M&A transactions.

### Special Offer

Clients who register for this course will receive a complimentary 6 month subscription to the Financial Times and FT.com. The Financial Times is the world's most respected financial newspaper providing a broad assessment on finance, business and the industrial sector. Subscriptions will start within 6-8 weeks of the application process, and are limited to one per client. For questions about your subscriptions call 800-628-8088 or email [uscirculation@ft.com](mailto:uscirculation@ft.com). US and Canada enrollees only.

### Advance Preparation

No advance preparation required.

### Prerequisites

Participants should have a solid understanding of financial accounting and of Mergers and Acquisitions concepts and structures.

## Learning Objectives

Students will be able to:

- Describe the equity method of consolidation
- Account for equity method investments
- Explain the tax considerations for equity method investments
- Describe the impact of phantom goodwill or phantom depreciation
- State the effect of not eliminating intercompany transactions
- State the requirements for applying the Equity Method
- Describe the fundamental concepts for accounting for business combinations using the purchase model
  - Determine a target's net identifiable assets by adjusting for existing goodwill, long-term asset write-ups and write-downs, LIFO inventories, deferred tax items, and fees
  - Determine how net operating loss limitations may impact the combined company's future cash flows
  - Calculate the acquisition purchase price and transaction goodwill
  - Account for negative goodwill by allocation and recognition of extraordinary gains
  - Estimate the impact of target's unrecognized intangible assets on goodwill and the combined company's future earnings
  - Calculate the accretion and dilution of future earnings resulting from business combinations
  - Explain the mechanism of an IRC 338(g) transaction
  - Describe the conditions that make a 338(g) transaction economically feasible
  - Explain the mechanism of an IRC 338(h)(10) transaction
  - Describe the conditions that make a 338(h)(10) transaction economically feasible
  - Explain how the Aggregate Deemed Sales Price and Adjusted Grossed-Up Basis are determined
  - Determine the Seller's and Buyer's ranges of indifference

## Alumni Comments

*"The depth analysis of accounting M&A deals"*

*"Right level of detail and content selection"*

*"It was content specific"*

**Level:** Intermediate

**CPE Credits:** 7.0

**Instructional Method:** Group-Live

## Detailed Outline

**Accounting for Mergers and Acquisitions**

## **Equity Method of Consolidation**

- Equity method of consolidation and equity method accounting
- Determining the appropriate tax rate for equity method investments
- Deferred tax items recognized for equity method investments
- Phantom depreciation and goodwill
- Effects of intercompany transactions
- SEC views and guidelines for applying the equity method

## **Purchase Accounting for Business Combinations**

- Purchase accounting basics concepts of fair value and goodwill
- Calculating net identifiable assets write-ups, write-downs, and deferred taxes
- Adjustment of LIFO inventories to reflect fair value
- Estimating the write-up to intangible assets from recognizing the target's self-created assets
- Transaction and market impacts on the valuation of long-term liabilities
- Calculating the purchase price, goodwill, and the treatment of transaction fees
- How to treat negative goodwill, how it is allocated and when it results in an extraordinary gain

*\* Discussion of temporary and permanent differences and how differences between the tax bases and book bases of assets give rise to deferred tax assets and deferred tax liabilities. \* Exercise: Preparing an opening balance sheet for a business combination by adjusting the target company and consolidating with the acquirer. \* Exercise: How to select appropriate assets classes for and reducing their fair value to allocate negative transaction goodwill.*

## **Forecasting the Performance of the Combined Company**

- Analytic objectives impact of earnings accretion and dilution on equity value; analysis of cash flows for debt service
- How the combined company's form influences the approach to forecasting mergers versus acquisitions
- Forecasting synergies common omissions that overstate operating results
- Cash flow effects from net operating loss limits

*\* Exercise: Analysis of combined company's projected results calculation of percent accretion/dilution and of debt service requirements. \* Discussion: When it is appropriate to project the combined company and when it is appropriate to project the separate entities and combine their results. \* Exercise: Calculating the Section 382 net operating loss limitations arising from a change of control and assessing the impact on the combined company's cash flows.*

## **Internal Revenue Code Section 338(g) and 338(h)(10) Transactions**

- Concept of inside and outside basis as it applies to deemed asset sales transactions
- Calculating the Aggregate Deemed Sales Price
- Calculating the Adjusted Grossed-Up Basis
- Analyzing the transaction costs and benefits

For more information regarding administrative policies such as complaints and refunds, please contact our offices at 212-641-6616.