

Compliance

Fair Value Measurements and Reporting for 2014

Presented By:

THE KNOWLEDGE GROUP

LIVE & RECORDED WEBCASTS | LEGAL | TAX | FINANCE | RISK | COMPLIANCE & HR

Partner Firms:



Speaker Firms and Organization:

Crowe Horwath LLP

Mary Ann Travers
Partner

Thank you for logging into today's event. Please note we are in standby mode. All Microphones will be muted until the event starts. We will be back with speaker instructions @ 11:55am. Any Questions? Please email: Info@knowledgecongress.org

Group Registration Policy

Please note ALL participants must be registered or they will not be able to access the event. If you have more than one person from your company attending, you must fill out the group registration form.

We reserve the right to disconnect any unauthorized users from this event and to deny violators admission to future events.

To obtain a group registration please send a note to info@knowledgecongress.org or call 646.202.9344.

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Fair Value Measurements and Reporting for 2014

Partner Firms:



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Crowe offers an array of valuation services to meet client needs in connection with business combinations, mergers and acquisitions, transaction structuring, tax planning, financial reporting, structured financing, litigation support, complex security testing, bankruptcy, solvency, model validation and asset value maximization.

Brief Speaker Bios:



Mary Ann Travers

Ms. Travers has over 20 years of consulting experience, specializing in the valuation of businesses and business interests, intangible assets, liabilities and complex securities in connection with mergers and acquisitions, financing, income and estate tax planning, litigation support services, economic analyses, accounting matters, regulatory requirements and recapitalizations. Her fair value studies have been used for financial reporting, litigation, tax, acquisition, regulatory and accounting purposes. Ms. Travers has an emphasis in purchase price allocation and goodwill impairment studies performed in connection with business combinations, as well as model validation and testing in the financial services (capital markets, banking) industry.

Ms. Travers has also served as an economic consultant and investment banker in her consulting career. Additionally Ms. Travers worked in valuation with a Big Four firm for over 10 years where she led a national industry line before joining Crowe to serve as the national valuation services group practice leader.

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Fair Value Measurements and Reporting for 2014

Summary

The Knowledge Group has assembled a panel of key thought leaders to provide the audience with an in-depth analysis of the latest issues and trends on Fair Value Measurements and Reporting.

Key topics include:

- Overview of Fair Value Measurements and Reporting
- Issues and Guidelines Related to the Application of Key Accounting and Reporting Standards
- IFRS Framework
- Asset Valuations
- Financial Instruments and a lot more!

**SEGMENT 1:**

Mary Ann Travers
Partner
Crowe Horwath LLP



Introduction

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Ms. Travers received her Bachelor of Arts degree in economics from the University of Chicago. She holds the Accredited Senior Appraiser (ASA) certification and is nationally licensed.



SEGMENT 3:

Mary Ann Travers
Partner
Crowe Horwath LLP



- **FASB ASU No. 2014-02 issued in January 2014 - Intangibles - Goodwill and Other (Topic 350)**
- **Best practices on Customer Relationships Valuation from The Appraisal Foundation**
- **Status Updates on Post Implementation Review process pertaining to ASC 820 and ASC 718**

**SEGMENT 3:**

Mary Ann Travers
Partner
Crowe Horwath LLP



Highlight of FASB ASU No. 2014-02

FASB ASU No. 2014-02 issued in January 2014 – Intangibles – Goodwill and Other (Topic 350)

- Background –Users of private company financial statements often disregard goodwill and goodwill impairment analyses.
- PCC accounting alternative allows
 - Amortization of goodwill
 - Simplifies goodwill impairment process.
- If an entity elects the alternative and it plans to go public, the company has to restate their goodwill accounting to satisfy U.S. GAAP.
- Thus far, the SEC has not issued guidance as to the impact on 8K filings as it relates to historical financial presentation of an entity if it is acquired by a public company.

**SEGMENT 3:**

Mary Ann Travers
Partner
Crowe Horwath LLP



Highlight of FASB ASU No. 2014-02

- **Current FASB ASC 350 – Intangibles – Goodwill and Others**
 - Goodwill is tested at least annually or more often if certain conditions exist.
 - An entity can elect to perform a qualitative assessment to determine whether it is more likely than not that a reporting unit's fair value is less than its carrying amount or it can go directly to quantitative analysis, Goodwill Impairment Test – Step 1
 - If the fair value is less than the carrying amount, Goodwill Impairment Test – Step 2 must be performed to determine the extent of goodwill impairment.
 - Step 2 compares the implied fair value of goodwill with its carrying amount. To estimate the fair value of goodwill, reassessing the fair value of a reporting unit's identifiable assets, including intangible assets and liabilities, is necessary.

**SEGMENT 3:**

Mary Ann Travers
Partner
Crowe Horwath LLP



Highlight of FASB ASU No. 2014-02

■ Accounting Alternative

- Applicable for private companies
- Amortize goodwill for 10 years or the most appropriate useful life.
- Option to test goodwill at the company or reporting unit level.
- Test goodwill when a triggering event occurs.
- An entity can perform qualitative testing or bypass qualitative testing and proceed directly to quantitative testing.
- Goodwill impairment loss is measured as the excess of the carrying amount of an entity (or a reporting unit) including goodwill over its fair value. However, goodwill impairment loss cannot be more than the entity's (or reporting unit's) carrying amount.
- No Goodwill Impairment Test – Step 2.
- Effective for annual periods beginning after December 15, 2014 and interim periods after December 15, 2015. Early adoption is permitted.

**SEGMENT 3:**

Mary Ann Travers
Partner
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Highlight of FASB ASU No. 2014-02

- **Impact on Public Company** – FASB has added this issue for public business entities and not-for-profit organizations to their agenda.
- **At the March 26, 2014 meeting, the FASB indicated that they are considering the following alternatives:**
 - Amortize goodwill, which is consistent with the alternative available for private companies.
 - Amortize goodwill with impairment tests over its useful life, not to exceed a maximum number of years.
 - Direct write-off of goodwill at the acquisition date.
 - A non-amortization approach that uses a simplified impairment test.

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Partner
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Highlight of FASB ASU No. 2014-02

- **Current status :**
 - FASB deferred any further discussion until after the IASB has completed and issued findings on its post-implementation review of IFRS 3, Business Combinations (expected later in 2014).
 - FASB is also waiting on information on the adoption rates of ASC 350 -
 - Step 0, which is expected to be published in late 2014

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The Appraisal Foundation Update on Customer Related Assets

- **Appraisal Practices Board (APB) of The Appraisal Foundation offers voluntary guidance to appraisers, regulators and users of appraisal services on recognized valuation methods and techniques for all valuation disciplines.**
- **First Exposure Draft for Valuation of Customer Related Asset dated December 5, 2013**
 - Discusses best practices in customer relationships valuations
 - Deadline for comments was April 30, 2014
 - Discuss applicable valuation methods to value customer related assets
 - Multi-Period Excess Earnings Method (MPEEM) – for primary asset
 - Distributor Method
 - With and without (or premium profits) Method
 - Cost savings method



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The Appraisal Foundation Update on Customer Related Assets

- **Issues surrounding the application of MPEEM Method**
 - Utilized to value primary income generating assets, typically customers and technology.
 - Generally results in higher valuation compared to the other methods.

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Recent Post Implementation Review (PIR)

Post Implementation Review (PIR)

- A review by the FAF Board of Trustees to determine whether an accounting standard accomplishes its stated goal.

PIR on FASB Statement No. 157 (ASC 820 – Fair Value Measurements and Disclosures)

- Issued on February 25, 2014
- Results: Overall, ASC 820 met the stated objective and generally provides users with decision-useful information.
- However, some investors think that the information is not relevant or meaningful for employee benefit plans, not-for-profit organizations, or private companies due to:
 - Significant judgment involved in the valuation,
 - Lack of observable markets,
 - Divergence in application of measurement and disclosure requirements

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Recent Post Implementation Review (PIR)

PIR on FASB ASC 820 (cont'd)

- Significant costs to comply with FASB ASC 820.
 - Some of the costs are attributable to Sarbanes–Oxley Act of 2002, SEC reviews, and PCAOB inspections, which arise due to FASB ASC 820.
- FASB acknowledged that certain aspects of Statement No. 157 are challenging
- Further research and outreach with stakeholders are underway, such as on-going involvement with PCC and Not-for-profit Advisory Committee.



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Recent Post Implementation Review (PIR)

PIR on FASB Statement No. 123R (ASC 718)

- Review began in November 2013.
- Plans to prepare the findings for review with the FASB and FAF later in 2014.



SEGMENT 3:

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Q&A:



SEGMENT 1 and 3 :

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- ▶ You may ask a question at anytime throughout the presentation today. Simply click on the question mark icon located on the floating tool bar on the bottom right side of your screen. Type your question in the box that appears and click send.
- ▶ Questions will be answered in the order they are received.