



## ACCOUNTING 532 (second half): FINANCIAL ACCOUNTING FOR M&A

Spring 2019 Semester

Meets Tuesday/Thursday, 11:00 am - JKP 112

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Office Hours: Tuesday/Thursday, 9:45 – 10:45 am

**Can't Miss Dates:** Please note that these are the dates of exams that should not be scheduled for interviews, trips out of town, etc.: **April 4** (Midterm) and **May 7** (Final) 11:00 am – 1:00 pm. **Please note these dates as there are no make-ups for exams.**

The last day to add or drop a class without a mark of “W” and with a refund is March 14. To drop without a refund and without a mark of “W” the date is March 25. The last day to drop with a mark of “W” is April 15.

**Prerequisite:** Introductory accounting course (GSBA 510 for MBA's)

**Corequisite:** None

### Course Description

We cover financial accounting for investment activities of businesses, including mergers and acquisitions. We also examine how financial accounting reports and their analysis are impacted by the relevant detailed financial accounting rules. The first half of the course covers tax aspect of mergers and acquisitions and has its own syllabus.

### Learning Objectives

By the time students finish 532, they should be able to:

- Explain and apply the rules used to prepare and report the financial statement information related to business combinations by solving problems and analyzing transactions.
- Explain and apply the accounting requirements as they relate to consolidation and equity basis accounting.
- Explain and apply the rules for fair value accounting as they relate to business combinations by solving problems and analyzing transactions.
- Explain disclosure and filing requirements for public companies related to a business combination.

## Required Course Materials

The text for ACCT 532 is the custom e-text available at the e-bookstore [www.mcgrawhillcreate.com/shop](http://www.mcgrawhillcreate.com/shop) or the hard copy version available at the student bookstore. To find our text at this website, type “Patrick Kinsella” into the “Looking for new materials” search box. The book is Accounting for Mergers and Acquisitions compiled for ACCT 532.

## Grading

	<u>% of Points</u>	<u>Maximum Points</u>
Midterm	34%	270
Final Examination	53%	415
3 Assignments		
• Assignment 1 - 40 Points		
• Assignment 2 - 20 Points		
• Assignment 3 - 20 Points	10%	80
Practice Problems	<u>3%</u>	<u>20</u>
Total	<u>100%</u>	<u>785</u>

**Assignments:** The three required Assignments are noted in the “*Course Outline and Assignments*” below, along with their respective due dates. (see classes, 1, 6 and 11) The specifics requirements associated with each Assignment will be posted on Blackboard by the end of the day on the date that they are assigned.

Assignments will include a current event write-up requiring the description of a recent business combination transaction and the strategic and accounting implications. Additionally, two problems will be assigned that require the application of specific business combination accounting.

- Assignment 1 should be typed
- Assignments 2 and 3 may be handwritten or typed

**Assignment Submission Policy:** The assignments must be submitted as either a JPG or PDF via Blackboard on or before the due date, prior to the start of class. Any assignment turned in late will not receive full credit. Late work will be accepted only at the discretion of the professor, depending on the circumstances.

**Practice Problems Verification Policy:** Practice Problems listed in the syllabus are designed to ensure students understand the course material and as such should be completed prior to the beginning of class. On a random basis, twice throughout the semester practice problem completion will be verified prior to commencement of class. 10 points will be awarded for

completed practice problems. If a student is absent\* when a practice problem verification occurs no credit will be given.

\* In the event that a student notified the Professor in advance of a planned absence AND they provide the completed practice problem at the class following their absence the student will receive point credit. It is the absent student's responsibility to provide the completed practice problem at the class following the verification. Failure to provide the practice problem following a planned absence will result in no points being earned.

**Exams:** Calculators will be acceptable for the midterm and final but no notes or textbooks will be allowed. The final will be cumulative. Questions for the midterm will be multiple choice. The final exam will include a combination of multiple choice and problem solving questions.

**Grading for ACCT 532:** The points students earn will be compiled from the exams and assignments noted above. Using the total points of each student, grades will be assigned.

No late work will be accepted. There are no make-ups for exams; **students should arrange their interview schedule appropriately. Refer to "Can't Miss Dates" on page 1 of this syllabus to see the dates involved.**

## **STUDENT LEARNING OUTCOMES**

### *Graduate Program Student Learning Outcomes*

*Below are the five Student Learning Outcomes developed by the USC Leventhal faculty and administration and filed with the AACSB, the accrediting body for accounting and business schools: also indicated is the emphasis on each learning objective in the first half of ACCT 532:*

#### ***1. Technical, Conceptual, Problem-Solving Requirement***

**Students will be competent in and be able to apply discipline-specific knowledge and skills in the fields of accounting or taxation. This learning outcome includes the development of critical thinking and problem solving skills, as well as an understanding of the strategic role of accounting in business organizations and society. Emphasis: Heavy**

#### ***2. Professional Development Requirement***

**Students will be able to communicate clearly, and strategically, after considering the relevant audience, situation, and purpose of the communication. Students will develop the ability to work productively with others to accomplish established goals. Emphasis: Heavy**

#### ***3. Research/Life-Long Learning Requirement***

**Students will be able to use relevant research databases and academic/professional literature to gain new knowledge and analyze business situations. Emphasis: Light**

#### ***4. Ethical Principles and Professional Standards Requirement***

**Students will be able to apply ethical principles and professional standards in analyzing situations and making informed decisions. Emphasis: Medium**

### ***5. Globalization Requirement***

**Students will be able to demonstrate an international perspective and appreciation for diversity and cultural differences, along with their significance in global business. Emphasis: Light**

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## **GRADING POLICY**

We adhere to the USC Leventhal School of Accounting and Marshall School of Business grading standards for graduate programs. In general, final course grades at the graduate level in a core course average approximately B+ (3.3), but may vary based on class performance. For elective courses, the class average is usually higher--approximating 3.5, which is between a B+ and an A-. Students must receive a C or better to pass a required class, and must have an *overall* B average (3.0 minimum) in order to graduate from USC. The graded elements of this course are listed in this syllabus along with information on how they will be evaluated.

## **ACADEMIC CONDUCT**

Students enrolled in any class offered by the Leventhal School of Accounting are expected to uphold and adhere to the standards of academic integrity established by the Leventhal School of Accounting Student Honor Code. Students are responsible for obtaining, reading, and understanding the Honor Code System handbook. Students who are found to have violated the Code will be subject to disciplinary action as described in the handbook. For more specific information, please refer to the Student Honor Code System handbook, available in class or from the receptionist in ACC 101.

**Plagiarism** – presenting someone else’s ideas as a student's own, either verbatim or recast in a student's own words – is a serious academic offense with serious consequences. Students should familiarize themselves with the discussion of plagiarism in SCampus in Section 11 Behavior Violating University Standards <https://scampus.usc.edu/1100-behavior-violating-university-standards-and-appropriate-sanctions/>. Other forms of academic dishonesty are equally unacceptable. See additional information in SCampus and university policies on scientific misconduct, <http://policy.usc.edu/scientific-misconduct/>.

## **SUPPORT SYSTEMS**

### ***Student Counseling Services (SCS) - (213) 740-7711 – 24/7 on call***

Free and confidential mental health treatment for students, including short-term psychotherapy, group counseling, stress fitness workshops, and crisis intervention. <https://engemannshc.usc.edu/counseling/>

### ***National Suicide Prevention Lifeline - 1-800-273-8255***

Provides free and confidential emotional support to people in suicidal crisis or emotional distress 24 hours a day, 7 days a week. <http://www.suicidepreventionlifeline.org>

### ***Relationship & Sexual Violence Prevention Services (RSVP) - (213) 740-4900 - 24/7 on call***

Free and confidential therapy services, workshops, and training for situations related to gender-based harm. <https://engemannshc.usc.edu/rsvp/>

***Sexual Assault Resource Center***

For more information about how to get help or help a survivor, rights, reporting options, and additional resources, visit the website: <http://sarc.usc.edu/>

***Office of Equity and Diversity (OED)/Title IX compliance – (213) 740-5086***

Works with faculty, staff, visitors, applicants, and students around issues of protected class. <https://equity.usc.edu/>

***Bias Assessment Response and Support***

Incidents of bias, hate crimes and macroaggressions need to be reported allowing for appropriate investigation and response. <https://studentaffairs.usc.edu/bias-assessment-response-support/>

***Student Support & Advocacy – (213) 821-4710***

Assists students and families in resolving complex issues adversely affecting their success as a student EX: personal, financial, and academic. <https://studentaffairs.usc.edu/ssa/>

***Diversity at USC – <https://diversity.usc.edu/>***

Tab for Events, Programs and Training, Task Force (including representatives for each school), Chronology, Participate, Resources for Students

**Students with Disabilities**

USC is committed to making reasonable accommodations to assist individuals with disabilities in reaching their academic potential. If a student has a disability which may impact their performance, attendance, or grades in this course and require accommodations, they must first register with the Office of Disability Services and Programs ([www.usc.edu/disability](http://www.usc.edu/disability)). DSP provides certification for students with disabilities and helps arrange the relevant accommodations. Any student requesting academic accommodations based on a disability is required to register with Disability Services and Programs (DSP) each semester. A letter of verification for approved accommodations can be obtained from DSP. Please be sure the letter is delivered to the Professor (or to the Student's TA) as early in the semester as possible. DSP is located in GFS (Grace Ford Salvatori Hall) 120 and is open 8:30 a.m.–5:00 p.m., Monday through Friday. The phone number for DSP is (213) 740-0776. Email: [ability@usc.edu](mailto:ability@usc.edu).

**EMERGENCY INFORMATION**

USC Emergencies 740-4321

USC Emergency Information Line 740-9233

USC Information Line 740-2311

KUSC Radio 91.5

In case of a declared emergency if travel to campus is not feasible, the USC Emergency Information web site (<http://emergency.usc.edu/>) will provide safety and other information, including electronic means by which instructors will conduct class using a combination of USC's Blackboard learning management system ([blackboard.usc.edu](http://blackboard.usc.edu)), teleconferencing, and other technologies.”

## Course Outline and Assignments

(1) March 5                    **Overview and Fair Value Method**

Readings: Introduction p. 1-9 , Chapter 2 p. 49-53  
ASU No.2016-01 (p.1-5) “Recognition & Measurement of Financial Assets & Financial Liabilities” (See Blackboard)

**Assignment #1 (Due by 12 Midnight on April 25, 2019 via Blackboard)**

(2) March 7                    **Equity Method and Business Combination Intro**

Readings: Chapter 1 pp. 11-13, 15-25, 28-34  
ASU No. 2017-01(pp 1-19) “Clarifying the Definition of a Business”  
(See Blackboard)

(3) March 19                    **Consolidation Accounting- dissolution (Acquisition Method)**

Chapter 1- Practice Problems:, Problems 8 (p.39) and 16 a (p.41)  
Readings: Chapter 2 pp. 53-65, 69-72 Additional Issues

(4) March 21                    **Consolidation Accounting - no dissolution**

Chapter 2 - Practice Problems: 28 (p.90), 31a (p.91)  
Readings: Chapter 2 p. 65-69

(5) March 26                    **Contingent Consideration and Fair Value Concepts**

Chapter 2 - Practice Problems: 27 (p.89), 31b (p.91)  
Readings: Chapter 2 pp. 57-59, Chapter 3 pp. 125-126  
Tail O’ The Pup Case Discussion (See Blackboard)

(6) March 28                    **Goodwill Impairment**

Chapter 3 - Practice Problem: 34a, b (p.147)  
Readings: Chapter 3 p. 117-123  
ASU No. 2017-04 “Simplifying the Test for Goodwill Impairment”  
(See Blackboard)  
Evaluation of Bargain Purchase Requirements (See Blackboard)

**Assignment #2 (due April 2 before class begins via Blackboard)**

Note: *All page numbers referenced are those at the top of the custom created textbook, Accounting for Mergers & Acquisitions, Kinsella*

- (7) April 2            **Midterm overview**  
 Assignment #2 Solutions  
 Chapter 3 - Practice Problems: 17 (p.136) and 19 (p.137)
- (8) April 4            **Midterm**
- (9) April 9            **Midterm Review & Day 2 Consolidation**  
 Readings: Chapter 3 p. 95-108
- (10) April 11        **Guest Speakers:** Sam Halls (Shamrock) & John Brumlik (KPMG)  
 The M&A marketplace & Due Diligence
- (11) April 16        **Acquisitions less than 100%**  
 Chapter 3 - Practice Problems:30 (p.144) and 32 a (p.146)  
 Readings: Chapter 4 pp. 159-165
- Assignment #3 (due April 18 before class begins via Blackboard)**
- (12) April 18        **Public - Financial Reporting Requirements & Financial Statement Impacts**  
 Assignment #3 Solutions  
 Reading: ASC 805-10-50 (**See Blackboard**)  
 E&Y SEC Financial Reporting Series: A guide to applying Article 11 of  
 Regulation S-X (**See Blackboard**)  
                                  pp 3-9: sections 1.3.1 -2.2.1.5,  
                                  pp 12-14 sections 3.1 – 3.2  
                                  pp 15-21: sections 4.1 – 4.1.3
- (13) April 23        **Special Topics,**  
 Chapter 4: Practice Problem: 27 (p.199)  
 Readings: Variable Interest Entities (VIEs) - Chapter 6 pp 213 - 222
- (14) April 25        **Course Wrap Up and Review**
- Tuesday May 7      11am-1pm      **Final Exam**

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