



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

Fall 2019 Semester

Meets Tuesday/Thursday, 12:30 pm – 1:50 pm - JKP 202

Professor: George Braunegg

Office: ACC 234B

Phone: (213) 465-3020

E-mail: Braunegg@marshall.usc.edu

Office Hours: Tuesday/Thursday, 11:00 am – 12:00 noon

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.: **November 14** (Midterm) and **December 17** (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 **October 29, 2019**. To drop without a refund and without a mark of “W” the date is **November 8, 2019**. The last day to drop with a mark of “W” is **November 27, 2019**.

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 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 - 45 Points		
• Assignment 2 - 15 Points		
• Assignment 3 - 15 Points	10%	75
• Practice Problems	<u>3%</u>	<u>40</u>
Total	<u>100%</u>	<u>800</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 during the semester Practice Problem completion will be verified prior to commencement of class. 20 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

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

Support Systems

Counseling and Mental Health - (213) 740-9355 – 24/7 on call
studenthealth.usc.edu/counseling

Free and confidential mental health treatment for students, including short-term psychotherapy, group counseling, stress fitness workshops, and crisis intervention.

National Suicide Prevention Lifeline - 1 (800) 273-8255 – 24/7 on call
suicidepreventionlifeline.org

Free and confidential emotional support to people in suicidal crisis or emotional distress 24 hours a day, 7 days a week.

Relationship and Sexual Violence Prevention Services (RSVP) - (213) 740-4900 – 24/7 on call
engemannshc.usc.edu/rsvp

Free and confidential therapy services, workshops, and training for situations related to gender-based harm.

Office of Equity and Diversity (OED) / Title IX - (213) 740-5086
equity.usc.edu, titleix.usc.edu

Information about how to get help or help a survivor of harassment or discrimination, rights of protected classes, reporting options, and additional resources for students, faculty, staff, visitors, and applicants. The university prohibits discrimination or harassment based on the following protected characteristics: race, color, national origin, ancestry, religion, sex, gender, gender identity, gender expression, sexual orientation, age, physical disability, medical condition, mental disability, marital status, pregnancy, veteran status, genetic information, and any other characteristic which may be specified in applicable laws and governmental regulations.

Reporting Incidents of Bias or Harassment - (213) 740-5086 or (213) 821-8298
usc-advocate.symlicity.com/care_report

Avenue to report incidents of bias, hate crimes, and microaggressions for appropriate investigation and response.

The Office of Disability Services and Programs - (213) 740-0776
dsp.usc.edu

Support and accommodations for students with disabilities. Services include assistance in providing readers/notetakers/interpreters, special accommodations for test taking needs, assistance with architectural barriers, assistive technology, and support for individual needs.

USC Support and Advocacy - (213) 821-4710
studentaffairs.usc.edu/ssa

Assists students and families in resolving complex personal, financial, and academic issues adversely affecting their success as a student.

Diversity at USC - (213) 740-2101
diversity.usc.edu

Information on events, programs and training, the Provost's Diversity and Inclusion Council, Diversity Liaisons for each academic school, chronology, participation, and various resources for students.

USC Emergency - UPC: (213) 740-4321, HSC: (323) 442-1000 – 24/7 on call
dps.usc.edu, emergency.usc.edu

Emergency assistance and avenue to report a crime. Latest updates regarding safety, including ways in which instruction will be continued if an officially declared emergency makes travel to campus infeasible.

USC Department of Public Safety - UPC: (213) 740-6000, HSC: (323) 442-120 – 24/7 on call
dps.usc.edu

Non-emergency assistance or information.

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). 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.

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), teleconferencing, and other technologies.”

Course Outline and Assignments

- (1) October 22 **Overview and Fair Value Method**
- Reading:** 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 December 5, 2019 via Blackboard)**
- (2) October 24 **Equity Method and Business Combination Intro**
- Reading:** 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) October 29 **Consolidation Accounting- dissolution (Acquisition Method)**
- Chapter 1- **Practice Problems:**, Problems 8 (p.39) and 16 a (p.41)
Reading: Chapter 2 pp. 53-65, 69-72 Additional Issues
- (4) October 31 **Consolidation Accounting - no dissolution**
- Chapter 2 - **Practice Problems:** 28 (p.90), 31a (p.91)
Reading: Chapter 2 p. 65-69
- (5) November 5 **Contingent Consideration and Fair Value Concepts**
- Chapter 2 - **Practice Problems:** 27 (p.89), 31b (p.91)
Reading: Chapter 2 pp. 57-59, Chapter 3 pp. 125-126
Tail O’ The Pup Case Discussion **(See Blackboard)**
- (6) November 7 **Goodwill Impairment**
- Chapter 3 - **Practice Problem:** 34a, b (p.147)
Reading: 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 November 12th 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) November 12 **Midterm overview**
Assignment #2 Solutions
Chapter 3 - **Practice Problems**: 17 (p.136) and 19 (p.137)
- (8) November 14 **Midterm**
- (9) November 19 **Midterm Review & Day 2 Consolidation**
Reading: Chapter 3 p. 95-108
- (10) November 21 **Guest Speakers**: Sam Halls (Shamrock) & John Brumlik (KPMG)
The M&A marketplace & Due Diligence
- (11) November 21 **Acquisitions less than 100%**
Chapter 3 - **Practice Problems**:30 (p.144) and 32 a (p.146)
Reading: Chapter 4 pp. 159-165
Assignment #3 (due December 3 before class begins via Blackboard)
- (12) December 3 **Public - Financial Reporting Requirements & Financial Statement Impacts**
Assignment #3 Solutions
Reading: Variable Interest Entities (VIEs) - Chapter 6 pp 213 - 222
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) December 5 **Course Wrap Up and Review**
Chapter 4: **Practice Problem**: 27 (p.199)

Final Examination: Tuesday December 17 11am-1pm

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