

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



Fall 2022 Semester

1.5 Units

Meets Monday/Wed, 2:00 pm – 3:20 pm

JKP Room 102



Professor: George Braunegg

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Office: ACCT 229

Office Hours: Monday / Wednesday 3:45 PM – 4:45 PM & by appointment

Zoom Meeting ID: 310 216 0769

Passcode: 6294

**Can't Miss Dates:** Please note that the first day of class is **Monday October 17<sup>th</sup>**. Also note that these are the dates of exams that should not be scheduled for interviews, trips out of town, etc.: **Midterm – Monday November 7<sup>th</sup>** and **Final – Friday, December 9<sup>th</sup> from 2:00 pm – 4:00 pm.** **Please note these dates as there are no make-up examinations.**

	<b>First day of classes:</b>	Monday, October 17, 2022
	<b>Last day to add:</b>	Tuesday October 25, 2022
<b>Last day to drop without a mark of "W" and receive a refund:</b>		Tuesday, October 25, 2022
<b>Last day to withdraw without a "W" on transcript:</b>		Friday, November 4, 2022
<b>Last day to drop with a mark of "W":</b>		Tuesday, November 22, 2022
	<b>Last day of classes:</b>	Wednesday, November 30, 2022

**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 student's 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

Hoyle Advanced Accounting 14<sup>th</sup> Edition McGraw Hill Education (2020)

Students need to purchase the electronic edition of the above referenced text book and access to the McGraw Hill SmartBooks and Connect technology platform. Marshall/Leventhal has negotiated a package price of \$80 with McGraw Hill for the electronic text book, SmartBooks and Connect. Information on how to purchase directly from the publisher is available via this link [https://connect.mheducation.com/class/g\\_braunegg\\_fall\\_2022\\_1](https://connect.mheducation.com/class/g_braunegg_fall_2022_1). Alternatively you should be able to click on any assignment in the “Assignments” section of Blackboard with one of the symbols below and you will be taken to a page where you can purchase the book or obtain access via a two week free trial.



The e-text book and access to SmartBooks and Connect can also be purchased through the USC Bookstore but the pricing may vary from \$80.

## Grading

Student will be based upon 1,000 points determined by their performance on examinations, homework and a semester assignment weighted as follows:

	Maximum Points	Percentage of Points
Semester Assignment 1	50	6%
Homework	130	15%
Assignments 2 & 3	50	6%
Midterm	250	28%
Final	400	45%
	<hr/> 880	<hr/> 100%

**Semester Assignment 1:** Assignment will be made during Class 1 and will be posted on Blackboard. The assignment must be submitted as a PDF and is **due by 11:59 PM on the last day of class via Blackboard**. (Due date and time is also listed on the Course Calendar below) Assignments not submitted by the due date and time will earn 0 points.

**Homework:** Homework must be completed via McGraw Hill “Connect”. Students have 2 attempts to complete each homework problem. After the 1<sup>st</sup> attempt students will be shown current and incorrect indicators. After the 2<sup>nd</sup> attempt feedback will be withheld until 1 hour after the due date and time. The best after both attempts will be used for grading. (**Note:** . Students answering 100% of a homework question on the 1<sup>st</sup> attempt will not be given a 2<sup>nd</sup> attempt. ) Assigned Homework is **due by 2:00 pm on the day noted of the Course Calendar below**. Homework not completed by the due date will earn 0 points.

**Assignments 2 & 3:** Assignments will be made via Blackboard and due via McGraw Hill “Connect” on the dates listed in the Course Calendar below. Assignments not completed by the due date and time will earn 0 points.

**Note:** No Extensions will be granted for late Homework or Assignments. Please don't ask for an extension.

**Examinations:** Calculators will be acceptable for the Midterm and Final. The Final is cumulative. Students may utilize a single 8.5 x 11 sheet of paper with notes during examinations. **The notes sheet MUST be turned in with the examination.**

**Expectations:** Students are expected to:

- Attend *all* classes, actively participate during in-class exercises / problem solving and meaningfully contribute to class discussions.
  - “Must be present to win” is particularly true with skill building.
  - Think of this class like being at work. If you become ill or an emergency comes up, let me know. I will do the same for you.
- Be prepared.
  - An essential part of being prepared is doing the “Required Reading” **in advance of class.**
- Complete the assigned homework prior to due dates and reach out to me with questions during class or office hours.

## **STUDENT LEARNING OUTCOMES / OBJECTIVES**

### ***Graduate Program Student Learning Outcomes/Objectives***

*Below are the five Student Learning Outcomes/Objectives 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***

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

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

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

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

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

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

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

### **5. Globalization and Diversity**

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

## **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**

Plagiarism – presenting someone else’s ideas as your own, either verbatim or recast in your own words – is a serious academic offense with serious consequences. Please familiarize yourself with the discussion of plagiarism in SCampus in Part B, Section 11, “Behavior Violating University Standards” [policy.usc.edu/scampus-part-b](http://policy.usc.edu/scampus-part-b). Other forms of academic dishonesty are equally unacceptable. See additional information in SCampus and university policies on scientific misconduct, [policy.usc.edu/scientific-misconduct](http://policy.usc.edu/scientific-misconduct).

### **Use of Recordings and Course Materials**

Pursuant to the USC Student Handbook ([www.usc.edu/scampus](http://www.usc.edu/scampus), Part B, 11.12), students may not record a university class without the express permission of the instructor and announcement to the class. In addition, students may not distribute or use notes or recordings based on University classes or lectures without the express permission of the instructor for purposes other than personal or class-related group study by individuals registered for the class. This restriction on unauthorized use applies to all information that is distributed or displayed for use in relationship to the class.

### **Support Systems:**

*Counseling and Mental Health* - (213) 740-9355 – 24/7 on call [studenthealth.usc.edu/counseling](http://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](http://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) 740-9355(WELL), press “0” after hours – 24/7 on call [studenthealth.usc.edu/sexual-assault](http://studenthealth.usc.edu/sexual-assault)

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

*Office of Equity and Diversity (OED)* - (213) 740-5086 | Title IX – (213) 821-8298

[equity.usc.edu](http://equity.usc.edu), [titleix.usc.edu](http://titleix.usc.edu)

Information about how to get help or help someone affected by harassment or discrimination, rights of protected classes, reporting options, and additional resources for students, faculty, staff, visitors, and applicants.

*Reporting Incidents of Bias or Harassment - (213) 740-5086 or (213) 821-8298*

[usc-advocate.symplicity.com/care\\_report](http://usc-advocate.symplicity.com/care_report)

Avenue to report incidents of bias, hate crimes, and microaggressions to the Office of Equity and Diversity |Title IX for appropriate investigation, supportive measures, and response.

*The Office of Disability Services and Programs - (213) 740-0776 [dsp.usc.edu](http://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 Campus Support and Intervention - (213) 821-4710 [campussupport.usc.edu](http://campussupport.usc.edu)*

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](http://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 [dsp.usc.edu](http://dsp.usc.edu), [emergency.usc.edu](http://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 [dsp.usc.edu](http://dsp.usc.edu)*

## **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 CALENDAR

Class	Date	Topic	Required Reading Due by 2:00 pm on date listed	Homework Due by 2:00 pm on date listed
1	10/17	<b>Class Overview &amp; M&amp;A Discussion</b>  <b>Assignment #1</b> <b>Due on 11/30//22 by on 11:59 PM via Blackboard</b>	<b>McGraw Hill SmartBook</b> Chapter 2 Intro & LO 2-1 pp 39-43  Does Expanding via Mergers & Acquisition Make for Sound Corporate Strategy (See Blackboard)  ASU No.2016-01 (p.1-5) “Recognition & Measurement of Financial Assets & Financial Liabilities” (See Blackboard)	
2	10/19	<b>Fair Value &amp; Equity Method and</b>	Chapter 1  Fair Value Option - Overview Topic (810) (See Blackboard)	
3	10/22	<b>Consolidation Accounting-Dissolution (Acquisition Method)</b>	Chapter 2 - LO2-2 thru 2-6 pp. 43-56 LO2-8 pp 60-63 ASU No. 2017-01(pp b1-19) “Clarifying the Definition of a Business” & Page 64 from the text (See Blackboard)	Chapter 1 Problems 16,17 & 19  <b>15 Points</b>
4	10/24	<b>Consolidation Accounting - No Dissolution</b>	Chapter 2 LO2-7 pp. 56-60	Chapter 2 Problem 2-31  <b>15 Points</b>
5	1/26	<b>Contingent Consideration and Fair Value Concepts</b>	Chapter 3 LO 3-8 pp. 123-126 Tail O’ The Pup Case (See Blackboard)	Chapter 2 Problems: 30 & 34  <b>30 Points</b>
6	10/31	<b>Goodwill Impairment, Other Intangibles &amp; Bargain Purchases</b>  <b>Assignment #2 will be posted on Blackboard during Class -</b>  <b>Due before class on 2/2/22 via Connect</b>	Chapter 3 LO 3-5, 6 & 7 p. 117-123 <ul style="list-style-type: none"> <li>•2018 - New Guidance for Goodwill Impairment – CPA Journal (See Blackboard)</li> <li>•2021 - FASB – Prop ASU-Goodwill - Exposure Draft Goodwill Sparks Deep Division at Least on Balance Sheets - WSJ 1-21-20 (See Blackboard) How GE Built Up and Wrote Down \$22 Billion in Assets WSJ 3-13-19 (See Blackboard)</li> <li>•Evaluation of Bargain Purchase GAAP (See Blackboard)</li> <li>•Fair Value Measurements Considerations - Bargain Purchase (See Blackboard)</li> </ul>	Chapter 3 Problems 9 & 13  <b>10 Points</b>

Class	Date	Topic	Required Reading Due by 2:00 pm on date listed	Homework Due by 2:00 pm on date listed
7	11/2	Review Assignment #2 Solutions & Midterm Review		Chapter 3 Problem 3-16 <b>15 Points</b> Assignment #2 - 25 Points
8	11/7	<b>Midterm</b>		
9	11/9	<b>The M&amp;A marketplace &amp; Due Diligence</b>	Guest Speakers: Sam Halls- Shamrock Private Equity & John Brumlik Ironsides Advisory	
10	11/14	<b>Day 2 Consolidation</b>	Chapter 3 LO 3-1, 2, 3a pp 91-106 G	
11	11/16	<b>Acquisitions less than 100%</b>  Assignment #3 will be posted on Blackboard during Class  Due before class on 2/23/22 via Connect	Chapter 4 LO 4-1, 2 pp. 157-161  LO 4-4 pp 163 – 164	Chapter 3 Problems 30 & 32 <b>30 Points</b>
12	11/21	<b>Review Assignment #3 Solution</b>  <b>Public - Financial Reporting Requirements &amp; Financial Statement Impact</b>	Variable Interest Entities (VIEs) - Chapter 6 pp 263 – 270  CPA Journal Article: Common Conroy Entities & Consolidation of VIEs (See Blackboard)  Optional Reading - Deloitte Accounting for Business Combinations – Disclosure (See Blackboard)	Chapter 4 Problem 28 <b>15 Points</b>  Assignment #3 - 25 Points
	11/23	<b>No Class - Thanksgiving Holiday</b>		
13	11/28	Role of CFO in M&A	Guest Speakers  Todd Gibbons, CEO & Former CFO of BNY Mellon Bank  Johannes Worsoe, CFO, Apollo Asset Management	
14	11/30	Course Wrap-up & Final Review		<b>Assignment #1- 50 Points</b>  <b>Due by 11:59 pm on November 30<sup>th</sup> via Blackboard</b>