

NEW YORK UNIVERSITY
Stern School of Business
ACCT-UB.0022.01/ ACCT-GB.3330.01

Accounting for Mergers, Acquisitions and Related Matters

Fall 2011

Prof. John Bildersee

Tel. 212-998-0027

Monday & Wednesday 11:00 – 12:15

10-79 KMC

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Class web site: Blackboard

Text: Advanced Financial Accounting (Custom Text from 10th edition – Hoyle, Schaefer & Douppnik)

Course Content: This course concentrates on mergers and acquisitions and the development of consolidated financial statements. It also covers accounting for international operations and selected financial instruments. The primary focus is on detailed statement development and problem solving. Some analysis will be included. The course can be immediately helpful as past students have frequently volunteered that the course materials have helped them in job interviews.

Warning: The typical accounting course which goes from topic to topic and the materials frequently seem distinct and independent of each other. This course is different from the typical accounting course as the topics in this course are detailed and frequently build on materials presented earlier in the semester. Difficulties faced early in the semester should be dealt with promptly. It is preferred, but not required, that you have taken Financial Reporting and Disclosure and/or Financial Statement Analysis before this course due to its detail.

Attendance: Attendance and completion of homework are important. You should **attend every class** to assure a good understanding of the course materials.

Exams: There are two midterms and a final. Exams are open book and open notes. There are **no make-up exams**. If you cannot take an exam at the scheduled time you are expected to take it **early**. The exams will be given on the stated dates. The topics may change if the course falls behind schedule.

Quizzes: There will be several 15 minute quizzes. Quizzes are open book and open notes. Quizzes cannot be rescheduled. There are **no make-up quizzes**. Quizzes are scheduled for the first class following a given chapter and will focus on that chapter. The dates of the quizzes may change if our experience deviates from this schedule. The quizzes may be used to reduce the impact of your poorest exam.

Suggested homework: These assignments offer a review of the primary topics in each chapter and may help you prepare for quizzes and exams. Do not spend too much time on any question. Instead, try to work the exercise in your own way and, if you are stuck, try to understand the answer that is on Blackboard and/or ask related questions in class. Homework suggestions are listed on the first date of the following chapter to assure some classroom discussion prior to doing the exercises and to aid in preparation for any quiz on that chapter.

Classroom performance and Case: **You are expected to be able to contribute to discussions about the exercises as well as other classroom discussions.** Read the text and review the classroom exercises before class.

Positive contributions include questions and well-intended responses irrespective of their accuracy and are worth extra credit. Handing in a short (½ page) **TYPED** case writeup is **required for graduate students**. It is an extra credit activity for undergraduates only. One paragraph should describe the issues and considerations associated with the case. A second paragraph should include your opinions about the issues and 'real world' issues that might further impact your opinion.

Support materials: Visit Blackboard early and often. It has announcements, class notes, slide shows, spreadsheets, sample exams and miscellaneous items. Many of the relevant materials will be provided as handouts.

You are expected to follow the undergraduate code of conduct and the graduate honor code throughout the semester.

Tentative Grading:

	Undergraduate	Graduate
Exam 1	29 points	27 points
Exam 2	29 points	27 points
Exam 3	29 points	27 points
Quizzes*	10 points	10 points
Classroom attendance	3 points	3 points
Cases	Extra credit	6 points
Classroom participation	Extra credit	Extra credit

*Quizzes will be worth 22 points instead of 10 points and replace 12 points of your poorest exam if the quiz average exceeds the score on your poorest exam.

An alternate weighting will be used if an exam or if more than one quiz is missed.

We follow Stern's default policies for anything not covered here.

<u>Date</u>	<u>Topic</u>	<u>Reading</u>	<u>Classroom Discussion</u>	<u>Extra Exercises</u>
9/7	Introduction			
9/12	Accounting for Minority Investments – Passive Investments, Equity Method	Ch 1	(1-6 thru 1-9)	
9/14	Accounting for Minority Investments – Equity Method	Ch 1	(1-13, 1-16)	
9/19	Consolidations on Acquisition – Acquisition Method – Balance Sheet	Ch 2 (except pp 59-64)	(2-9,2-10)	(1-14, 1-19), Quiz (Chp 1)
9/21	Consolidations – Acquisition Method – Balance Sheet & Intangibles	Ch 2 (except pp. 59-64)	Chp 2 Case , (2-11,2-12,2-17,2-19)	
9/26	Consolidations – Balance Sheet – Purchase Method & Pooling (Old Methods)	Ch 2 (pp. 59-64)	(2-26,2-33)	CP
9/28	Consolidations – After Date of Acquisition (including Cost and Equity Methods)	Ch 3	(3-4,3-7)	(2-16,,2-23), Quiz (Chp 2)
10/3	Consolidations – After Date of Acquisition – Income Statement	Ch 3	(3-11 thru 3-13)	
10/5	Consolidations – After Date of Acquisition – Cash flows, Impairment	Ch 3, Ch 6 (259-263)	(3-16,3-22) (6-6, 6-7)	Ch 3 CP
10/12	Consolidations – After Date of Acquisition – Partial Acquisitions/Review	Ch 4	(4-2,4-4,4-12 thru 4-14)	(3-17,3-18,3-21)
10/17	Exam 1 (Chaps 1 - 3)			
10/19	Consolidations – After Date of Acquisition – Partial Acquisitions	Ch 4	(4-15 thru 4-19)	
10/24	Consolidations – After Date of Acquisition – Partial Acquisitions	Ch 4	(4-26), Chp 4 Case	CP
10/26	Consolidations – International Accounting	Ch 5 (pp 214 – 217)	Slide Show	(4-22,4-27), Quiz (Chp 4)
10/31	Consolidations – Intra-Entity Transactions – Sales	Ch 5 (pp 195 – 214)	(5-2, 5-5, 5-10 thru 15)	(5-7, 5-20ab)
11/2	Consolidations – Intra-Entity Transactions – PPE	Ch 5 (pp 216 – 221)	(5-23, 5-24)	(5-20c)
11/7	Consolidations – Special Topics (VIEs, Taxes)	Ch 6 (pp 241 – 249); Chp 7 (pp 307 – 317)	Chp 5 Case (7-28)	
11/9	Foreign Currency – Introduction/Review	Ch 10	(10-4, 10-5)	
11/14	Exam 2 (Chps 4-6)			
11/16	Foreign Currency Conversions– (Current Method)	Ch 10	(10-6 thru 10-9)	
11/21	Foreign Currency Conversions – (Temporal Method)	Ch 10	(10-10-10-11)	
11/23	Foreign Currency – Consolidations	Ch 10	Chp 10 Case (10-35)	CP

11/28	Foreign Currency – Transactions	Ch 9, Notes	(9-1, 9-4)	(10-15,10-28), Quiz (Chp 10)
11/30	Foreign Currency – Forwards, Hedges	Ch 9, Notes	(9-9, 9-11, 9-12)	
12/5	Foreign Currency – Commitments, Forecasted Transactions	Ch 9, Notes	(9-31, 9-32)	(9-11 thru 9-13, 9-29)
12/7	Foreign Currency – Options, Swaps	Ch 9, Notes	(9-15 thru 9-17)	CP
12/12	Review			
12/14	Exam 3 (Chps 9 & 10)			

Homework related notes:

Several problems and questions include parts about three different accounting methods associated with investments (**prior to consolidation**) – the full or complete equity method, the incomplete or partial equity method and the cost method. The equity methods are typically identical for subsidiary income and dividend flows. The incomplete or partial equity method and the cost method are typically identical when the focus is on intra-entity transactions.

Additional comments:

Investment Accounting

Ownership	<20%	20-50%	>50%
Available for Sale*	X		
Trading*	X		
Equity Method		X	X- prior to consolidation
Cost Method			X- prior to consolidation

*Similar to accounting for foreign exchange

There are three **consolidation** methods. Pooling has been disallowed for new acquisitions since 2001 (and will be discussed for only a few minutes). The purchase method has been disallowed for new acquisitions since December 2008. The acquisition method is the **only acceptable method for new acquisitions today**. However, consolidated statements today include elements of all three methods with the no longer allowed methods slowly disappearing from the financial statements as the associated assets and liabilities age.

Summary of Consolidation Methods	Acquisition Method	Purchase Method	Pooling
Values	Fair Value	Mix	Book Value
Type of financial consideration	Any	Any	Stock primarily
Amount of financial consideration	Fair value	Adjusted fair value	Book value
Valuation adjustments on 100% acquisition	100% adjustment	100% adjustment	None
Valuation adjustments on partial (less than 100%) acquisition	100% adjustment	Acquired portion only	None
Assets discovered	New intangibles For parent and noncontrolling interest	New intangibles	None
Possible Presence of Goodwill	Include only events after the acquisition	Parent only	None
Consolidation of the subsidiary		Include only events after the acquisition	Treated as having been together forever

Business in Foreign Currencies	Conversions to Dollars for Reporting			Transactions		
	Conversions before Consolidation			Consolidation In dollars	Spot Market Risk	Hedging
	Translation	Remeasurement	Forward Markets			
	Major Operations	Minor Operations	Neutralizes Risk			
	Net Assets	Net Monetary Assets	Commitments			
	Compre Income	Income	Forecasted Events			