Financial Reporting Valuation Services

Marshall & Stevens has been a credible resource for corporate executives in need of valuations for compliance with financial reporting standards, both domestic and international. Through regular dialogue with audit firms across the country as well as participation in accounting and valuation industry task forces, committees and conferences, our valuation professionals keep up to date on the latest standards and interpretations while providing cost-effective solutions for our clients.

Complexity requires experience.

Financial Reporting Valuation Services

Each valuation, that requires audit review, begins with a discussion with the client's audit firm in order to make sure our team, our client and the audit firm are working together for the best, most efficient process and results for the client. The financial, real estate and equipment valuation specialists at Marshall & Stevens work as a team to provide a single, integrated solution for clients with needs for multi-disciplinary valuations and assignments with assets around the world.

- Valuation of Debt and Equity Securities (ASC 320)
- Testing for Impairment of Goodwill (ASC 350) and Long-Lived Assets (ASC 360)
- Valuation of Deferred Compensation - Stock Options and Stock Grants (ASC 718)
- Purchase Price Allocations (ASC 805)
- Valuation of Financial Instruments (ASC 815)
- Fair Value Analyses (ASC 820)
- Valuations for Fresh Start Accounting (ASC 852)

Overview of Key Financial Reporting Valuation Topics

1. Valuation of Debt and Equity Securities: ASC 320

   Investments in debt securities, equity securities, common stock of subsidiaries, partnerships, unincorporated joint ventures, limited liability companies, and securitized financial assets.

   Accounting for financial instruments is a priority of the FASB. Previous standards have focused on disclosures of fair value. ASC 320 focuses, however, on accounting matters as well as disclosures. Our professionals understand the quantitative components of debt and equity analysis to adhere to FASB guidelines as well as provide adequate documentation for audit firms and the IRS.

2. Testing for Impairment of Goodwill: ASC 350
   Testing for Impairment of Long-Lived Assets: ASC 360

   Marshall & Stevens has performed impairment tests for clients in a variety of industries. These impairments have ranged from the millions to over one billion dollars. Experience in this arena has provided our professionals the tools to work with clients and their auditors to achieve their goals.

   Simplified Accounting For Private Companies* – Goodwill:

   Accounting Standards Update ("ASU") 2014-02, *Intangibles-Goodwill and Other (Topic 350): Accounting for Goodwill*. This ASU simplifies and reduces the accounting for goodwill for private companies. The effects of electing this alternative accounting method include:

   - Amortizing goodwill over a period not to exceed 10 years rather than not amortizing goodwill.
   - Testing goodwill for impairment only when there is a triggering event instead of testing it every year.
   - Testing goodwill for impairment at either the entity level or the reporting unit level.
   - Testing and measuring goodwill for impairment by comparing the fair value of the entity (or reporting unit) to its carrying amount instead of performing the traditional two-step impairment test.

3. Valuation of Stock Options and Stock Grants: ASC 718

   The valuation of options and grants are key for both financial and tax reporting purposes (IRC 409A). A supportable valuation requires an accurate and thorough appraisal of the underlying enterprise. Once the enterprise is properly valued, each tranche of stock must also be valued before proceeding to determine the value of the options or grants.

4. Purchase Price Allocations: ASC 805

   Changes to the definition of "Business Combinations" and of "Fair Value", bargain purchase allocation rules, and the requirement to value IPR&D, contingent payments and liabilities, etc., create significant challenges to CFOs. The allocation of value to acquired assets and liabilities greatly impacts EPS and the potential for impairment of the assets and goodwill. Engaging a firm with a proficiency in business combinations, as well as the in-house capability to value intangible and tangible assets (real estate and equipment), can save acquirers' time and expense including reducing the time and fee required in an audit review.

5. Valuation of Financial Instruments: ASC 815

   Derivatives, debentures, warrants, interest rate swaps, currency hedges, commodities contracts, and auction-rate securities.

   The recent fair value reporting requirements have greatly impacted financial statements. Auditors are looking for proficiency as well as auditable reports for these analyses. Our professionals understand the analyses required for different asset classes and different situations as well as the support and documentation required by audit firms and the IRS.

**A key drawback to adopting this simplified private company standard is that a retrospective purchase price allocation (reallocation) and restatement may be required if the business is sold to a party that does not use the simplified standard.*

6. Fair Value Analyses: ASC 820

For More Information on this topic or our valuation services, please contact us at:

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Fair Value, as defined under ASC 820, ("…price that would be received to sell an asset or paid to transfer a liability…") differs from the Fair Market Value definition ("...exchange between a willing buyer and a willing seller") in that it is considered more of an exit price. The seller may say, "I would never sell my asset or business for that price," but what the seller would do is not considered in this premise of value. The price a buyer would pay is what matters.

Fair Value is the premise of value for financial reporting assignments including, but not limited to, the valuation of stock, financial instruments, purchase price allocations, impairment analyses. Fair Value also determines the value of equity in enterprises such as private equity and venture capital portfolio investments.

7. Fresh Start Accounting Valuations: ASC 852

Financial reporting requirements associated with an emergence from Chapter 11 of the Bankruptcy Code include the restatement of the company's balance sheet in accordance with ASC 852. A valuation of the assets and liabilities, as of the date of the emergence from bankruptcy, is required for the opening day balance sheet.

Services Offered by Marshall & Stevens

- Business Valuation and Opinions
- Cost Segregation
- Dispute & Litigation Support
- ESOP Valuation
- Fairness and Solvency Opinions
- Financial Valuation
- Health Care Valuation
- Machinery & Equipment Valuation
- Private Equity & Portfolio Analyses
- Real Estate Valuation
- Structured Finance / Leasing
- Tax Planning & Reporting

About Marshall & Stevens

Marshall & Stevens is a recognized leader in valuation and litigation support. We assist our clients with planning, due diligence, negotiation and reporting issues related to financings, mergers, acquisitions, divestitures, restructurings, insurance placement and tax-related transactions. Our in-house specialists provide a full portfolio of valuation-related services, including transaction advisory for machinery & equipment, facilities, real estate, businesses and intangible assets, and debt and equity instruments.