

ACCT 5340/FINC 5370: Fair Value for Financial Reporting SPRING 2017

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OFFICE HOURS: T 1:30 to 3:30 Th 3 to 5:30 p.m.
Discussion Forum on Canvas.
COURSE WEBSITE: <https://seattleu.instructure.com/courses/1571302>
ROOM: PIGT 204, Thursday, 6 to 8:40 pm.

COURSE OBJECTIVES & DESCRIPTION:

This course develops an integrated knowledge of accounting and finance and provides a financial reporting perspective for fair value-related issues. Topics will relate to the accounting for business combinations and asset impairments including the recognition and valuation of intangibles and contingent consideration, stock compensation accounting, derivatives accounting including assessing hedge effectiveness and the accounting for hybrid financial instruments. Competency in Excel is expected. The course will involve multiple group-based case assignments that will involve the valuation of companies, intangible assets, employee stock options, hybrid securities and derivatives.

PREREQUISITES

FINC 5100, FINC 5050 and ACCT 5120. Instructor permission is needed in case you do not meet the prerequisites requirement.

VALUATION CASE: Bluntly Media

Please buy the following valuation case (\$4.25) from Harvard Business Publishing. We will be discussing this case in our second class. It is also your second assignment. The link to buy the case is as follows:
<http://cb.hbsp.harvard.edu/cbmp/access/62966211>

THE CLASSROOM

Teaching Material

As we proceed through the quarter, we will post slides, notes and articles for your reference. *We have posted a pre-recorded online lecture to introduce Topic 820 (Fair Value Measurement) for our first lecture. Please listen to it before you come to the first class on March 30th.* We will post other lectures and you will get an e-mail informing you about the same every time we upload a pre-recorded lecture.

You are highly recommended to refer to your Intermediate Accounting textbook, Advanced Accounting textbook and your Investments/Managerial Finance, Financial Statement Analysis and Valuation, Derivatives Valuation textbook for additional input.

Our library has many e-books on valuation. But here are three that are useful for this course:

Fair value measurements [electronic resource] : practical guidance and implementation / Mark L. Zyla. Hoboken, N.J. : John Wiley & Sons, c2012.

Financial Valuation: Application and Models by James Hitchner **electronic resource**

Our Class

Each class session relates to a set of specific Topics in the Accounting Standards Code. Please go to the FASB's website and read the relevant statement(s). We will provide you the access code for the codification.

We will initiate every class with a case discussion that typically will relate to accounting issues. These cases have been listed in the **Course Schedule** section and will be posted/e-mailed before class. Once we

complete this discussion session, we will go through relevant valuation techniques and procedures that relate to the topic being discussed. To be a valuation specialist in this area or an auditor in this area, you need to have a strong grasp of finance as well as good understanding of financial reporting.

STUDENTS WITH DISABILITIES

Seattle University is committed to providing students with disabilities an equal opportunity to participate in all its classes and activities. This goal is fundamental to our belief in social justice. The university provides supplemental support services through the Disabilities Services office. Please contact the Disabilities Services office to receive accommodation.

ACADEMIC HONESTY

We expect that you will abide by the University's Academic Honesty Code. "Seattle University is committed to the principle that academic honesty and integrity are important values in the educational process and that violations in this area should be dealt with in the appropriate manner." For more specifics about the policy, check: <https://www.seattleu.edu/registrar/Policies.aspx>

If you are not sure about whether a particular action is acceptable according to the Academic Honesty Code, you should check with me *before* engaging in it. Verified instances of plagiarism, cheating and the usage of unauthorized sources in exams, papers and other academic projects will lead to a severe penalty.

EVALUATION

The relative weights in the final grade are:

Case Project	Weight	Brief Description
1	5%	Fair Value Case
2	25%	Valuation of a Private Company & Report using Mandatory Performance Framework and SSVS #1 as guideline
3	20%	Goodwill & Intangible Assets
4	20%	Impairment
5	10%	Employee Stock Option, Contingent Consideration
6	10%	Cheap Stock /Financial Instruments case
7	10%	Fair Value Analysis

We reserve the right to change the grade allocation depending on our progress in class. We will do so after a full discussion in class and hearing your opinion.

The final grade will be assigned according to the following scale:

A	95-100 %
A-	90-95
B+	87-89
B	84-86
B-	80-83
C+	77-79
C	74-76
C-	70-73
D	65-69
F	0-64

We will use the scale as a framework while grading each case. We do not give an "I" grade except under very extraordinary circumstances.

COURSE SCHEDULE (This is a preliminary list of topics. Please note that the in-class case is subject to change)

<u>DATE</u>	<u>TOPIC</u>	<u>DETAILS</u>	<u>IN-CLASS CASE</u>	<u>ASSIGNMENT</u>	<u>DUE DATE</u>
3/30	1. Fair Value Topic 820 <i>Please listen to online pre-lecture on Fair Value posted on Canvas</i> 2. Review of Business Combination Accounting	Fair Value Measurement	Fair Value Basics: (a) <i>Camelback Investment Company</i> (b) <i>Fair Value Hierarchy (item 1)</i>	# 1 Fair Value Case Study: Finish <i>Fair Value Hierarchy</i> case # and business combination worksheet problem #7 : Analyze whether banks with higher proportion of Level 2 and 3 assets have higher market betas. Data will be provided.	4/13 (#1) 6/1(#7)
4/6	2. Review of Business Combination Accounting Review of Valuation	Review of Valuation fundamentals and process; DLOM	<i>Bluntly Media</i>	# 2 Complete Valuation of <i>Bluntly Media</i>	Valuation Spreadsheet: 4/27 (#2) Memo on Mandatory Performance Framework using SSVS 1 5/1
4/13	Business Combination Accounting & Intangibles Topic 805 Valuation of Intangibles Topic 805 and 350	Intro To Intangibles <i>Please listen to online pre-lecture posted on Canvas</i> Intangibles Accounting and Valuation post-acquisition using PFI	1. <i>Definition of a Business,</i> 2. <i>Food for Thought</i> (Note: We may distribute other cases before class)	#3 Assignment on the Valuation of identifiable intangible assets and goodwill valuation	5/4
		(Trademarks, Customer Relationships, IPR&D, Patents, CAC)			

<u>DATE</u>	<u>TOPIC</u>	<u>DETAILS</u>	<u>IN-CLASS CASE</u>	<u>ASSIGNMENT</u>	<u>DUE DATE</u>
4/20	Business Combination Accounting & Intangibles	Contingent Consideration basics; WARA, Non-Controlling Interest issues; Modifications for Private Companies			
4/20	Impairment Testing Topic 350 and 360	Reporting Units, Impairment Indicators & Step 0 Qualitative tests, Long lived Asset tests, Goodwill Impairment testing	1. <i>Quality Waste Removal</i> 2. <i>Rough waters Ahead</i> 3. <i>Gator Electronics</i>	#4 a. Impairment of Goodwill and intangible assets b. Case assignment	5/18
4/27	Impairment Testing	-as above- {Speaker: To be confirmed}			
5/4	Employee Stock Options Topic 718	Tax Issues in Business Combinations {Speaker} ETHICS WEEK {Speaker} Accounting Issues related early exercise, cliff vesting; Service, performance and market conditions;			

<u>DATE</u>	<u>TOPIC</u>	<u>DETAILS</u>	<u>IN-CLASS CASE</u>	<u>ASSIGNMENT</u>	<u>DUE DATE</u>
5/11	Employee Stock Options and Incentive Plans Topic 718	Black-Scholes, Binomial Lattice Model, Issues related to early exercise	1. <i>Occupy Mall Street</i> 2. <i>Ventura Company</i>	# 5 a. Valuation and Accounting for ESO and Incentive plans. b. I will select one case (1 or 2) for you to complete as an assignment	TBA
5/18	ESO Contingent Consideration				
5/25	Cheap Stock Valuation Or Financial Instruments	{Speaker}		# 6 Cheap stock valuation or Financial Instruments case	TBA
6/1	Cheap Stock Valuation or Financial Instruments	{Speaker}			
6/8	Final Exam Date	TBA.		Attendance required: DO NOT MAKE TRAVEL PLANS	

ASSIGNMENTS

Detailed assignments with questions will be posted on Canvas as we go along.
All assignments are group projects. **You need to form groups of two.**