

Excerpt from

Case studies in
**PURCHASE
PRICE
ALLOCATIONS**

Case Studies in Purchase Price Allocations

A BVR SPECIAL REPORT



1000 SW Broadway, Suite 1200, Portland, OR 97205

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What It's Worth

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Introduction

The U.S accounting standards and generally accepted accounting principles (GAAP) surrounding an acquisition and the initial measurement and recognition of identifiable intangible assets continue to be one of the more complex areas for practitioners to master. While not all valuation professionals practice in fair value, those who do understand the value in the technical nuances and practical experience that makes this niche so rewarding.

Accounting Standards Codification (ASC) 820: *Fair Value Measurements* and ASC 805: *Business Combinations* provide guidance and unique elements of fair value for valuation professionals to consider when determining the fair value of identifiable intangible assets acquired and liabilities assumed in a business combination. The valuation professional should consider elements such as unit of account, transaction structure, market participants, and most advantageous market in his or her analysis and completion of the engagement. Valuers of all experience levels will find this guide to be helpful in performing fair value engagements, reviewing client reports, and maintaining quality in their reporting.

This special report is based on a case study of a fictitious acquisition that involves identifying and estimating the fair value of intangible assets in a business combination. The report is not meant to serve as authoritative literature but rather as an example of how the analysis could be completed based on some of the main issues that prove difficult for valuation professionals, such as market participant assumptions, calculation of contingent consideration, and—most importantly—the documentation of our analysis and assumptions.

Nathan DiNatale and Mark Zyla discuss the common approaches to valuing the intangibles, considerations in modeling the calculations, and how to interpret the conclusions. Lastly, this report was created to spark thought and provide insight for those valuation professionals who are interested in providing fair value services related to business combinations.

The material in this report is based on two BVR webinars: Business Combinations: Case Studies in Purchase Price Allocations, Oct. 22, 2015, presented by Nathan DiNatale, and Business Combinations: Valuation of Intangibles, March 24, 2016, presented by Mark Zyla and Nathan DiNatale.

Nathan E. DiNatale, CPA/ABV, CVA, ABAR, has over 22 years of public accounting experience, including fair value valuation and valuation standards applicable for financial reporting purposes. He has testified as an expert witness in valuation, forensic investigations, family law, and economic damage cases. He is also the incoming chairman of the AICPA Business Valuation Committee for the 2016-2017 year and a member of the AICPA FVS Conference Planning Committee since 2014. DiNatale is the past chairman of the MACPA Forensic and Valuation Committee.

Mark L. Zyla, CPA/ABV, CFA, ASA, is a managing director of Acuitas Inc., an Atlanta-based valuation and litigation consultancy firm. Mark is the practice leader of the firm's valuation practice. Mark is a member of the AICPA's FVS Executive Committee and a member of the Business Valuation Committee of the ASA. He is also the chairman of the Standards Review Board of the IVSC. He is the author of *Fair Value Measurement: Practical Guidance and Implementation*, 2nd ed., published by John Wiley & Sons.



Case Studies in Purchase Price Allocations



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While not all valuation professionals practice in fair value, those who do, understand the technical nuances and practical experience that makes this niche so rewarding. With an increase in M&A activity, demand for purchase price allocations (PPAs) has grown and there may be more opportunities for appraisers to take on PPA engagements. In this new report, *Case Studies in Purchase Price Allocations*, experts Nathan DiNatale and Mark Zyla discuss the common approaches to valuing intangibles, considerations in modeling the calculations, and how to interpret the conclusions.

Highlights of the report include:

- Get a thorough understanding of business combination and relative fair value measurements - this report provides an overview of ASC 805 and ASC 820
- Gain practical insight with a case study of an acquisition that involves identifying and estimating the fair value of intangible assets in a business combination
- Increase opportunities for your firm to take on PPA engagements: Get a kick-start on understanding how to provide fair value services related to business combinations

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