

Accounting 725 – Mergers & Acquisitions SPRING 2017

WEBSITE: <http://webcampus.nevada.edu>

COURSE OVERVIEW This course will focus on firms that engage in mergers and acquisitions and the accounting implications of these transactions. In this course you will learn how to consolidate financial statements, handle intercompany transactions, write-off goodwill, account for international subsidiaries and apply equity accounting. We cover the differences between US GAAP and IFRS as it relates to consolidations as well as accounting for foreign currency transactions with international companies.

STUDENT LEARNING OUTCOMES:

- Students will be able to identify differences between US GAAP and IFRS related to M&A transactions.
- Students will be able to consolidate the foreign operations of multinational firms.
- Students will be able to identify the ethical implications of acquisition activity through a written case analysis.
- Students will prepare consolidation worksheets under different types of M&A structures.

PREREQUISITE: Accounting 401 or 601.

REQUIRED TEXT: Custom Text: Selected Chapters from Hoyle, Schaefer & Douppnik (HSD), *Advanced Accounting 12th* edition (Available at the UNLV bookstore)

An ebook is also available:

<https://create.mheducation.com/shop/#/catalog/details/?isbn=9781308926087>

ISBN 9781308926087

GRADES: Grades will be determined based on the following possible points and assigned as shown below:

Exams	330
Excel Consolidations	60
Class activity	10
Ethics Case	30
Reading quizzes	<u>70</u>
TOTAL	500 points

Points	Grade
500-465	A
464-450	A-
449-435	B+
434-415	B
414-400	B-
399-390	C+
389-350	C
349-300	D
299 and below	F

Grades will be maintained on the web page and you will be able to access your account to monitor and verify your grades. **Please monitor your grades carefully. You will have only one week after an exam or assignment is graded and posted to resolve any issues.** I will not revisit grades at the end of the semester in an attempt to “find” additional points.

ATTENDANCE: Attendance is not mandatory, however if you miss a class please make sure you get the notes from a classmate. **I will NOT provide you with notes from classes you missed.**

EXAMS: Exams are closed notes/book. The format of the exam will be mixed with multiple choice questions and longer problems. To be fair to everyone I will only answer questions concerning the content of exams during class. If you have questions about the grading of the exam, after we have reviewed the exam in class, write me a note on the exam explaining your position. I will return the exam with a reply.

Makeup exams will only be given to students with the following excused absences: illness or accident (you must be under treatment by health professionals and provide documentation regarding such treatment), death in the immediate family, or participation in a university-sponsored event. In all but emergency cases, you should notify me BEFORE the exam.

READING QUIZZES: These articles have been selected to provide you additional background information about the topic we will be covering in class. They provide more insight than the textbook offers. In an effort to assure that each student reads the assigned articles, you must each complete an on-line quiz related to the reading.

EXCEL CONSOLIDATIONS: To better understand the consolidation process and prepare for the CPA exam you will be required to complete three consolidation spreadsheets on excel. These must be done individually.

ETHICS CASE: The purpose of this project is to give you the opportunity to practice your writing skills within the context of an ethics dilemma. You may work in teams of two on this assignment. Further instructions will be posted on Webcampus.

IMPORTANT DATES: Under the UNLV drop policy, drops will be accepted until **March 24th** without the student being subject to a grade. No drops or withdrawals will be accepted after that date.

COURSE WEB SITE: The course web site will be located on the UNVL Webcampus site. This site will be used to post notes, solutions to problems, additional materials for the class (if needed), changes to the syllabus and to post grades.

SYLLABUS CHANGES: In the interest of continuous improvement and the pace of the individuals in the class, I reserve the right to change the schedule at any time. You are responsible for any changes announced in class.

COURSE POLICIES:

All students taking accounting courses must read and sign the **UNLV Accounting Department Academic Integrity Policy**. No grades for assigned materials or exams will be released if a signed copy of the policy is not returned to the instructor.

Audio and Video Recording

Surreptitious or covert video-recording of class or unauthorized audio recording of class is prohibited by law and by Board of Regents policy. This class may be video-recorded only with the written permission of the instructor. Classroom activities may be audio recorded by a student for the personal, educational use of that student or for other students presently enrolled in the class only. However, audio and/or video recording may **not** be further copied, distributed, published or otherwise used for any other purpose without my express written consent. For absence of doubt, I expressly forbid posting of my lectures (either in video, audio, or transcribed form) to any website or other public forum, including, but not limited to, YouTube. In order to accommodate students with disabilities, some students may have been given permission to record class lectures and discussions. Therefore, all students should understand that their comments during class may be recorded.

UNLV POLICIES:

Academic Misconduct—Academic integrity is a legitimate concern for every member of the campus community; all share in upholding the fundamental values of honesty, trust, respect, fairness, responsibility and professionalism. By choosing to join the UNLV community, students accept the expectations of the Student Academic Misconduct Policy and are encouraged when faced with choices to always take the ethical path. Students enrolling in UNLV assume the obligation to conduct themselves in a manner compatible with UNLV's function as an educational institution.

An example of academic misconduct is plagiarism. Plagiarism is using the words or ideas of another, from the Internet or any source, without proper citation of the sources. See the *Student Academic Misconduct Policy* (approved December 9, 2005) located at: <https://www.unlv.edu/studentconduct/student-conduct>.

Copyright—The University requires all members of the University Community to familiarize themselves **with** and to follow copyright and fair use requirements. **You are individually and solely responsible for violations of copyright and fair use laws. The university will neither protect nor defend you nor assume any responsibility for employee or student violations of fair use laws.** Violations of copyright laws could subject you to federal and state civil penalties and criminal liability, as well as disciplinary action under University policies. Additional information can be found at: <http://www.unlv.edu/provost/copyright>.

Disability Resource Center (DRC)—The UNLV Disability Resource Center (SSC-A 143, <http://drc.unlv.edu/>, 702-895-0866) provides resources for students with disabilities. If you feel that you have a disability, please make an appointment with a Disabilities Specialist at the DRC to discuss what options may be available to you. If you are registered with the UNLV Disability Resource Center, bring your Academic Accommodation Plan from the DRC to the instructor during office hours so that you may work together to develop strategies for implementing the accommodations to meet both your needs and the requirements of the course. Any information you provide is private and will be treated as such. To maintain the confidentiality of your request, please do not approach the instructor in front of others to discuss your accommodation needs.

Religious Holidays Policy—Any student missing class quizzes, examinations, or any other class or lab work because of observance of religious holidays shall be given an opportunity during that semester to make up missed work. The make-up will apply to the religious holiday absence only. It shall be the responsibility of the student to notify the instructor **within** the first 14 calendar days of the course for fall and spring courses (excepting modular courses), or **within** the first 7 calendar days of the course for summer and modular courses, of his or her intention to participate in religious holidays which do not fall on state holidays or periods of class recess. For additional information, please visit: <http://catalog.unlv.edu/content.php?catoid=6&navoid=531>.

Transparency in Learning and Teaching—The University encourages application of the transparency method of constructing assignments for student success. Please see these two links for further information:

<https://www.unlv.edu/provost/teachingandlearning>

<https://www.unlv.edu/provost/transparency>

Incomplete Grades—The grade of I—Incomplete—can be granted when a student has satisfactorily completed three-fourths of course work for that semester/session but for reason(s) beyond the student’s control, and acceptable to the instructor, cannot complete the last part of the course, and the instructor believes that the student can finish the course without repeating it. The incomplete work must be made up before the end of the following regular semester for undergraduate courses. Graduate students receiving “I” grades in 500-, 600-, or 700-level courses have up to one calendar year to complete the work, at the discretion of the instructor. If course requirements are not completed within the time indicated, a grade of F will be recorded and the GPA will be adjusted accordingly. Students who are fulfilling an Incomplete do not register for the course but make individual arrangements with the instructor who assigned the I grade.

Library Resources—Students may consult with a librarian on research needs. For this class, the subject librarian is https://www.library.unlv.edu/contact/librarians_by_subject. UNLV Libraries provides resources to support students’ access to information. Discovery, access, and use of information are vital skills for academic work and for successful post-college life. Access library resources and ask questions at <https://www.library.unlv.edu/>.

Tutoring and Coaching—The Academic Success Center (ASC) provides tutoring, academic success coaching and other academic assistance for all UNLV undergraduate students. For information regarding tutoring subjects, tutoring times, and other ASC programs and services, visit <http://www.unlv.edu/asc> or call 702-895-3177. The ASC building is located across from the Student Services Complex (SSC). Academic success coaching is located on the second floor of the SSC (ASC Coaching Spot). Drop-in tutoring is located on the second floor of the Lied Library and College of Engineering TEB second floor.

UNLV Writing Center—One-on-one or small group assistance with writing is available free of charge to UNLV students at the Writing Center, located in CDC-3-301. Although walk-in consultations are sometimes available, students with appointments will receive priority assistance. Appointments may be made in person or by calling 702-895-3908. The student’s Rebel ID Card, a copy of the assignment (if possible), and two copies of any writing to be reviewed are requested for the consultation. More information can be found at: <http://writingcenter.unlv.edu/>.

Rebelmail—By policy, faculty and staff should e-mail students’ Rebelmail accounts only. Rebelmail is UNLV’s official e-mail system for students. It is one of the primary ways students receive official university communication such as information about deadlines, major campus events, and announcements. All UNLV students receive a Rebelmail account after they have been admitted to the university. Students’ e-mail prefixes are listed on class rosters. The suffix is always @unlv.nevada.edu. **Emailing within WebCampus is acceptable.**

Final Examinations—The University requires that final exams given at the end of a course occur at the time and on the day specified in the final exam schedule. See the schedule at: <http://www.unlv.edu/registrar/calendars>.

TENTATIVE SCHEDULE

DAILY CLASS SCHEDULE AND HOMEWORK ASSIGNMENTS		
Date	Topic and/or Activity	Reading & suggested homework problems
Monday, Jan. 16 th	Martin Luther King Jr. Day	
Wednesday, Jan. 18 th	Introduction to the course	
Monday, Jan. 23 th	Equity Accounting basics	Read Ch. 1 HW: 1, 2, 4-13, 15, 17, 20, 24,
Wednesday, Jan. 25 th	Equity Accounting – Reporting changes & other issues	HW: 3, 18, 21 (note the solutions manual is out-of-date and wrong for these problems)
Monday, Jan. 30 th	Reading quiz 1: “How to Make Mergers Work” & “Riding the Wave” due by 10am Acquisition Accounting and Consolidations at Date of Acquisition	Read Ch. 2 HW: 1-5, 7-11, 14-18, 20, 21, 23
Wednesday, Feb. 1 st	Acquisition Accounting and Consolidations at Date of Acquisition	HW: 26 & 27
Monday, Feb 6 th	Consolidations Subsequent to Acquisition – EQUITY METHOD	Read Ch. 3 HW: 1, 2, 4, 5, 9-11
Wednesday, Feb. 8 th	Reading quizzes: (2) “Looking at Mergers the Way Federal Regulators Do”, (3)“ The Art of the Earnout”, (4) “Reverse Merger” due by noon	
Monday, Feb. 13 th	Consolidations Subsequent to Acquisition – EQUITY METHOD	HW: 28, 30, 33, 35

DAILY CLASS SCHEDULE AND HOMEWORK ASSIGNMENTS		
Date	Topic and/or Activity	Reading & suggested homework problems
Wednesday, Feb. 15 th	Reading quizzes: (5) “After the Acquisition & “Marriage at 30,000 Feet” due by noon Excel 1 due by noon	
Monday, Feb. 20 nd	PRESIDENTS DAY – NO CLASS	
Wednesday, Feb. 22 th	Consolidations Subsequent to Acquisition - INITIAL VALUE METHOD	Read Ch. 3 P: 23, Worksheets 25 & 29
Monday, Feb. 27 th	Consolidations Subsequent to Acquisition - INITIAL VALUE METHOD	
Wednesday, March 1 st	Goodwill Impairment	P: 3, 6, 18, 19
Monday, March 6 th	Excel 2 due by noon	
Wednesday, March 8 th	EXAM I – Chapters 1, 2 & 3	
Monday, March 13 th	Consolidations involving Non-Controlling interests (Equity Method)	Read Ch. 4 P: 1-8, 14-16, 23, 24, 27 Worksheets for 35
Wednesday, March 15 th	Consolidations involving Non-Controlling interests (Equity Method)	
Monday, March 20 th	Consolidations involving Non-Controlling interests (Mid – year) Excel 3 due March 22th by 10am	P: 9, 12, 30, 33 Worksheet for 40
Wednesday, March 22 nd	Step Acquisitions and Sales of subsidiary stock	P: 10, 11, 13, 25, 29, 41, 42
Monday, March 27 th	Step Acquisitions and Sales of subsidiary stock	
Wednesday, March 29 th	Reading Quiz 6: “Intercompany Transactions Snowball” due by 10am Intercompany Transactions	Read Ch. 5 P: 1-16, 23, 25

DAILY CLASS SCHEDULE AND HOMEWORK ASSIGNMENTS		
Date	Topic and/or Activity	Reading & suggested homework problems
Monday, April 3rd	Intercompany Transactions	
Wednesday, April 5 th	EXAM II – Chapters 4 & 5	
April 10-14 th	SPRING BREAK	
Monday, April 17 th	Complex Affiliations	Read Ch. 7 (pp. 307-323) P: 1-9, 16, 17
Wednesday, April 19 ^h	Tax issues related to M&A	
Monday, April 24 th	Ethics case – due Wed. April 26th by 10pm	
Wednesday, April 26 th	Foreign Currency Transactions	See supplemental notes
Monday, May 1st	Reading Quiz 7: “The Effects of Currency Translation” due by 10am Translation of Foreign Currency Financial Statements	Read Ch. 10 P: 1, 2, 5-7, 10-12, 16-18, 33
Wednesday, May 3rd	Translation of Foreign Currency Financial Statements	
Monday, May 8th	FINAL EXAM	

Required Reading List

These articles are available from the UNLV Library.

Go to: <http://library.unlv.edu/>

- Click on the “A-Z list of Journals” link on the right side of the page
- In the “Browse e-journals by title” box type in the name of the journal.
- You will find the advanced search an efficient way to find specific articles (search by title and author)

1a. Anonymous. 1999. “Leaders: How to Make Mergers Work”. *The Economist* (January 9).

- 1b. Anonymous. 2013. "Riding the Wave". *The Economist* (October 5).
2. Romeo, Jim. 1999. "Looking at Mergers The Way Federal Regulators Do". *Journal of Accountancy* (December): 59-64.
3. Craig, Brian and Andy Smith. 2003. "The Art of Earnouts". *Strategic Finance* (June): 45-47.
4. Brenner, Vincent and William Schroff. 2004. "Reverse Merger". *Strategic Finance*. (May): 47-52.
- 5a. Tarasovich, Barbara, Bridget Lyons and John Gerlach. 2008. "After the Acquisition." *Strategic Finance* (October): 25-31.
- 5b. Credeur, Mary Jane. 2012. "Marriage at 30,000 Feet". *Businessweek* (February 6-12th): 58-63.
6. Parcels, Susan. 2015. "Intercompany Transactions Snowball". *Strategic Finance* (April): 48-53.
7. Sorenson, Susan and Donald Kyle. 2011. "The Effects of Currency Translation". *Strategic Finance* (September): 35-43.