

Purchase Price Allocation - *FASB ASC 805 and IFRS 3*

How the purchase price is allocated; how much is assigned to each category of identifiable tangible and intangible assets, and how much goes into goodwill can determine whether future earnings from the acquisition are accretive and whether an impairment is imminent. Inasmuch as most buyers want any acquisition to be accretive, the allocation is extremely important.

Marshall & Stevens provides a complete platform of valuation disciplines to transactions large and small, public and private, domestic and international.

Our experienced professionals coupled with our extensive audit firm relationships bring maximum value for our clients' and their transactions. Our team includes multiple professionals who have worked for international audit firms, a great benefit to our public and private clients.

WHAT IS PURCHASE PRICE ALLOCATION?

The basic concept is: The total transaction consideration (purchase price) is allocated over the **fair value** of all acquired tangible and intangible assets, as of the date of the close of the transaction. The difference between the sum of the asset values and the total purchase price is designated as **goodwill**.

The valuation opinions assigned to the acquired assets are provided to the client to them with the production of an opening day balance sheet, for compliance with Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") 805 - *Business Combinations* ("ASC 805"), or International Financial Reporting Standard 3 ("IFRS 3").

Identifiable intangible assets are recognized separately from goodwill if they meet either of the following criteria:

1. Control over the future economic benefits of the asset results from contractual or other legal rights (regardless of whether those rights are transferable or separable from other rights and obligations).
2. The asset is capable of being separated or divided and sold, transferred, licensed, rented, or exchanged (regardless of whether there is intent to do so). Intangible assets without such capabilities will meet the criteria for recognition apart from goodwill if they can be sold, transferred, licensed, rented, or exchanged along with a related contract, asset or liability.

Intangible Assets:

Accounting guidance lists the intangible asset categories which should be considered in any allocation of purchase price study performed for financial reporting purposes.

- Customer Relationships
- Deferred Revenue
- Intellectual Property
- Noncompete Agreements
- Software, if internally developed
- Trademarks and Trade names
- Vendor/Contractual Relationships

Tangible Assets include:

- Inventory
- Machinery, Equipment, Furniture, Fixtures and Vehicles
- Real Estate

COMPANY OVERVIEW

Established in 1932, Marshall & Stevens is a recognized leader in valuation, serving businesses, investors, boards and trusted advisors throughout the world. We assist our clients with planning, due diligence, negotiation and reporting compliance related to their mergers, acquisitions, divestitures, financing, insurance placement and tax related transactions.

Our in-house specialists provide a full complement of valuation-related services, from transaction advisory, Fairness Opinions, Solvency Opinions, and the valuation of businesses, debt and equity instruments, intangible asset, fixed assets and real estate.

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