

Complex Deals: Links to Lecture Videos

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Course Description

Financial accounting is the fundamental language of business. Analogous to other languages, financial accounting can be used to express the simplest to the most sophisticated of financial arrangements. This course focuses on the use of financial accounting to express the economic realities of complex organizations and the intricate deal structures used to shape their design. The main objectives of the course are to:

- Increase your sophistication as users of financial information by enhancing your ability to penetrate the complexity of intricate organizational architectures and gain deeper insight into an organization's business model, strategy and performance.
- Develop a deeper understanding of the economics of deal-making and the role that organizational design plays in the value creation process and corporate governance.

The course involves a mixture of lecture and case analysis. The cases form the core of the course and span many fascinating deals, industries, strategies and key issues facing modern business organizations. The course will benefit any student who desires to increase their ability to understand and profitably exploit financial information, including deal-makers, entrepreneurs, consultants, bankers, investors, analysts, corporate managers, marketers and strategists.

Course topics include accounting issues related to:

1. **Control relationships:** Control, skin-in-the-game, private vs. strategic benefits of control; separating control rights from cash flow rights; determining the value of a vote.
2. **Reflecting control and influence relations in financial statements:** acquisition accounting; strategic alliances; goodwill, intangibles & synergies; step acquisitions; changes in non-controlling interests; segment reporting; compensation issues; carve-outs and spin-offs; contingent consideration and deal risk.
3. **Influence of taxation on financial reporting for control changes:** alternative business entity structures (e.g., MLPs and LLCs); tax basis step-up or carryover basis; deferred taxes; NOL carry-forwards.
4. **Financial Distress,** structure and strategy of bankruptcy; fresh start accounting; out of court negotiation; structural subordination.
5. **Inflation:** Inflation adjusted financial statements, understanding vulnerability to inflation, managing subsidiaries in inflationary economies, hyper-inflation, and tax implications of inflation.
6. **Foreign Currency:** Foreign currency translation, the nature of functional currency and how it delineates currency risk, translation risk, translation in hyper-inflationary economies.

Videos of Course Lectures (best viewed in Internet Explorer; view in Chrome may lack key features)

<u>Video Links</u>	<u>Lecture Description & Links to Other Materials</u>
Lecture 1	Intro; Cash Flow vs. Voting Rights; Dual Class Shares Slides
Lecture 2	Berkshire Hathaway Case ; Accounting for Influence – The Equity Method Slides
Lecture 3	Renault-Nissan Strategic Alliance Case ; Acquisition Accounting Introduction Slides
Lecture 4	Acquisition Accounting- Details & Comprehensive Example Slides
Lecture 5	Citigroup Case ; M&A risk issues and contingent consideration Slides
Lecture 6	Alternative business entities; Blackstone Case ; Step acquisitions Slides

- [Lecture 7](#) Discuss Homework 1 (Acquisition Accounting, Novartis Group); [Comcast-NBC Case](#); segment reporting; [Slides](#) ; [Homework 1 PDF](#) ; [Slides Homework 1](#)
- [Lecture 8](#) Organizational structure and incentives; carve-outs and spin-offs [Slides](#)
- [Lecture 9](#) Discuss Homework 2 (Coca Cola Enterprises and Clearwater Corp); Accounting for target's pre-deal stock compensation; [Slides](#) ; [Homework 2 PDF](#) ; [Slides Homework 2](#)
- [Lecture 10](#) M&A Tax Issues (tax basis step-up or carryover basis) [Slides](#)
- [Lecture 11](#) Acquisition accounting and tax structure; Target's NOLs [Slides](#)
- [Lecture 12](#) Accounting for Financial Distress; [Eastern Airlines Case](#) [Slides](#)
- [Lecture 13](#) [RJRN Case](#); Fresh Start Accounting [Slides](#)
- [Lecture 14](#) Inflation Accounting and Analysis [Slides](#)
- [Lecture 15](#) Computing Inflation Adjusted Financial Statements [Slides](#)
- [Lecture 16](#) Foreign Currency Translation Risk [Slides](#)
- [Lecture 17](#) Currency Exposure Seen Through the Accounting Lens [Slides](#)

Video Answer Key for Homework 3 [Homework 3 PDF](#) ; [Slides Homework 3](#)

- [Questions 1-3](#) M&A Tax Issues
- [Question 4](#) Flowers Foods 338h(10)
- [Question 5](#) Liberty Interactive Spin-off of TripAdvisor