

Mercer Capital's

Financial Reporting Valuation Flash

December 2013

As 2013 comes to a close, many among us have been reassuringly reminded of the US economy's capacity for resilience and progress. [Revised estimates](#) pegged Q3 2013 GDP growth at an annual rate of 4.1%, which represents the [fastest pace since the end of 2011](#). While suggestions of QE stimulus scale-backs seemed to engender uncertainty even a few weeks earlier, the [markets](#) appeared [to take](#) the actual taper announcement [in stride](#). The S&P seems headed for the [best calendar year performance since 1997](#), and 2013 was also the [most favorable year for IPOs since 2000](#) as [222 companies raised \\$55 billion by going public](#). Here's hoping that these tailwinds will help fill the M&A sails in 2014, as confident companies make more moves strategically in a revitalized, robust marketplace.

We leave you with a selection of items that we have been watching and reflecting upon in the past few months.

Happy New Year 2014!

Equity-Based Compensation

Are Employee Stock Options Vanishing?

In a *Wall Street Journal* article titled "[Last Gasp for Stock Options](#)," Emily Chasan finds that stock option compensation for executives and employees is falling out of favor relative to restricted stock-based compensation. Restricted stock units are less complex, less risky to the employee, and potentially create less dilution for existing shareholders.

For both start-up and mature companies, Mercer Capital's fair value measurement experts assist in the measurement of equity-based compensation across a variety of industries. ([Read More](#))

Related Link

- [Last Gasp for Stock Options?](#)

Goodwill Impairment

FASB Endorses GAAP Exceptions for Private Companies

The FASB endorsed two GAAP exceptions for private companies. The first exception permits private companies to amortize goodwill and implements a simplified model for goodwill impairment testing. The second exception offers a practical expedient that allows private companies to qualify for hedge accounting under ASC Topic 815. Final standards are expected by the end of the year.

Mercer Capital helps many public and private companies of all sizes understand the accounting and valuation issues around goodwill and intangible asset impairment tests. Call us – we would like to help. ([Read More](#))

Related Links

- [Private Company GAAP Exceptions Get Thumbs Up From FASB](#)
- [Changing Course: A New Proposal for Private Company Goodwill Accounting](#)

Purchase Price Allocation

Accounting for Bargain Purchases: What, When, How, Who?

Bargain purchases may result when a healthy company acquires a distressed seller. For example, the volatility of the commercial banking industry during the financial crisis resulted in a number of banks recognizing bargain purchase gains as they acquired distressed banks. Indeed, as industries undergo cyclical changes and consolidation gathers pace, the likelihood of strategic buyers recognizing a bargain purchase gain increases.

Mercer Capital has performed purchase price allocations for clients across a variety of industries and transaction structures, including those giving rise to bargain purchases. Please contact us to discuss how Mercer Capital can help with the business combination accounting process and the valuation of intangible assets and contingent liabilities. ([Read More](#))

Bankruptcy and Restructuring Advisory

Bankruptcy Reorg Plans: How Many Is Too Many?

Navigating a Chapter 11 bankruptcy and reorganization can be a daunting task, both for the company at issue and for the myriad of stakeholders who often have competing interests. [An article that appeared in the New York Times DealBook](#) discusses the impact of a change in the bankruptcy code that makes it easier for multiple stakeholders to put forth competing reorganization plans. Specifically, the change limits a corporate debtor's "exclusivity" when filing a reorganization plan for a company in Chapter 11 bankruptcy.

Mercer Capital has performed in-depth financial analyses for clients pursuing bankruptcy reorganization in order to explore strategic alternatives and inform negotiations with various stakeholders. We also assist companies with post emergence financial reporting requirements including fresh-start accounting and fair value measurements. ([Read More](#))

Related Link

- [Are Competing Bankruptcy Plans a Good Thing?](#)

Mercer Capital

Financial Reporting
Valuation Services

In an environment of increasingly complex fair value reporting standards and burgeoning regulatory scrutiny, Mercer Capital helps clients resolve fair value reporting issues successfully.

We have the capability to serve the full range of fair value valuation needs, providing valuation opinions that satisfy the scrutiny of auditors, the SEC, and other regulatory bodies.

We also have broad experience with fair value issues related to public and private companies, financial institutions, private equity firms, start-up enterprises, and other closely held businesses. National audit firms consistently refer financial reporting valuation assignments to Mercer Capital.

Our professionals are nationally recognized as leaders in the valuation industry, and hold the most rigorous credentialing designations including the CFA, ASA, and CPA, among others, which are representative of the highest standards in the valuation and accounting industries. Mercer Capital has the institutional capability to tackle even the most uncommon or complex fair value issues. We understand the sensitivity of financial reporting timing needs and meet your deadline on time, every time.

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