University of St.Gallen

Course and Examination Fact Sheet: Autumn Semester 2013

7,148: Valuation for Accounting

ECTS credits: 3

Overview examination/s

(binding regulations see below)
Decentral - Written examination (50%, 60 mins.)
Central - Written examination (50%, 60 mins.)

Attached courses

Timetable -- Language -- Lecturer
7,148,1.00 Valuation for Accounting -- English -- Gutsche Robert

Course information

Course prerequisites

Basic knowledge of IFRS and interest in international accounting issues is required. Furthermore, I recommend that students who want to attend this course first complete a compulsory accounting course of the master program such as "Financial Reporting". However, this is no prerequisite.

Course content

Every asset has a value. We – the accountants - just have to find it! However, when a high degree of un-certainty is involved, the measurement of assets, liabilities or equity becomes complex and requires expert knowledge to determine their recognition and measurement in the balance sheet according to the International Financial Reporting Standards (IFRS). This course addresses the most complex valuation topics in accounting from a theoretical and practical perspective. It provides a framework for valuation and illustrates valuation problems with case studies and high-profile guest speakers from practice.

Students who successfully complete this course will have the knowledge and skills to face even unusual valuation problems in accounting. They will be able to apply expert valuation techniques in the areas of business combinations, including the accounting for goodwill and intangibles, as well as financial in-struments, employee benefits, and investment property.

1. Introduction and Overview
1.1. Complex Valuation Occasions for Accounting
1.2. Institutions, Regulation and Industries
1.3. Valuation Models vs. Pricing Procedures
1.4. Fair-Value Measurement in IFRS (IFRS 13)

2. Acquisition Accounting: Firm Value, Goodwill and Intangibles (IFRS 3)
2.1. “Purchase Price Allocation” under the Acquisition Method
2.2. Determining the Acquisition Costs (IFRS 3)
2.2.1. Contingent Considerations, Pre-existing Relationships
2.2.2. Deferred Payments, Transaction Costs, Deferred Taxes
2.2.3. Determining the Acquisition Costs in Stock-for-stock Acquisitions and Reverse Acquisitions

2.3. Identifying Intangible Assets (IFRS 3, IAS 38)
2.3.1. Computer Software
2.3.2. Patents, Copyrights, Licenses, Franchises & Marketing rights
2.3.3. Trademarks and Brands
2.3.3. Customer Lists and Customer & Supplier Relationships
2.3.4. Other Intangible Assets

2.4. Goodwill (IFRS 3)
2.4.1. Components of Goodwill
2.4.2. Full vs. Partial and Purchased Goodwill
2.4.3. Determining Full-Goodwill with Non-Controlling Interests
2.4.4. Determining the Firm Value for Goodwill Measurement with NCI

2.5. Subsequent Measurement Issues, Impairment Tests (IAS 36), Changes in Estimates & Errors (IAS 8), Re-assessment (IFRS 3)
2.6. Differences US GAAP SFAS 141/142 and IFRS 3, IAS 36, 38
2.7. Case Studies

3. Financial Instruments (IAS 32, IAS 39, IFRS 7, IFRS 9)

3.1. Overview and Concepts
3.1.1. Classification, Valuation and Profit or Loss Designation
3.1.2. Initial & Subsequent Measurement and Derecognition
3.2. Non-derivative Financial Instruments
3.2.1. Cash and Equivalents and Other Non-derivative Contractual Rights and Obligations
3.2.2. Asset Backed Securities such as Collateralized Mortgage Obligations, Repurchase Agreements, and Securitized Packages of Receivables (Pledging, Assignment and Factoring Receivables)
3.2.3. Convertible Debt Instruments: Features, Classification, Instruments with Contingent Settlement Provisions
3.2.4. Treasury Shares
3.2.5 Case Studies

3.3. Accounting for Hedging Activities (IAS 39, IFRS 7 and IFRS 9)
3.3.1. Derivatives: Forward Contracts, Future Contracts, Options, Swaps
3.3.2. Hedge Accounting: Fair Value Hedge, Cash Flow Hedge, Net Investment Hedge and Embedded Derivatives
3.3.3. Effectiveness Testing: The Critical Terms Method, Dollar-Offset-Ratio Method (DOR), Regression Analysis, Scenario Analysis, Volatility Risk Reduction Method (VVR), The Short-Cut Method for Interest Rate Swaps
3.3.4. Cases: Hedging Foreign Exchange Risk
3.3.4. Cases: Hedging Foreign Subsidiaries
3.3.5. Cases: Hedging Interest Rate Risk
3.3.6. Cases: Hedging Foreign Currency Liabilities
3.3.7. Cases: Hedging Equity Risk
3.3.8. Cases Hedging Commodity Risk

3.4. Pension Accounting and Postretirement Benefits (IAS 19)
3.4.1. Types of post-employment benefit plans
3.4.3. Measuring the Defined Benefit Obligation
3.4.4. Measurement and Valuation Issues
3.4.4. Plan Assets
3.4.5. Pension Assets and Liabilities
3.4.6. Curtailments and Settlements
3.4.7. Case Studies

4. Share-Based Payments (IFRS 2)
4.1. Classification of Share-based Payment Arrangements
4.2. Recognition and Measurement of Share-based payments
4.3. Modifications, Cancellations and Forfeitures of Share-based Payments
4.4. Case Studies

5. Property, Plant & Equipment (IAS 16)
5.1. Fair Value Measurement for PPE
5.2. Revaluation Surplus
5.3. Impairment
5.4. Deferred Taxes
5.5. Case Studies

6. Other Specific Valuation for Accounting Topics
6.1. Insurance Contracts - Insurers and Insurance Valuation and Accounting Issues (IFRS 4)
6.2. Investment Property and Real Estate Valuation and Accounting Issues (IAS 40)
6.3. Agricultural Valuation and Accounting Issues (IAS 41)
6.4. Off-Balance Sheet Reporting Issues

Course structure

There will be weekly lectures and exercises. The time and room details can be found in the course directory (Stundenplan Online) on the Studynet.

Course literature

Butler, C. (2009). Accounting for Financial Instruments: Wiley.
Company, M. K., Koller, T., Goedhart, M., & Wessels, D. (2010). Valuation: Measuring and Managing the Value of Companies: Wiley.
Damodaran, A. (2011). Damodaran on Valuation: Security Analysis for Investment and Corporate Finance: Wiley.
Davis, M. K. (2011). Accounting for Real Estate Transactions: A Guide For Public Accountants and Corporate Financial Professionals: Wiley.
Deloitte, Touche, & Staff, T. (2012). Deloitte IGAAP 2013: Financial Instruments - IAS and Related Standards: LexisNexis Butterworth.
Mackenzie, B., Coetsee, D., Njikizana, T., Chamboko, R., Colyvas, B., & Hanekom, B. (2013). Wiley IFRS 2013: Interpretation and Application of International Financial Reporting Standards: Wiley.
Mard, M. J., Hitchner, J. R., & Hyden, S. D. (2010). Valuation for Financial Reporting: Fair Value, Business Combinations, Intangible Assets, Goodwill and Impairment Analysis: Wiley.
Ramirez, J. (2011). Accounting for Derivatives: Advanced Hedging under IFRS: Wiley.
Ryan, S. G. (2007). Financial Instruments and Institutions: Accounting and Disclosure Rules: Wiley.
Subramani, R. V. (2011). Accounting for Investments, Fixed Income Securities and Interest Rate Derivatives: A Practitioner's Handbook: Wiley.

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Additional course information

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Examination information

Examination part/s

1. Examination part (1/2)

Examination time and form
Decentral - Written examination (50%, 60 mins.)

Remark
Mid-term examination

Examination-aid rule
Open Book
Students are free to choose aids but will have to comply with the following restrictions:

- At such examinations, all the pocket calculators of the Texas Instruments **TI-30 series** are admissible. Any other pocket calculator models are inadmissible.
- In addition, any type of communication, as well as any electronic devices that can be programmed and are capable of communication such as electronic dictionaries, notebooks, tablets, PDAs, mobile telephones and others, are inadmissible.
- Students are themselves responsible for the procurement of examination aids.

Supplementary aids
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Examination languages
Question language: English
Answer language: English

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2. Examination part (2/2)

Examination time and form
Central - Written examination (50%, 60 mins.)

Remark
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Examination-aid rule
Open Book
Students are free to choose aids but will have to comply with the following restrictions:

- At such examinations, all the pocket calculators of the Texas Instruments **TI-30 series** are admissible. Any other pocket calculator models are inadmissible.
- In addition, any type of communication, as well as any electronic devices that can be programmed and are capable of communication such as electronic dictionaries, notebooks, tablets, PDAs, mobile telephones and others, are inadmissible.
- Students are themselves responsible for the procurement of examination aids.

Supplementary aids
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Examination languages
Question language: English
Answer language: English

Examination content

There will be a mid-term and final exam which will require the solution of small cases, exercises and concept questions based on the class lectures, guest-speakers, exercises and course literature. You will be graded only if you participate in both exams. Missing one of the exams can be considered as failing the course. If you are unsure about the consequences of not participating in an exam, ask the student office.

The midterm exam will take place on **October 24, 2013 from 8:30 to 9:30am** in the room of the course lecture (see course directory on the unisg website). Please check the studynet course room website for updates or changes of time and place of the midterm exam.

The central exam is organized by the university. Guest students are eligible to take their exam prior to the central exam period. The form and content of an

exam for guest students can differ from the central exam. If you are unsure if you are a guest student that is eligible to participate in an antedated exam for guest students, please ask the student office.

Examination relevant literature

The slides from the lecture and the guest lectures are examination relevant literature.

Please note

We would like to point out to you that this fact sheet has absolute priority over other information such as StudyNet, faculty members' personal databases, information provided in lectures, etc.

When will the fact sheets become binding?

- Information about courses and examination time (central/decentral and grading form): from the start of the bidding process on 22 August 2013
- Information about decentral examinations (examination-aid rule, examination content, examination relevant literature): after the 4th semester week on 14 October 2013
- Information about central examinations (examination-aid rule, examination content, examination relevant literature): from the start of the enrolment period for the examinations on 4 November 2013

Please look at the fact sheet once more after these deadlines have expired.