

Statement No. 141(R) amended Statement No. 141 and applies prospectively to business combinations for which the acquisition date is on or after the first annual reporting period beginning on or after December 15, 2008.

Key differences between Statement No. 141 and 141(R) are as follows:

- Expands the definition of what is a business and business combination
- Requires recording 100% of assets and liabilities, including goodwill at fair values, even if less than 100% of the company is acquired.
- Requires recognition of contingent assets and liabilities at fair value on the acquisition date.

**141R
Business
Combinations**

- Requires recognition of contingent consideration at fair value on the acquisition date.
- Requires acquisition related transaction costs to be expensed.
 - Requires recognition of certain items through income and expense versus through goodwill or other assets.

The purpose of the amendment is to increase transparency through extended disclosures and greater use of fair values, with the objective of improving relevance, representational faithfulness and comparability of the information that a reporting entity provides in its financial reports.

*The Time May be Right for Strategic Acquisitions
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signs that the time is right to approach someone. Another strategy is to let people know you are in an acquisition mode. Your approach should be based on who you think is a possible target and how you intend to negotiate.

Once the target is identified, it is extremely important to do a thorough competitive analysis to assess the impact on your core business and future operations and to determine that the desired outcome can be achieved. Detailed projections, along with detailed plans concerning integration, should be reviewed for completeness. Have a third party review

your assumptions to identify potential pitfalls or roadblocks.

The next step should involve valuing the various pieces of the business. Care should be taken to make a detailed analysis that looks at a variety of ways of valuing companies. Income, asset, and market approaches should all be considered and tested against various rules of thumb. Capitalization rates and weighted average cost of capital should be carefully developed, taking all factors, especially the current economy, into account.

If the decision is made to move forward, due diligence should be very

focused on the reasons the target is having difficulties. Extra care should be taken to develop a work plan to deal with companies in distress. Thorough due diligence will avoid putting the existing business at risk for the sake of the acquisition.

Many opportunities exist for companies that have positioned themselves to deal with uncertain times. Identifying the correct targets and executing a carefully laid-out plan to capitalize helps to increase an acquisition's probability of success. Keep in mind that sometimes the best deal is the one that is not done, because some businesses are just not worth buying. ■

Joel Rosenthal is a Schneider Downs Shareholder and Director of Business Advisors. Joel is responsible for the strategic direction and development of the firm's specialized business advisory services practice. Over his 20-year career, he has earned a reputation as an insightful consultant in areas including inventory management, financing procurement, fraud prevention and investigation, business planning and due diligence for mergers and acquisitions.

Joel can be reached at 412.697.5387 or jrosenthal@schneiderdowns.com.



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