THE ADVISOR

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SCHNEIDER DOWNS

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>> SCHNEIDER DOWNS BRIEFING

Bromall Named Top Woman in Business

Nancy L. Bromall, CPA was honored as one of the top Women in Business in the Pittsburgh region by the Pittsburgh Business Times. This is the first year for this award and it honors women who have forged paths for others and who have enriched the Pittsburgh region.

This award is a testament to Nancy's success. Nancy was the first woman in Pittsburgh to be named to the partnership of a Big 4 accounting firm, where she was appointed to the National Professional Practice Review Committee, a group responsible for professional standards and compliance. Nancy was also the first female shareholder at Schneider Downs. Under her direction, the firm has expanded its service offerings, such as internal audits, and its reach into new markets, such as public companies and higher education institutions.

Nancy's influence extends beyond the professional realm. As a community leader, she participates on the boards of the United Way of Allegheny County where she has served on the Women's Leadership committee, the Manchester Craftsmen Guild, the Duquesne Club, Planned Parenthood of Western Pennsylvania, The Ellis School, the Fund for the Advancement of Minorities Through Education (FAME) and on the Pennsylvania Institute of Certified Public Accountant's (PICPA) Professional Ethics Committee.

We extend our congratulations to Nancy in honor of her achievement.

FEATURE STORY

The Time May Be Right for Strategic Acquisitions

By Joel M. Rosenthal, CPA

Day after day, we hear worse news about the recession, and wonder when the economy will start heading in the right direction. Perhaps it's time to look at the current financial situation in a different light. Instead of focusing on the negative aspects of the recession, maybe we should be looking at opportunities to make strategic acquisitions. Provided your company has managed itself well, prepared for the downturn and its balance sheet is in good condition, there could be plenty of opportunities for strategic growth.

In those situations where companies have found themselves in financial straits, an acquisition by someone in the same industry might present a win/win situation. Your company could capitalize on its position and at the same time preserve the value of the target, providing an acceptable exit for the target in the way of purchase price, job security and financial stability. Combine this with lower valuations, and a strategic acquisition can make a lot of economic sense.

Strategic targets can present themselves in many different ways: A direct competitor; a comparable company in a different geographic region; a company divesting a product line to create cash or satisfy debts; or niche players of a larger industry. You will need to develop a line of attack to determine what type of company you want to pursue and to ensure that it is aligned with your overall strategic plan.

Finding "deals" that fit your plan is the key. Good places to start include contacts within the industry, trade associations or hiring a third party to confidentially identify targets. The goal is to know the players, keep your ear to the ground and your eyes open for

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>> YOU OUGHTA KNOW...

Schneider Downs Web Site Enhancements

Schneider Downs provides weekly commentary on its Web site about the latest tax law changes and audit standards. You can subscribe to receive our INSIGHTS delivered to your inbox at www.schneiderdowns.com/subscribe.

If you have an RSS Reader or News Aggregator, you can subscribe to the Schneider Downs feed: http://www.sdcpa.com/cms/program/content/rss.php?feed=1. Check our Web site for more details.

141R Business Combinations

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.
- 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.

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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 access 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.

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