

Financial Reporting Valuation Services

Our valuation and corporate finance expertise, industry specialization, and practical knowledge of the relevant accounting standards allow us to satisfy the most sophisticated financial reporting valuation needs. Our unparalleled experience and our commitment to keeping abreast of even the smallest changes in the standards provide the best opportunity to avoid costly financial restatements resulting from measuring value improperly.



We continuously monitor the evolving financial reporting guidance and regularly provide input to the Financial Accounting Standards Board (FASB) and the International Accounting Standards Board (IASB), as each develops new financial reporting standards and implementation guidance that has valuation implications.

Our valuation opinions are defensible and thoroughly documented in order to provide support upon scrutiny by the Securities and Exchange Commission (SEC), other regulatory bodies, and third parties, including your auditor.

Business Combinations Accounting Standards Codification (ASC) Topic 805 (formerly FASB Statement No. 141(R))¹

Duff & Phelps' valuation know-how in purchase price allocations prepared in accordance with the relevant accounting standards is world renowned. FASB Statement No. 141(R), now codified under Topic 805, made fundamental changes to the accounting for business combinations and also provided guidance for identifying, recognizing and assigning amounts to assets acquired and liabilities assumed.

We had input into the development of this standard and subsequent implementation guidance issued by the FASB. We have developed an in-depth understanding of the valuation requirements outlined in the statement as well as the key issues of concern to the SEC.

THE WORLD'S LEADING COMPANIES LOOK TO DUFF & PHELPS TO PROVIDE THEM WITH OBJECTIVE, INDEPENDENT OPINIONS OF VALUE THAT SATISFY ACCOUNTING AND REGULATORY REQUIREMENTS.

¹ On July 1, 2009, the FASB Accounting Standards Codification™ became the single official source of authoritative, nongovernmental U.S. generally accepted accounting principles (GAAP), superseding existing FASB literature.

Business Combinations

ASC Topic 805 broadens the scope and makes some significant changes to the financial reporting requirements for business combinations. One of the changes in the new standard is the requirement to recognize contingent consideration at fair value on the acquisition date. Furthermore, any unresolved contingent consideration from prior acquiree transactions needs to be recognized and measured at fair value. Subsequently, the fair value of a contingent consideration asset or liability must be remeasured on a quarterly basis; any changes to fair value may impact earnings.

The recognition of contingent consideration will have a direct impact on the total consideration transferred and poses a new challenge for the financial reporting team, which must now develop supportable bases for estimates of uncertain future outcomes. Where contingent consideration is prevalent in a transaction, we will call upon our team of experts specialized in developing financial projections and quantifying contingencies to support strategic business investments for our clients.

Duff & Phelps has a dedicated team to address the most complex issues raised by ASC Topic 805, led by valuation professionals with decades of experience. We assist our clients in identifying those intangible assets to be recognized separately from goodwill, determining their fair values and estimating their useful lives. Dynamically merging our valuation and industry knowledge, we assist clients in valuation issues throughout the transaction process. These include the following:

- Assisting management in their pricing analysis, as well as accretion/dilution impact on earnings, by providing annual amortization estimates based on preliminary values and amortization periods for acquired fixed and intangible assets.
- Assisting management with the development of pro forma allocations required for SEC filings.
- Determining and supporting fair values for the acquired assets and Reporting Units.

We can also assist with additional issues that became prominent with the implementation of ASC Topic 805, including but not limited to, valuation of non-controlling interests, defensive assets, as well as acquired IPR&D projects, which now have to be capitalized as assets and tested for impairment on a periodic basis.

We have broad expertise in valuing Reporting Units, complex corporations and their underlying legal entities and/or business divisions.

Goodwill and Other Intangible Assets

ASC Topic 350 (formerly FASB Statement No. 142)

Duff & Phelps is uniquely positioned to assist companies in their annual and, if necessary, interim goodwill impairment tests. We had input into the development of this standard and subsequent implementation guidance issued by the FASB.

We have developed an in-depth understanding of the valuation requirements outlined in ASC Topic 350 as well as the key issues of concern to the SEC. We can assist companies with a variety of issues in the impairment testing of both indefinite-lived intangible assets and goodwill. In performing Step 1 of the goodwill impairment test, we can assist management with:

- Assigning acquired assets and liabilities to one or more Reporting Units.
- Determining fair value of Reporting Units.
- Reconciliation of the sum of fair values of Reporting Units to total market capitalization.

We have broad expertise in valuing Reporting Units, complex corporations and their underlying legal entities and/or business divisions. In that regard, our experience provides us with methodologies and insight that consider the relative fair value of Reporting Units, in addition to the reconciliation of their aggregate fair value to the market capitalization of a publicly-traded entity. This last step is particularly pertinent in the current economic environment, in which the SEC has placed a greater emphasis on the appropriateness and reasonableness of control premiums when performing market capitalization reconciliations.

In those cases where Step 2 of the goodwill impairment test is necessary, we can assist in the valuation of all assets and liabilities of the Reporting Unit (including any unrecognized intangible assets), a process analogous to a purchase price allocation exercise, in order to facilitate management's determination of the implied fair value of goodwill of the subject Reporting Unit.

We tailor each engagement building upon our extensive prior experience, yet recognizing the unique value drivers inherent in each transaction or situation.

Impairment of Long-Lived Assets

Primarily codified under ASC Topic 360 (formerly FASB Statement No. 144)

Duff & Phelps has considerable experience in the application of the impairment test required under ASC Topic 360. The first step of the test assesses the recoverability of the long-lived asset (asset group) relative to its carrying amount using entity-specific undiscounted cash flows over the life of the asset (asset group). Preparing the cash flow projections should be in compliance with the standard and requires judgment.

The second step of the analysis is required upon failing the recoverability test. The fair value of the long-lived asset (asset group) is estimated using market participant assumptions and is compared to its carrying amount. Any impairment loss reduces the carrying amount of the long-lived asset, or is allocated pro rata among the assets in the group; however, it does not reduce the carrying amount of any asset below its fair value, when fair value is determinable without undue cost and effort.

Our extensive experience in the valuation of assets in the context of business combinations provides a solid foundation to build on in the identification and assessment of the reasonableness of cash flows for each asset grouping, and in the estimation of the fair value of any assets that fail the recoverability test.

International Experience

In addition to ASC Topics 805, 350 and 360, our professionals are skilled at providing valuations for purposes of International Financial Reporting Standards (IFRS) in accordance with IFRS 3 – Business Combinations, IAS 36 – Impairment of Assets, and IAS 38 – Intangible Assets.

Our People

Duff & Phelps' professionals have an unparalleled depth of experience in providing clients with valuations of intangible assets, intellectual property, financial assets, and tangible assets such as property, plant and equipment, and have decades of experience in performing valuations for financial reporting and/or tax purposes.

We tailor each engagement building upon our extensive prior experience, yet recognizing the unique value drivers inherent in each transaction or situation. Our professionals are at the top of their field, providing you with the responsiveness as well as the experience you require in every important facet of a valuation for financial reporting.

For more information please visit our website:

www.duffandphelps.com

About Duff & Phelps

As a leading global independent provider of financial advisory and investment banking services, Duff & Phelps delivers trusted advice to our clients principally in the areas of valuation, transactions, financial restructuring, dispute and taxation. Our world class capabilities and resources, combined with an agile and responsive delivery, distinguish our clients' experience in working with us. With offices in North America, Europe and Asia, Duff & Phelps is committed to fulfilling its mission to protect, recover and maximize value for its clients.

Investment banking services in the United States are provided by Duff & Phelps Securities, LLC. Investment banking services in the United Kingdom and Germany are provided by Duff & Phelps Securities Ltd. Duff & Phelps Securities Ltd. is authorized and regulated by the Financial Services Authority. Investment banking services in France are provided by Duff & Phelps SAS. For more information, visit www.duffandphelps.com. (NYSE: DUF)

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