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Beyond the Deal: Accounting & Valuation in Business Combinations

Presented by: Zeroed-In Consulting with Guest Helios Consulting



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Kyle Geers

CEO/Co-Founder | Zeroed-In Consulting

Kyle Geers is a California-licensed CPA and former Grant Thornton leader specializing in complex financial reporting and technical accounting, who has guided over 100 companies through US GAAP transformations.



Koji Bratcher

Managing Director | Helios Consulting

Koji is a valuation expert with nearly 20 years of experience, specializing in audit-ready business and asset valuations for financial/tax reporting, leveraging prior leadership experience at firms like RSM and published expertise in the field.



Danielle Lewis

Principal | Zeroed-In Consulting

Danielle Lewis is a Nevada-licensed CPA with over a decade of expertise in complex public and private accounting, specializing in US GAAP, SEC/regulatory reporting, and process optimization.

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What we'll cover today:

- ✓ ASC 805 Explained
- ✓ Assessing & evaluating the transaction
- ✓ Valuing intangibles & purchase price allocation
- ✓ Common accounting and valuation missteps
- ✓ What your auditors will expect

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Our 5-Step Process

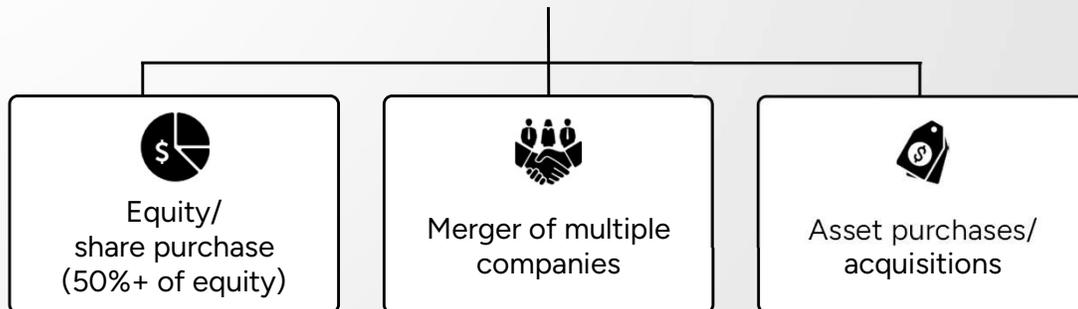
US GAAP brings 100's of pages of M&A guidance; we break it into the following key steps:



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Business Combination Common Types



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What is the Purchase Price?

Components include:

- ✓ Cash paid
- ✓ Debt or liabilities to seller
- ✓ Equity issued
- ✓ Contingent consideration

Buyer transaction costs
are expensed



Seller transaction costs
typically accrued
or included as cash paid

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GAAP vs. the Deal

“Fair value doesn’t always match negotiated deal terms”



Buyer-seller negotiations may NOT equal accounting valuation



Auditors want valuation best practices, not just legal agreements

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Typical forms of Consideration

(that may require fair value assessment)

High-level examples: Contingent consideration, equity consideration, seller notes, earn-outs

Challenge: Estimating inputs for FV (e.g., probabilities, models, scenarios)

What auditors will expect to see: Fair value consistent with latest guidance

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Valuing What You Get

Generally, all opening balance sheet items recorded at fair value

- Cash
 - AR
 - **Inventory**
 - Prepays
 - Other Current Assets
 - **PP&E**
 - **Intangible Assets**
 - AP / Accrued Liabilities
 - **Debt**
 - Deferred Taxes
- Exceptions:**
- Revenue (ASC 606)
 - Leases (ASC 842)

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Common Intangibles in Biz Combos



Favorable/Unfavorable Leases



Trade Names / Brands



Customer Relationships



IP / Technology



Assembled Workforce (as part of goodwill)

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Favorable/Unfavorable Leases

Typical Methodology: Above/Below Market Analysis

Key Valuation Inputs:

| | 6/1/2022 | 6/1/2023 | 6/1/2024 |
|--------------------------------|-------------------------|-----------|----------|
| | Year 1 | Year 2 | Year 3 |
| Contract Rent/SF | \$35.03 | \$36.08 | \$36.26 |
| Market Rental Rate | Market Rent/SF | \$32.50 | \$33.48 |
| | Market Rent Growth Rate | 3.0% | 3.0% |
| Total Contract Rent | \$67,364 | \$69,384 | \$11,461 |
| Total Market Rent | \$62,498 | \$64,385 | \$10,901 |
| Gross Rent Difference | (\$4,866) | (\$5,000) | (\$560) |
| Discount Rate | Discount Rate | 8.15% | |
| Present Value Factor | 0.9616 | 0.8891 | 0.8221 |
| PV of Rent Difference | (\$4,679) | (\$4,445) | (\$460) |
| Lease Asset (Liability) | (\$10,000) | | |

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Trade Names / Brands

Typical Methodology: Relief from Royalty Method

Key Valuation Inputs:

| | Projected Year Ending | | | | | | | | | | | |
|--|-----------------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|--|
| | 12/31 2021 | 12/31 2022 | 12/31 2023 | 12/31 2024 | 12/31 2025 | 12/31 2026 | 12/31 2027 | 12/31 2028 | 12/31 2029 | 12/31 2030 | 12/31 2031 | |
| Economic Life | | | | | | | | | | | | |
| Total Sales | 7,600 | 8,740 | 9,833 | 10,816 | 11,627 | 12,208 | 12,636 | 12,888 | 13,146 | 13,409 | 13,677 | |
| Royalty Rate | | | | | | | | | | | | |
| Pre-Tax Royalty Rate | 2.0% | 2.0% | 2.0% | 2.0% | 2.0% | 2.0% | 2.0% | 2.0% | 2.0% | 2.0% | 2.0% | |
| Pre-Tax Royalty Savings | 152 | 175 | 197 | 216 | 233 | 244 | 253 | 258 | 263 | 268 | 274 | |
| Less: Income Taxes (28.0%) | 43 | 49 | 55 | 61 | 65 | 68 | 71 | 72 | 74 | 75 | 77 | |
| After-Tax Royalty Savings | 109 | 126 | 142 | 156 | 167 | 176 | 182 | 186 | 189 | 193 | 197 | |
| Multiplied By: Partial Period Adjustment | 0.416 | 1.000 | 1.000 | 1.000 | 1.000 | 1.000 | 1.000 | 1.000 | 1.000 | 1.000 | 1.000 | |
| Discount Period | 0.208 | 0.916 | 1.916 | 2.916 | 3.916 | 4.916 | 5.916 | 6.916 | 7.916 | 8.916 | 9.916 | |
| Discount Rate for Intangible Asset | 0.969 | 0.869 | 0.746 | 0.641 | 0.550 | 0.472 | 0.405 | 0.348 | 0.298 | 0.256 | 0.220 | |
| Present Value of Cash Flows | 44 | 109 | 106 | 100 | 92 | 83 | 74 | 65 | 57 | 49 | 43 | |
| % of Cumulative Value | 5.4% | 18.7% | 31.6% | 43.7% | 54.9% | 65.0% | 74.0% | 81.8% | 88.7% | 94.7% | 100.0% | |
| Total Present Value of Cash Flows | 822 | | | | | | | | | | | |
| Plus: Tax Amortization Benefit | 101 | | | | | | | | | | | |
| Estimated Fair Value of Corporate Trade Name | 923 | | | | | | | | | | | |
| Estimated Fair Value of Corporate Trade Name (Rounded) | 900 | | | | | | | | | | | |

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IP / Technology

Typical Methodology: Relief from Royalty Method

Key Valuation Inputs:

| | Projected Year Ending | | | | | | | | | |
|---|-----------------------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|
| | 9/30 2022 | 9/30 2023 | 9/30 2024 | 9/30 2025 | 9/30 2026 | 9/30 2027 | 9/30 2028 | 9/30 2029 | 9/30 2030 | 9/30 2031 |
| Economic Life | | | | | | | | | | |
| Total Revenue | 2,700 | 6,600 | 11,500 | 19,100 | 28,650 | 40,110 | 52,143 | 62,572 | 71,957 | 79,153 |
| Obsolescence Factor | | | | | | | | | | |
| Product Obsolescence Factor (10.0% Per Year) | 90.0% | 81.0% | 72.9% | 65.6% | 59.0% | 53.1% | 47.8% | 43.0% | 38.7% | 34.9% |
| Revenue After Obsolescence | 2,430 | 5,346 | 8,384 | 12,532 | 16,918 | 21,316 | 24,940 | 26,935 | 27,878 | 27,599 |
| Royalty Rate | | | | | | | | | | |
| Pre-Tax Royalty Rate | 15.0% | 15.0% | 15.0% | 15.0% | 15.0% | 15.0% | 15.0% | 15.0% | 15.0% | 15.0% |
| Pre-Tax Royalty Savings | 365 | 802 | 1,258 | 1,880 | 2,538 | 3,197 | 3,741 | 4,040 | 4,182 | 4,140 |
| Less: Income Taxes (28.0%) | 102 | 225 | 352 | 526 | 711 | 895 | 1,047 | 1,131 | 1,171 | 1,159 |
| After-Tax Royalty Savings | 262 | 577 | 905 | 1,353 | 1,827 | 2,302 | 2,694 | 2,909 | 3,011 | 2,981 |
| Discount Period | 0.500 | 1.500 | 2.500 | 3.500 | 4.500 | 5.500 | 6.500 | 7.500 | 8.500 | 9.500 |
| Discount Rate for Intangible Asset | | | | | | | | | | |
| Present Value Factor (11.5%) | 0.947 | 0.849 | 0.762 | 0.683 | 0.613 | 0.550 | 0.493 | 0.442 | 0.396 | 0.356 |
| Present Value of Cash Flows | 249 | 490 | 690 | 925 | 1,119 | 1,265 | 1,347 | 1,286 | 1,194 | 1,060 |
| % of Cumulative Value | 2.6% | 7.7% | 14.9% | 24.5% | 36.2% | 49.3% | 63.2% | 76.5% | 89.0% | 100.0% |
| Total Present Value of Cash Flows | 9,604 | | | | | | | | | |
| Plus: Tax Amortization Benefit | 1,536 | | | | | | | | | |
| Estimated Fair Value of Technology | 11,141 | | | | | | | | | |
| Estimated Fair Value of Technology (Rounded) | 11,100 | | | | | | | | | |

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Customer Relationships

Typical Methodology: Multi-Period Excess Earnings Approach

Key Valuation Inputs:

Customer Attrition

Royalty Rate for Use of Intellectual Property

Calculation of tax/economic depreciation

Rates of Return for Contributory Assets

| | Actual | Projected Year Ending (t) | | | | | | | | | | | | | | | | | |
|--|------------|---------------------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|
| | 12/31 2021 | 12/31 2022 | 12/31 2023 | 12/31 2024 | 12/31 2025 | 12/31 2026 | 12/31 2027 | 12/31 2028 | 12/31 2029 | 12/31 2030 | 12/31 2031 | 12/31 2032 | 12/31 2033 | 12/31 2034 | 12/31 2035 | 12/31 2036 | 12/31 2037 | 12/31 2038 | 12/31 2039 |
| Total Revenue | 268,470 | 237,186 | 265,647 | 273,617 | 281,825 | 290,280 | 298,988 | 307,958 | 317,197 | 326,713 | 336,514 | 346,609 | 357,008 | 367,716 | 378,749 | 390,112 | 401,815 | 413,870 | 426,286 |
| Growth Rate % | | -11.7% | 12.0% | 3.0% | 3.0% | 3.0% | 3.0% | 3.0% | 3.0% | 3.0% | 3.0% | 3.0% | 3.0% | 3.0% | 3.0% | 3.0% | 3.0% | 3.0% | 3.0% |
| Existing Customer Revenue | | 237,186 | 244,301 | 251,630 | 259,179 | 266,955 | 274,963 | 283,212 | 291,708 | 300,460 | 309,473 | 318,758 | 328,320 | 338,170 | 348,315 | 358,765 | 369,528 | 380,613 | 392,032 |
| Existing Customer Revenue Growth Rate % | | -11.7% | 3.0% | 3.0% | 3.0% | 3.0% | 3.0% | 3.0% | 3.0% | 3.0% | 3.0% | 3.0% | 3.0% | 3.0% | 3.0% | 3.0% | 3.0% | 3.0% | 3.0% |
| Existing Customers @ End of Year (20.0%) | | 89.4% | 71.5% | 57.2% | 45.8% | 36.6% | 29.3% | 23.4% | 18.8% | 15.0% | 12.0% | 9.8% | 7.7% | 6.1% | 4.9% | 3.9% | 3.1% | 2.5% | 2.0% |
| Existing Customers Revenue (Net of Attrition) | | 212,102 | 174,772 | 144,012 | 118,666 | 97,781 | 80,572 | 66,391 | 54,706 | 45,078 | 37,144 | 30,607 | 25,220 | 20,781 | 17,124 | 14,110 | 11,627 | 9,580 | 7,894 |
| BITDA | | 2,754 | 17,182 | 21,078 | 18,443 | 16,083 | 13,617 | 11,221 | 9,246 | 7,619 | 6,278 | 5,173 | 4,262 | 3,512 | 2,984 | 2,585 | 1,965 | 1,619 | 1,334 |
| BITDA Margin | | 1.3% | 9.8% | 14.6% | 15.5% | 16.4% | 16.9% | 16.9% | 16.9% | 16.9% | 16.9% | 16.9% | 16.9% | 16.9% | 16.9% | 16.9% | 16.9% | 16.9% | 16.9% |
| Plus: Sales and Marketing Expense (New Customer) | | 3,818 | 3,146 | 2,592 | 2,136 | 1,760 | 1,450 | 1,195 | 985 | 811 | 669 | 551 | 454 | 374 | 308 | 254 | 209 | 172 | 142 |
| Adjusted EBITDA | | 6,572 | 20,328 | 23,670 | 20,579 | 17,843 | 15,068 | 12,416 | 10,231 | 8,430 | 6,948 | 5,724 | 4,716 | 3,886 | 3,202 | 2,639 | 2,174 | 1,792 | 1,476 |
| Trade Name (1.40%) | | 3.1% | 11.6% | 16.4% | 17.3% | 18.2% | 18.7% | 18.7% | 18.7% | 18.7% | 18.7% | 18.7% | 18.7% | 18.7% | 18.7% | 18.7% | 18.7% | 18.7% | 18.7% |
| Adjusted EBIT | | 10,417 | 10,620 | 6,452 | 3,991 | 2,523 | 1,957 | 1,769 | 1,184 | 746 | 614 | 506 | 417 | 344 | 283 | 233 | 192 | 158 | 131 |
| Less: Tax Depreciation | | (3,943) | 9,708 | 17,218 | 16,589 | 15,321 | 13,111 | 10,646 | 9,046 | 7,665 | 6,332 | 5,218 | 4,299 | 3,543 | 2,919 | 2,409 | 1,982 | 1,633 | 1,346 |
| Less: Charge for Royalty-Based Intangible Assets | | 2,969 | 2,447 | 2,016 | 1,661 | 1,369 | 1,128 | 929 | 766 | 631 | 520 | 438 | 363 | 291 | 240 | 198 | 163 | 134 | 111 |
| Adjusted Earnings | | (6,814) | 7,262 | 15,202 | 14,927 | 13,952 | 11,983 | 9,717 | 8,280 | 7,053 | 5,812 | 4,789 | 3,946 | 3,252 | 2,679 | 2,208 | 1,819 | 1,499 | 1,235 |
| Less: Income Taxes (29.0%) | | (1,976) | 2,106 | 4,409 | 4,329 | 4,048 | 3,475 | 2,818 | 2,401 | 2,045 | 1,698 | 1,389 | 1,144 | 943 | 777 | 640 | 538 | 439 | 358 |
| After-Tax Earnings | | (8,890) | 5,156 | 10,793 | 10,598 | 9,906 | 8,508 | 6,899 | 5,879 | 5,008 | 4,127 | 3,400 | 2,802 | 2,309 | 1,902 | 1,568 | 1,282 | 1,064 | 877 |
| Return of Adjustments | | 10,417 | 10,620 | 6,452 | 3,991 | 2,523 | 1,957 | 1,769 | 1,184 | 746 | 614 | 506 | 417 | 344 | 283 | 233 | 192 | 158 | 131 |
| Plus: Tax Depreciation | | 3,844 | 5,176 | 4,556 | 3,988 | 3,472 | 3,010 | 2,600 | 1,593 | 895 | 688 | 567 | 467 | 385 | 317 | 261 | 215 | 177 | 146 |
| Less: Book Depreciation | | 2,235 | 10,600 | 12,689 | 10,601 | 8,956 | 7,454 | 6,068 | 5,470 | 4,919 | 4,053 | 3,340 | 2,752 | 2,267 | 1,868 | 1,540 | 1,269 | 1,045 | 861 |
| Adjusted After-Tax Earnings | | | | | | | | | | | | | | | | | | | |
| Return on Contributory Asset Charges | | (310) | (231) | (198) | (163) | (134) | (111) | (91) | (75) | (62) | (51) | (42) | (35) | (29) | (24) | (19) | (16) | (13) | (11) |
| Net Working Capital | | 3,950 | 2,214 | 1,669 | 1,235 | 891 | 623 | 416 | 281 | 214 | 174 | 139 | 111 | 89 | 71 | 57 | 46 | 37 | 29 |
| Personal Property | | (758) | (434) | (248) | (119) | (32) | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Unfavorable Lease Position, Net | | 2,831 | 2,145 | 1,767 | 1,456 | 1,200 | 989 | 815 | 671 | 553 | 456 | 376 | 310 | 255 | 210 | 173 | 143 | 118 | 97 |
| Assembled Workforce | | 4,613 | 3,694 | 2,991 | 2,409 | 1,925 | 1,501 | 1,140 | 877 | 706 | 579 | 479 | 386 | 316 | 258 | 211 | 172 | 141 | 115 |
| Total Contributory Asset Charges | | | | | | | | | | | | | | | | | | | |
| After-Tax Debt-Free Cash Flow | | (2,578) | 6,905 | 9,699 | 8,193 | 7,031 | 5,953 | 4,929 | 4,593 | 4,213 | 3,474 | 2,867 | 2,365 | 1,952 | 1,610 | 1,329 | 1,096 | 904 | 746 |

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Customer Relationships

Typical Methodology: Multi-Period Excess Earnings Approach

Key Valuation Inputs:

Discount Rate for Intangible Asset

| | Actual | | Projected Year Ending (1) | | | | | | | | | | | | | | | | |
|--|------------|------------|---------------------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|
| | 12/31 2021 | 12/31 2022 | 12/31 2023 | 12/31 2024 | 12/31 2025 | 12/31 2026 | 12/31 2027 | 12/31 2028 | 12/31 2029 | 12/31 2030 | 12/31 2031 | 12/31 2032 | 12/31 2033 | 12/31 2034 | 12/31 2035 | 12/31 2036 | 12/31 2037 | 12/31 2038 | 12/31 2039 |
| After-Tax Debt-Free Cash Flow | (2,578) | 6,905 | 9,699 | 8,193 | 7,031 | 5,953 | 4,929 | 4,593 | 4,213 | 3,474 | 2,867 | 2,365 | 1,952 | 1,610 | 1,329 | 1,096 | 904 | 746 | |
| Partial Period Adjustment | 0.529 | 1,000 | 1,000 | 1,000 | 1,000 | 1,000 | 1,000 | 1,000 | 1,000 | 1,000 | 1,000 | 1,000 | 1,000 | 1,000 | 1,000 | 1,000 | 1,000 | 1,000 | 1,000 |
| Discount Period | 0.264 | 1.029 | 2.029 | 3.029 | 4.029 | 5.029 | 6.029 | 7.029 | 8.029 | 9.029 | 10.029 | 11.029 | 12.029 | 13.029 | 14.029 | 15.029 | 16.029 | 17.029 | |
| Present Value Factor (14.5%) | 0.865 | 0.870 | 0.760 | 0.664 | 0.580 | 0.506 | 0.442 | 0.386 | 0.337 | 0.294 | 0.257 | 0.225 | 0.196 | 0.171 | 0.150 | 0.131 | 0.114 | 0.100 | |
| Present Value of Cash Flow | (1,315) | 6,008 | 7,369 | 5,437 | 4,075 | 3,013 | 2,179 | 1,773 | 1,420 | 1,023 | 737 | 511 | 363 | 276 | 199 | 143 | 103 | 74 | |
| % of Cumulative Value | -3.9% | 14.0% | 35.9% | 52.0% | 64.2% | 73.1% | 79.6% | 84.9% | 89.1% | 92.1% | 94.3% | 95.9% | 97.1% | 97.9% | 98.5% | 98.9% | 99.2% | 99.4% | |
| Net Present Value of Cash Flow (2022 through 2039) | | 33,428 | | | | | | | | | | | | | | | | | |
| Net Present Value of Cash Flow (after 2039) | | 193 | | | | | | | | | | | | | | | | | |
| Total Net Present Value of Cash Flows | | 33,621 | | | | | | | | | | | | | | | | | |
| Plus: Tax Amortization Benefit | | 4,757 | | | | | | | | | | | | | | | | | |
| Estimated Fair Value of Existing Customer Relationships | | 38,378 | | | | | | | | | | | | | | | | | |
| Estimated Fair Value of Customer Relationships (Rounded) | | 38,400 | | | | | | | | | | | | | | | | | |

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Assembled Workforce

(as part of goodwill)

Typical Methodology: Cost to Recreate Method

Key Valuation Inputs:

| Category | Number of Employees | Average Base Salary per Employee | Variable Incentive % | Variable Incentive per Employee | Benefit Load per Employee | Payroll Taxes per Employee | Total Comp per Employee | Costs to Recreate | | | | Total Replacement Cost | |
|--------------------------------|---------------------|----------------------------------|----------------------|---------------------------------|---------------------------|----------------------------|-------------------------|--|---|---------------------|------------------------------------|------------------------|-------|
| | | | | | | | | Recruiting & Training Cost % | Recruiting & Training Cost per Employee | Starting Efficiency | Time to Full Productivity (Months) | | |
| United States Team | | | | | | | | | | | | | |
| CEO | 1 | 500 | 70.0% | 350 | 36 | 27 | 913 | 30.0% | 150 | 80.0% | 3 | 23 | 173 |
| CTO | 1 | 475 | 40.0% | 190 | 36 | 23 | 724 | 30.0% | 143 | 80.0% | 3 | 18 | 161 |
| Senior Leadership Team - other | 4 | 281 | 35.0% | 98 | 29 | 16 | 425 | 25.0% | 70 | 80.0% | 3 | 11 | 323 |
| R&D | 55 | 175 | 24.0% | 43 | 25 | 12 | 256 | 20.0% | 35 | 70.0% | 4 | 13 | 2,631 |
| Sales & Marketing | 12 | 168 | 23.3% | 39 | 19 | 12 | 238 | 15.0% | 25 | 70.0% | 4 | 12 | 445 |
| G&A | 9 | 120 | 21.3% | 26 | 22 | 11 | 178 | 10.0% | 12 | 70.0% | 4 | 9 | 188 |
| Care | 27 | 56 | 13.5% | 8 | 18 | 4 | 86 | 10.0% | 6 | 70.0% | 4 | 4 | 268 |
| India Team | | | | | | | | | | | | | |
| R&D | 38 | 52 | 24.5% | 13 | - | - | 65 | 20.0% | 10 | 70.0% | 4 | 3 | 520 |
| G&A | 3 | 33 | 22.6% | 7 | - | - | 40 | 10.0% | 3 | 70.0% | 4 | 2 | 16 |
| Total Employees | 150 | | | | | | | | | | | | |
| | | | | | | | | (1) Total Replacement Cost | | | | 4,726 | |
| | | | | | | | | (2) Plus: Developer Profit | | | | 249 | |
| | | | | | | | | Total Replacement Cost Including Developer Profit | | | | 4,975 | |
| | | | | | | | | (3) Plus: Entrepreneurial Incentive | | | | 143 | |
| | | | | | | | | Estimated Fair Value of Assembled Workforce | | | | 5,118 | |
| | | | | | | | | Estimated Fair Value of Assembled Workforce (Rounded) | | | | 5,100 | |

Developer Profit Margin

Rate of Return for Intangible Asset

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Purchase Price Allocation (PPA)

\$100M purchase price → Allocated across assets, liabilities, goodwill



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Purchase Price Allocation (PPA)

Bargain Purchase Gain



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What Do I Need?

For auditors, be prepared to provide:

- ✓ All agreements and documents
- ✓ Technical accounting memo
- ✓ Valuation report
- ✓ Opening balance sheet/PPA workbook
- ✓ Financial statement disclosures
- ✓ Funds flow

“Auditors don’t want just a spreadsheet, they want support”

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Typical Audit Questions

Questions from auditors are typical – and they are geared towards gathering support for their internal memos.

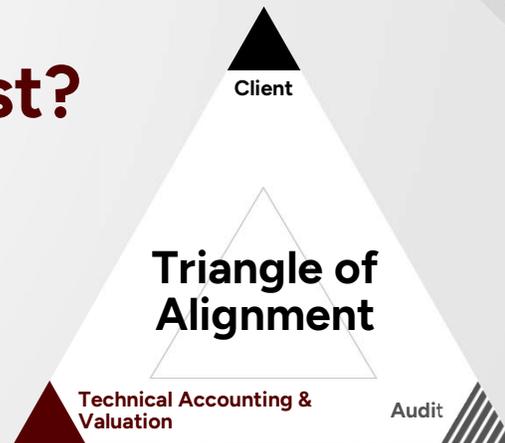
1. Please provide additional background on the transaction and strategic rationale. Specifically, indicate if the transaction was a competitive bid situation and if there were any other interested parties.
4. Please provide the qualitative and quantitative support for the selected asset volatility of 43.6% approximating the median of the GPC range based on the Company’s stage of development, size and leverage as compared to the guideline public companies considered in the analysis.
10. For documentation purposes, please provide additional detail for the selected rate of return on the trade name. Please elaborate on the relative risk profile of the trade name compared to the overall business.
11. Please discuss the assumed normalized levels of tangible assets. For each asset that was not normalized, explain why the acquired fair value represents a normalized level. Include considerations of market participant data.
12. Please indicate how the overall goodwill allocation was determined to be reasonable in light of the transaction factors. Additionally, discuss the composition of the goodwill given the PCC election.
13. Please indicate how you gained comfort over the selected royalty rate of 2.0%. What qualitative factors were considered?
14. Please provide the source and search criteria utilized for identifying comparable licensing agreements for the market royalty rates.
15. Please provide further support for the estimated useful life of 10 years assigned to the trade name. Specifically, please indicate if any benchmarking and/or similar type of assessments were performed to corroborate this assumption.

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Why use a specialist?

- ✓ Aligns with audit expectations
- ✓ Reduces back-and-forth
- ✓ Adds credibility to inputs



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Top Takeaways



Kyle's Perspective

- Don't assume an "asset purchase" is excluded
- ASC 805 can apply even if not a share purchase or merger



Koji's Perspective

- Get auditor buy-in early, not at the finish line
- Remember, this is an accounting exercise!

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Questions?

Want help with a transaction?

Let's Talk



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