

Advanced Group Accounting (RIKA)

Team

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Course Objectives

M&A deals are among the largest, most complex, and publicly visible transactions that firms undertake. They typically involve substantial financial commitments and require specialized advisory services from lawyers, investment bankers, accountants, and consultancy firms. Accounting for M&A transactions is of interest to a wide range of constituents. In particular, the acquirer is interested in assessing the financial repercussions (e.g., effects on earnings per share) of a deal *ex ante*, as well as in communicating its effects to its stakeholder's *ex post*.

This course will equip you to navigate the complex field of accounting for M&A transactions. We will focus on consolidated financial statements prepared under International Financial Reporting Standards (IFRS), which publicly traded investor companies domiciled in the EU are required to apply. In particular, we will explore questions like:

- (How) can consolidated financial statements reflect the economics of a business group as one economic unit?
- How do financial statements under IFRS capture the economic fundamentals of an M&A transaction? (How) can we learn from the financial statements whether a transaction was successful?
- How does managerial discretion affect the accounting for M&A transactions?
- How can we (best) use consolidated financial statements for financial analysis? Which adjustments do we need to make to compare firms with peers or over time?

The skills acquired in this course are useful in a wide array of professional areas, especially but not limited to those directly involved in M&A transactions. They include investment banking, private equity, consulting, auditing, accounting, corporate finance, and strategy.

Materials

We will use [Moodle](#) as our one-stop shop for all lecture materials, slides, and self-study exercises. We will also communicate all information about this course via Moodle.

Our lectures will in particular build upon the following textbooks (all available online via Goethe's library):

- Berk / De Marzo, Corporate Finance [2020], 5th edition, Chapter #28 – available at the library: [Link to Book](#)
- Picker / Clark / Dunn / Koltz / Livne / Loftus / van der Tas, Applying IFRS standards [2016], 4th edition, Part #4 – available at the library: [Link to Book](#)
- Lundholm / Sloan, Equity Valuation and Analysis [2019], 5th edition – available at the library: [Link to Book](#)

Course Structure

Our course will be taught in six lecture blocks, where each block combines lecture content with hands-on exercises and case studies. All six blocks will take place in the first half of the semester. In addition, at the end of the semester, we will round up our course with a comprehensive case study in collaboration with PwC and a review session.

Pre-Class (self-study, online)

For successful participation in our course, it will be essential that you are familiar with the principles of double-entry book-keeping. We have created a self-study module on Moodle that will help you refresh your book-keeping skills.

Lecture Blocks (19 April – 24 May)

- Block 1: Key Concepts (19 April, 2024)
- Block 2: Acquisition Model (26 April, 2024)
- Block 3: Consolidation (3 May, 2024)
- Block 4: Subsequent Consolidation and Goodwill Impairment (10 May, 2024)
- Block 5: Joint Arrangements and Investments at Equity, Changes in Control (17 May, 2024)
- Block 6: Analyzing Consolidated Financial Statements (24 May, 2024)

Case Study (12 July, 2024)

To round up our course, students will have the opportunity to apply the most important lecture concepts in a comprehensive case study (conducted in collaboration with PwC). We will provide more information on the case study (e.g., registration, allocation of groups, practicalities) towards the end of the semester.

Review Session (19 July, 2024)

To facilitate exam preparation, we will host a review session and discuss a mock exam on Friday, 19 July 2024.

Combination with Auditing Financial Statements (RIKA; 31 May – 5 July)

Our course is closely aligned with the course “Auditing International Consolidated Statements” (PIKA). PIKA lectures are blocked in the second half of the semester, ensuring a seamless transition between RIKA and PIKA. We recommend to enroll in both courses for a cohesive and integrated learning experience.

Grading

Grading for this class is 100% based on a written exam (90 minutes). The exam will take place at the end of the semester.