

## CASE STUDY: GOING PUBLIC ON AN ACCELERATED TIMELINE—HOW RSM COLLABORATED WITH A CONGLOMERATE

### Client situation

An RSM client—a multibillion-dollar conglomerate operating in the specialty and industrial [construction](#) industries—entered into a definitive agreement to be acquired by a special purpose acquisition company (SPAC). As a result, the client sought to collaborate with a firm that could help it prepare for an initial filing and life as a public company. And time was of the essence.

The client faced multiple obstacles to becoming a public company. It historically was very acquisitive, having completed nearly 20 acquisitions during the prior three years. Furthermore, the company had followed the Private Company Council (PCC) alternative accounting standards to account for these business combinations. In order to comply with SEC reporting requirements, a complete restatement, or “unwind,” of the historical business combination accounting was required. This included restating the underlying valuations and the subsequent amortization of intangible assets and annual impairment testing of goodwill.

In order to go public, the company had to adopt new revenue recognition standards set forth in [ASC 606](#) and new lease accounting standards established by [ASC 842](#). This was especially challenging because the company had nearly 40 decentralized operating subsidiaries. It also had thousands of revenue and lease contracts, each of which required detailed analysis.

The company was required to prepare financial statements that complied with Regulation S-X. That meant preparing management's discussion and analysis on the financial results, determining reportable segments and providing the segment financial information disclosures, calculating historical acquisition pro-forma results, and calculating earnings per share.

The company also had to re-audit its historical financial statements, which resulted in thousands of additional audit selections and dozens of new audit procedures. The company's accounting department was limited by its size and shortage of relevant public company expertise.

## Solution

RSM's [technical accounting team](#) first met with management and the company's external auditors approximately six months prior to the anticipated filing of the first draft registration statement. The initial meeting produced a preliminary plan to incorporate multiple disciplines within RSM to address the complex set of challenges. Given the accelerated timelines required, it was critical for multiple RSM project teams to operate concurrently as one cohesive team. RSM identified and deployed multiple teams within weeks of the initial meeting.

To address the "unwind" of the PCC standards, RSM used a two-pronged approach. Its technical accounting team assisted in identifying and documenting the appropriate segments and reporting units. RSM's [financial advisory services](#) team performed business combination and impairment valuations, in accordance with SEC requirements. Upon completion of the valuation work, the technical accounting team summarized and prepared a consolidated bridge to facilitate the external auditor's efficient review of the adjustments.

Meanwhile, two RSM project teams worked quickly to gauge the impact of the new accounting standards (ASC 606 and ASC 842) and the procedures necessary to comply with them.

- ASC 606 – RSM developed a standard recast model that applied to each component. Members of this team worked directly with each component controller to efficiently quantify the current period impact and to develop the new processes necessary to comply with the standard.
- ASC 842 – Members of RSM's technology consulting practice quickly identified a software solution. The technology consultants assisted with the design, procurement and implementation of the lease system. The project team also utilized RSM's offshore (India) team to assist with the abstraction of lease data from related contracts. The cross-functional approach of RSM's technical accounting, technology consulting and offshore service center produced an end-to-end solution for adopting ASC 842.

RSM's technical accounting SEC professionals assisted the company with the conversion to Regulation S-X financial statements and incorporated the results of the above work streams accordingly. As part of this process, RSM also assisted management in preparing new policy memos related to segments, reporting units, business combinations, impairment testing and asset groups, pro-forma financial information, and earnings per share.

To assist with the re-audit, RSM's technical accounting team deployed four professionals with audit backgrounds who liaised between the company and its external auditors. This team was responsible for ensuring that audit support was properly prepared and reconciled before it was provided to the auditors; this ultimately reduced the number of audit inquiries and the time necessary to complete the audit.

## Results

Upon completion of the project, there were several key takeaways and successful outcomes, including:

- The company filed its draft registration statement within the desired period and is on target to become a [public business entity](#).
- The company adopted the new accounting standards within the same year and received concurrence from the external audit team. Given the size of the company, this represented an extremely accelerated timeline.
- The company and RSM developed a strategy around the subsequent implementation of a SOX 404-compliant internal control system.
- RSM was able to operate effectively in a project management role alongside management. This freed up key members of management, the executive team and other company resources to focus on operational matters as they prepared for life as a public company.

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