

Financial Accounting Advisory Services

Helping you get to grips with
your accounting challenges

Introduction

Ernst & Young's Financial Accounting Advisory Services team helps you navigate the changing landscape of financial accounting, with practical and industry specific advice.

Who are Financial Accounting Advisory Services (FAAS)?

At Ernst & Young we recognise the need to bring multi-disciplinary skills to address the range of issues our clients face in dealing with complex accounting-related issues in a practical way. This has become particularly pressing with the speed and extent of changes in accounting requirements and the move across the world to International Financial Reporting Standards.

- ▶ The Ernst & Young FAAS team comprises 60 accounting specialists who are focused on providing practical solutions to our clients' complex financial reporting issues, explained in an easy to understand style.
- ▶ We combine accounting, financial, industry sector and process expertise, benchmarked against your peers, to address your needs, your stakeholder expectations and your regulatory obligations.
- ▶ Our 'on call' service ethos means we are able to respond quickly to fast-moving business processes and timelines – whether assisting with advice related to transactions or working to tight financial close deadlines.
- ▶ Our team in the UK and Ireland connects with other FAAS teams across the globe, giving you the benefit of extensive subject matter knowledge, with the latest country specific insights.

Who are our clients?

FAAS works with a broad range of clients including entrepreneurial clients, subsidiaries, Government departments and agencies, and publicly listed companies. Over the last year, FAAS has advised some of the largest global corporates - including FTSE 100, Fortune 500 and Japanese multinational companies in a variety of industry sectors.

What value we deliver to our clients

Our clients value having a specialist and dedicated accounting team, who can act as an independent sounding board and can assist them in thinking through complex accounting matters. This is a summary of how we help teams like yours:



Our business propositions

1. Accounting advisory

GAAP conversion support

	Key questions	How FAAS can help	Example credentials
Convert to IFRS	<ul style="list-style-type: none"> Are you considering converting to International Financial Reporting Standards? 	<ul style="list-style-type: none"> Our team of technical specialists has significant practical experience in helping UK and international companies convert to IFRS, and consider the timing, possible approaches and impact on business processes, systems and tax. 	<ul style="list-style-type: none"> Assisted corporate head offices of a global supermarket group and a global consumer goods group with understanding the impacts of IFRS on a global roll out of an IT implementation.
US and Japanese subsidiaries	<ul style="list-style-type: none"> Are you a subsidiary of a US or Japanese listed group? If so, have you considered using the UK or Irish operations as a 'pilot' for global IFRS conversion? 	<ul style="list-style-type: none"> We help our clients to understand the strategy for IFRS conversion projects and articulate the key challenges and decisions they will face as the project progresses. 	<ul style="list-style-type: none"> Performed an end-to-end IFRS conversion on UK and Ireland subsidiary companies for a large Japanese conglomerate. The project included an IFRS impact assessment, skeleton accounts, accounting policies manual and full IFRS financial statements.
IFRS for SMEs replacing UK GAAP	<ul style="list-style-type: none"> Have you considered the impact of IFRS for Small and Medium Sized Entities (SMEs) shortly replacing UK and Irish GAAP, and does this present a tax benefit or commercial opportunity? 	<ul style="list-style-type: none"> We can provide technical training to your team and ensure that there is sufficient knowledge transfer so that you are able to embed IFRS for SMEs within your operations on an ongoing basis. 	<ul style="list-style-type: none"> Provided a number of non-listed groups with an understanding of the impact of IFRS for SMEs and potential system and business issues, which equipped management with the ability to understand the scale of effort required.

On call financial reporting advice

	Key questions	How FAAS can help	Example credentials
Distributable reserves	<ul style="list-style-type: none"> Are you looking to find ways to free up distributable reserves to make dividend payments to shareholders? 	<ul style="list-style-type: none"> We can advise on structures to enable distributable reserves to be created or to reduce blockages in a corporate structure. 	<ul style="list-style-type: none"> Assisted a range of companies to free up distributable reserves for paying dividends or making acquisitions, including a FTSE 100 media group and a global transport conglomerate.
Complex financial instruments	<ul style="list-style-type: none"> Are you grappling with how to achieve hedge accounting or struggling to understand the accounting for complex derivatives? 	<ul style="list-style-type: none"> Our team has extensive experience of how to achieve hedge accounting, build valuation models and understand complex accounting issues related to financial instruments. 	<ul style="list-style-type: none"> Assisted the treasury function and accounting functions at a global car manufacturer, a large UK banking group and the supply chain management team of a large Irish bank.

Accounting advisory

	Key questions	How FAAS can help	Example credentials
Complex accounting issues	<ul style="list-style-type: none"> Are you wrestling with an unusual or particularly complex accounting issue or transaction? 	<ul style="list-style-type: none"> We can prepare technical discussion papers to provide management with robust arguments and practical insights to support desired accounting treatments. 	<ul style="list-style-type: none"> A large car manufacturer sought our advice and support over a short timeframe on how to prepare their impairment reviews in advance of their year end audit.
Robust support to audit challenge	<ul style="list-style-type: none"> Would you value independent accounting support from an experienced team – someone other than your auditor? 	<ul style="list-style-type: none"> We can act as retained advisor to assist you with financial reporting issues as they arise. 	<ul style="list-style-type: none"> A listed aerospace and defence company engaged us to provide ad hoc assistance with accounting issues.
Managing accounting standards changes	<ul style="list-style-type: none"> Do you find it hard to keep on top of the numerous changes to accounting standards, and how those changes will impact your financial statements? 	<ul style="list-style-type: none"> We can provide technical updates, with insight into the practical implications and impact of future changes on your business, provided during tailored training sessions. 	<ul style="list-style-type: none"> We provide a large UK retail group finance team with six monthly technical updates, which enables our client to understand implications for its financial statements.

2. Transactions

Transactions and restructuring – working alongside our Transactions Advisory Services practice

	Key questions	How FAAS can help	Example credentials
Pre-transaction: Feasibility and structure	<ul style="list-style-type: none"> ▶ Do you have divisions that need to present financial information quickly to facilitate a proposed divestment? ▶ Are you looking to reflect a particular accounting outcome? For example, are you looking to consolidate an investment even though you are selling a 50% stake? 	<ul style="list-style-type: none"> ▶ Our team are experienced at managing the processes and knowing the typical issues required to prepare combined or carve-out financial information. ▶ We can link the commercial intention to the accounting implications of a transaction – so that you will understand how the structure impacts the desired accounting outcome. 	<ul style="list-style-type: none"> ▶ IFRS financials for a carve-out group of a FTSE 100 mining group. ▶ Provided financial information to prospective purchasers of a proposed divestment of a multinational energy company. ▶ Provided advice on a draft shareholder agreement, to enable our client to achieve joint venture accounting.
During the deal: Diligence and valuation	<ul style="list-style-type: none"> ▶ Does the target report under a different GAAP or have complex accounting policies? ▶ Are you able to understand how differing accounting policies will impact earnings? Areas of accounting are not prescriptive and therefore companies adopt differing practices. ▶ Do you have adequate in-house resource to project manage the financial reporting aspect of the transaction? 	<ul style="list-style-type: none"> ▶ We can perform accounting policy reviews to help to identify impacts on future EBITDA. ▶ We have industry expertise in a number of sectors - for example revenue recognition issues across a variety of industries. ▶ Our team has extensive experience of combining strong accounting and project management skills. 	<ul style="list-style-type: none"> ▶ Assisted many corporate transactions, including a merger between two large travel organisations and acquisitions by a large telecommunications company. ▶ Seconded an experienced manager to assist with aspects of a FTSE 100's proposed de-merger.
After the transaction	<ul style="list-style-type: none"> ▶ Can you carry out a robust purchase accounting exercise that will stand up to audit scrutiny? ▶ Do you understand the impact on post-acquisition earnings of the unwinding of fair value adjustments? ▶ Are you able to prepare timely and reliable ongoing management reporting and external financial reporting for the enlarged group? 	<ul style="list-style-type: none"> ▶ We can assist with the preparation of the opening fair value balance sheet, including alignment to the acquirer's accounting policies, thereby eliminating the risk of surprises. ▶ We can help in mapping the acquiree's general ledger to the group reporting framework and advise on changes to the acquiree's period end close process to enable it to comply with reporting standards. 	<ul style="list-style-type: none"> ▶ Advised a major UK bank on its acquisition of a care homes business following a debt for equity swap. ▶ Assisted a major telco with alignment of accounting policies, in-depth review of long-term contracts to establish profitability and valuation of tangible and intangible assets.
Finalising the deal	<ul style="list-style-type: none"> ▶ Does your transaction include a completion accounts mechanism? Are you negotiating covenants as part of the debt funding? 	<ul style="list-style-type: none"> ▶ We can assist in preparing completion accounts. ▶ We can also review your covenants or completion accounts, providing robust technical analysis to secure a positive outcome. 	<ul style="list-style-type: none"> ▶ Input into various transactions, including a number of private equity transactions.
Capital markets transactions	<ul style="list-style-type: none"> ▶ Are you grappling with the historical financial information requirements for an IPO as you currently do not report under IFRS? ▶ Are you undertaking a Class 1 acquisition and need to prepare full IFRS financials for the target? 	<ul style="list-style-type: none"> ▶ Our team is experienced at producing the IFRS financial information required for a prospectus or circular. ▶ We respond to the need for accelerated preparation of IFRS financials for a transaction, thereby reducing the deal execution risk. 	<ul style="list-style-type: none"> ▶ IPOs - De-mergers of a FTSE 100 group, plus IPO of a FTSE logistics group. ▶ Class 1 transactions for a Global Infrastructure business and a Global energy group.

Our business propositions (continued)

3. Other services

Government – working alongside our Government Services practice

	Key questions	How FAAS can help	Example credentials
Improving public reporting	<ul style="list-style-type: none"> ▶ Government departments, agencies and local authorities are relatively new converts to IFRS. Do you have any complex commercial transactions, financing arrangements, capital assets or liabilities for which the accounting and disclosure requirements are not straightforward? 	<ul style="list-style-type: none"> ▶ We have a team of experienced professionals who understand public sector accounting and in particular the areas of complexity normally found in the sector. 	<p>We have assisted public sector organisations in dealing with accounting and disclosure for:</p> <ul style="list-style-type: none"> ▶ PFI/PPP transactions ▶ Service concessions ▶ Complex leases ▶ Derivatives ▶ Infrastructure assets ▶ Provisions ▶ Consolidation boundary

Dispute resolutions – working alongside our Fraud Investigation and Dispute Services practice

	Key questions	How FAAS can help	Example credentials
Completion accounts	<ul style="list-style-type: none"> ▶ Are you preparing completion accounts in respect of the sale or purchase of a business and are faced with complex accounting judgments? 	<ul style="list-style-type: none"> ▶ We work closely with clients and Ernst & Young teams to provide input into Sale and Purchase Agreements (SPAs) to avoid surprises. 	<ul style="list-style-type: none"> ▶ We helped our client to interpret the SPA and prepare accounting arguments to go to an arbitrator and also critiqued other parties' arguments.
Dispute with acquirer or vendor	<ul style="list-style-type: none"> ▶ Are you in dispute with an acquirer or vendor in respect of an accounting interpretation in respect of a sale and purchase agreement? 	<ul style="list-style-type: none"> ▶ We can prepare accounting arguments for inclusion in dispute case documents. ▶ We can also provide accounting advice on complex accounting interpretations or industry specific issues. 	<ul style="list-style-type: none"> ▶ We investigated the application of revenue recognition policies pre and post acquisition following deterioration in the financial results of an investee company. ▶ We have acted for the purchaser of an Irish food business in determining what expenses should be included in the post-acquisition profit used to determine contingent consideration payments.

Accounting processes and controls support – working alongside our Advisory Services practice

	Key questions	How FAAS can help	Example credentials
Embedding XBRL	<ul style="list-style-type: none"> ▶ Have you considered the impact of the mandatory changes to the return filing process (statutory accounts and tax returns must be filed online in XBRL format from 1 April 2011)? 	<ul style="list-style-type: none"> ▶ We can conduct XBRL awareness workshops and take on a project management role. 	<ul style="list-style-type: none"> ▶ Delivered XBRL workshop for a global entertainment and technology group to help the company understand the issues and kickstart its implementation project planning.
Finance function transformation	<ul style="list-style-type: none"> ▶ Are you undergoing a finance transformation of business processes and IT systems? 	<ul style="list-style-type: none"> ▶ We can assist you in understanding how accounting process requirements can be built into the project plan for such transformations. 	<ul style="list-style-type: none"> ▶ We supported a major client to design new processes to resolve stock system issues in readiness for admission to the London Stock Exchange.
Efficient consolidation and statutory accounts production	<ul style="list-style-type: none"> ▶ Do you experience issues with consolidating your results or struggle to meet statutory reporting or tax filing deadlines? 	<ul style="list-style-type: none"> ▶ We can design consolidation models, assess how to make the statutory accounts process more efficient and prepare disclosures for filing alongside tax returns. 	<ul style="list-style-type: none"> ▶ We prepared section 700 statutory financial statements for a UK branch of a US media conglomerate.

Our team

Financial Accounting Advisory Services (FAAS) is a team of 60 accounting advisory specialists located in nine offices across UK & Ireland.

For more information please contact



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- ▶ IFRS conversions, US and Japanese subsidiaries, IFRS for SMEs, XBRL and online filing, consolidation and statutory accounts production



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- ▶ Complex financial instruments and hedge accounting, asset finance and leasing structures (including PFI), group reorganisations including re-financing and distributable reserves



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About Ernst & Young

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