

INTERVIEW WITH CRAIG TER BOSS

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**Fair Value standards
mandate dynamic valuation
based on performance,
replacing the old static
reliance on historical cost.**



AJAY: Over your career, how has the landscape of financial reporting valuations evolved, particularly in response to changes in accounting standards like ASC 805 or ASC 350?



Prior to the Fair Value standards, portfolio companies were marked at the last round or cost regardless of the performance of the subject company and the valuation multiples. That was the mark until the company either went public or was acquired. The allocation of the purchase price for intangible assets was to just determine goodwill and it was not tested on an annual basis.

AJAY: What are the most complex or judgment-heavy areas in financial reporting valuations today – and how do you navigate them with clients and auditors?



Regarding complexity, I find it difficult to explain Monte Carlo simulation to clients and the best way to solve that issue is to get the auditor, the client and us on a call to make sure we are all on the same page. Once a client sees that your assumptions are aligned with the auditors, it goes a long way in them accepting the process. Forecasts and projections are the area of financial reporting that involves a lot of judgement from the client and drives what methodologies are to be used and how valuation assumptions are determined. It can be difficult to explain that to a client and that their auditors are going to focus on them since they drive the process.

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Auditor questions predominantly focus on forecasts, requiring clients to substantiate assumptions for future growth and margins.

AJAY: How have auditor expectations changed over the years, and how do you manage that dynamic in engagements, especially when valuation conclusions are scrutinized?



Auditor expectations have grown from having a discussion with valuation specialists and audit teams to filling out checklists for both teams. My experience is that a significant amount of the questions that relate to forecasts and projections and we do our best to let clients know they need to support their assumptions regarding future growth and margins.

AJAY: How do you see emerging technologies (e.g., automation, AI, big data) affecting the quality, efficiency, or credibility of valuations in financial reporting?



I believe that automation and AI will benefit the people and firms that have a good product and knowledge base to start with. Firms that are going for the low-cost provider will most likely be scrutinized by the auditors a lot more and in the end the client will pay one way or another.

AJAY: How has earning the CFA designation influenced your career in valuation and corporate finance, especially when dealing with complex financial instruments?



The CFA designation helps open doors to clients that might not consider someone without the designation especially in valuing complex financial instruments. The designation is highly recognized and the knowledge that you gain obtaining it is very relevant to what is going on in fair value reporting.

AJAY: What advice would you give to aspiring valuation professionals and CFA charterholders who want to specialize in financial reporting? What skill sets are critical to thrive in this area?



Learn the fundamentals of valuation before specializing in financial reporting. Purchase price allocation and intangible asset valuation are very different from stock-based compensation and portfolio company valuations. Having a strong base is very important because you may be preparing reports for different areas. Being able to work on various projects in different areas and different stages of life for a project is a very important skill in financial reporting.



ABOUT

CRAIG TER BOSS

Interviewee



Craig Ter Boss is a Partner in the Corporate Finance Group at EisnerAmper, with over 25 years' experience providing valuation services to public and private clients. He is also a CFA charter holder. Craig delivers services across a range of industries, including consumer products, apparel, technology, business services, financial services, manufacturing, media, retail and health care. Craig's depth of experience and skill set is a unique combination, positioning him as a specialist with client-facing concerns as well as an expert in fair value measurement issues for audit engagements. Types of

engagements include allocation of purchase price, goodwill impairment, corporate strategic and tax planning, corporate transactions (e.g., mergers, acquisitions), litigation and arbitration. Craig focuses on valuations relating to alternative asset managers, including private equity, hedge funds and venture capital. At the fund level, he performs valuations and conducts reviews of valuations of Level III (difficult-to-value) securities performed by fund management and third-party specialists. At the portfolio company level, he leads engagements related to the valuation of business enterprises and equity and debt interests, as well as various intangible assets. Craig is a CFA Charterholder and serves as an instructor for EisnerAmper University, and has presented, as well as served as a panel member, to industry associations regarding valuation issues for alternative asset investments.



Interviewer

AJAY MINOCHA

Ajay is associated as a Solution Manager with Deloitte Consulting. He has 10 years of experience across various domains within the financial services industry including, Controls and Compliance Testing, Anti-Money Laundering, Regulatory Risk remediation, Regulatory Compliance, Debt Capital Markets Origination, Risk & P&L Reporting and Credit Appraisal. He is an active member of Deloitte's Culture and Belonging Counsel.

He is ACAMS certified, CFA charter holder and holds a PGDM from the Indian Institute of Management Indore. His key skills include Independent Testing and Validation, Regulatory Risk Remediation, Controls Testing, Anti-Money Laundering, Business/ Company Valuation, Credit Analysis, Derivatives, Equity Research, Financial Databases, Financial Modeling, M&A, Pitchbook, Portfolio Management, Risk & P&L reporting.

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