

# Interim Chief Accounting Officer Builds Complex Balance Sheet Structure for Multi-Entity Carve-Out Acquired by Private Equity

The interim CAO managed the opening balance sheet process for a public-company carve-out, completed its purchase price allocation accounting, and established all individual entity and holding company balance sheets

## Our Challenge

A private equity firm purchased seven entities from a global public company to create an independent special intelligence and data business serving the pharma and life sciences industries, and most of the legacy accounting staff remained with the seller. The new owners needed immediate help establishing standalone accounting processes and reporting for a carve-out with hundreds of employees spanning the globe, thousands of clients, and hundreds of millions in recurring and other revenue.

The PE firm specifically needed a finance professional capable of quickly and accurately managing and completing the purchase-related accounting and establishing ongoing balance sheets, including a consolidated balance sheet for the carve-out's original seven entities and the 11 new holding companies it established once the deal closed.

## Our Solution

The investors selected our interim chief accounting officer who possesses significant international experience, boasts an extensive background in private equity acquisition accounting, and has ASC 805 valuation knowledge from 17 previous M&A transactions.

The new company also needed to hire an external audit firm, a task our consultant has a successful history of conducting for companies similar to this carve-out. His expertise in this arena proved invaluable in assessing bids, negotiating lower prices from two out of the three finalists, and making a final recommendation to the board's audit committee.

## Our Outcome

Our interim CAO collaborated with key parties on both ends of the transaction: the U.S.-based private equity investors to gather their requirements and expectations for financial reporting, and the legacy U.K.-based accounting team to identify the main sources of information to complete the acquisition accounting, complete the opening balance sheet, and set up ongoing financial reporting for all 18 company entities. Because the interim CAO effectively managed and completed all the acquisition accounting work, the newly hired permanent CAO could immediately focus on monthly reporting using the templates our consultant created.

### The interim CAO:

- Created/prepared consolidated balance sheet file with 18 entities, multiple legal entity roll-up subtotals, 6 f/x currencies, and multiple adjustment/elimination entries
- Prepared P&L statements for bank reporting
- Assisted in generating company cash flow statements
- Reconciled legacy company bank statements
- Set-up and managed 11 entities in new software
- Trained new staff on accounting software, including reporting, reconciliations, and journal entry process
- Prepared audit committee presentation comparing bids from external firms and recommended a finalist
- Created B/S, P&L and SCF reporting used by the PE firm to inform its investors about company financials

## Key Results

**\$150K** saved on external audit contract

**18** individual entity balance sheets established

**1** consolidated holding company balance sheet created