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BUSINESS COMBINATIONS OF CZECH COMPANIES: EMPIRICAL ANALYSIS OF THEIR TYPOLOGY

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Abstract

POSPISIL JIŘÍ, VOMÁČKOVÁ HANA. 2018. Business Combinations of Czech Companies: Empirical Analysis of Their Typology. *Acta Universitatis Agriculturae et Silviculturae Mendelianae Brunensis*, 66(1): 313–323.

This paper is a descriptive study which analyses company transformations - a subset of M&A - which took place in the Czech Republic in 2013. Based on the statistical sample containing detail data of 115 transformations, we analysed important aspects of company transformations (M&A) such as ownership structure of the participating companies, deployment of the effective date, acquisition date, balance-sheet date, date of registration and transformation project date, utilization of available forms of company transformations, utilization of financial statements for transformation purposes and incidence of fair-value revaluation. The results of the research shows, that majority of company transformations are in fact corporate holdings reorganisations rather than business combinations as defined by IFRS 3 and it also suggests that the rules for accounting for these transactions are in fact misused for distribution of earnings (even unrealized earnings) through the corporate holdings. We have also identified cases of severe distortion of faithful representation of successor's company financial position, most often as a result of retrospective company transformations, where the effective day of the merger was put before the date of acquisition of the majority on target's equity.

Keywords: mergers, acquisitions, accounting for business combinations, business combination, effective date, independence, earnings management, corporate restructurings

INTRODUCTION

Accounting for business combinations remains a widely-discussed topic for researchers and practitioners alike. Business combinations are very specific transactions for which a set of unique accounting methods have been created. Accounting for business combination has been undergoing a significant development in theory (Ayers, *et al.*, 2000; Nurnberg and Sweeney, 1998) as well as under internationally accepted financial reporting standards (Aghimien, *et al.*, 2014). This paper focuses on Czech accounting regulation of business combinations. The evolution of the Czech regulation has been a subject to many discussions (Vomáčková, 2013; Konečný and Valouch, 2012; Pelák, 2008) as there are many persisting difficulties of implementation of the theoretical concepts of business combination accounting to the Czech national regulation (Vomáčková, 2006a; Lasák, 2010; Skálová and Mejzlík, 2015).

National regulations of business combinations rely heavily on information provided by financial accounting, therefore, the national legislation usually regulates the accounting for these transactions as well (Žárová and Skálová, 2012; Janičíková, 2014; Sklenár, 2011). Czech national regulation is a very good example of country-specific regulation for business combinations and accounting for these transactions (Křížová, *et al.*, 2014; Skálová, 2014). Despite the European Union attempts to harmonize accounting and tax legislation across EU states, and in spite of the fact that Czech Republic allowed application of IFRS for a specific category of financial reports, the national regulation of accounting for business combinations continues to modify the presentation of assets, equity and liabilities of the companies undergoing business combinations (Pospíšil and Strojek-Filus, 2017; Vomáčková, 2007; Baran and Saikevičius, 2015). There are many aspects in which Czech national accounting regulation deviates from the IFRS regulation (Gláserová, 2016; Strouhal, *et al.*, 2012). The most important difference is that-unlike IFRS-the Czech accounting regulation does not provide the practitioners with consistent methodology for business combinations. Instead it prescribes a set of accounting rules for listed types of business combinations which are closely linked to the legal definitions and procedures of business combinations. Some authors criticize this direct connection of the corporate law and accounting regulation (Pospíšil, 2015; Vomáčková, 2012). Another important difference in IFRS approach and Czech national regulation dwells in our opinion especially in the definition of a business combination and the requirements for valuation of net assets transferred.

There are many papers dealing with conceptual differences of the Czech accounting regulation for business combinations and IFRS regulation on the theoretical level, for example (Žárová and Skálová, 2014; Křížová, *et al.*, 2014; Strouhal, *et al.*, 2012; Lasák, 2010; Skálová and Podškubka, 2009), but there are only few papers analysing the actual transactions that took place in the Czech Republic (Valouch and Konečný, 2011; Sedláček, *et al.*, 2011; Sedláček, *et al.*, 2014).

The definition of a business combination, the requirements for valuation of net assets transferred, and the deployment of the effective date of the business combinations in form of company transformation are the three main topics addressed by this paper. The sample consists of the company transformations that took place in the Czech Republic in 2013. We decided to limit our analysis to transactions that took place in only one year as an analysis of transactions for a longer time period would result in great number of transactions to be analysed and it would not be possible to finish the analysis soon enough for the result to be still relevant. Even though Czech companies are required by law to publish their financial statements in the Business Register shortly after these statements are approved by the investors, they do so only reluctantly. The financial statements are thus made publicly available usually with two or three-year delay, therefore we could not perform our research on more current data. Additionally, one-year period is a suitable “unit” for cross-sectional comparison.

The aim of this paper is to evaluate compliance of accounting for business combination in compliance with Czech GAAP and to compare Czech practice with the requirements of IFRS 3 as an example of generally accepted accounting methods for business combinations. To do that, we analyse the corporate ownership structure of the participating companies, deployment of the effective date, acquisition date, balance-sheet date, date of registration and transformation project date, utilization of available forms of company transformations, utilization of financial statements for transformation purposes and incidence of fair-value revaluation.

Using a sample of 115 company transformation transactions, we analysed important accounting aspects of selected company transformation and found that majority of company transformations are in fact corporate holdings reorganisations rather than business combinations as defined by IFRS 3. Furthermore, the prescribed accounting guidance for these transactions were in some cases misused for distribution of earnings (even unrealized earnings) through the corporate holdings. We have also identified cases of severe distortion of faithful representation of successor’s company financial position, most often because of retrospective company transformations, where the effective day of the merger was put before the date of acquisition of the majority on target’s equity.

With our research we contribute to the available literature on company transformation in the Czech Republic, which is focused more on goodwill recognition and impairment (Boučková, 2016; Valouch and Králová, 2012), disclosure requirements (Gluzová, 2016; Nováková and Polák, 2015; Pospíšil, 2017) and other traits of M&A in the Czech Republic (Čibera, 2016; Zelenka, 2011; Vomáčková, 2006b).

MATERIALS AND METHODS

Firstly, we define the object of our research. The objects of our research are such business combinations that meet the definitions of the Act no. 89/2012 and Act no. 125/2008 of the Czech Republic which outlines general types of company transformations available for companies in the Czech Republic. These transactions include: “true merger”, “acquisition merger”, “spin-off”, “merger spin-off”, “split”, “merger split” and “net asset takeover”. True merger (in Czech: “fúze splynutím”) is defined as a transaction in which at least two companies cease to exist and their net assets are transferred to at least one new company which emerges from the transaction as their successor. Acquisition merger (in Czech: “fúze sloučením”) is defined as a transaction in which one or more companies cease to exist and their net assets are transferred to another existing company which absorbs the net assets transferred and continues its existence. Mergers should not be mistaken for business acquisitions. Business acquisitions are transactions in which one company acquires either a business as a whole from another company (asset deal) or acquires majority of share on a company’s equity (share deal). These “plain” Business acquisitions are not in the scope of our research.

It is important to note though that if the company transformation takes place among independent parties, the company transformation in fact comprises a business acquisition as the shareholders of one participating company "acquire" a share on the business of another participating company. Spin-off (in Czech: "odštěpení") is defined as a transaction where an existing company detach a part of its business which forms a new company while the original company continues its existence. Merger spin-off (in Czech: "odštěpení sloučením") is defined as a transaction in which an existing company detach a part of its business and transfer the respective net assets to another existing company which incorporates the net assets into its own structures, while the original company continues its existence. Split (in Czech: "rozštěpení") is defined as a transaction in which a company ceases to exist and its nets assets are used to form at least two new companies. Merger split (in Czech: "rozštěpení sloučením") is defined as a transaction in which a company ceases to exist and its net assets are transferred to at least two other existing companies which incorporate the net assets into their own structures. Net asset takeover (in Czech: "převod jmění na společníka") is defined as a transaction in which a majority shareholder takes over all the net assets of the company he owns and incorporate net assets transferred into its own company structure while the original company ceases to exist. Act no. 125/2008 of the Czech Republic specifies the preconditions for this type of transactions in detail nevertheless we can conclude that at least 90 % of voting power and 90 % of share on equity is required for the majority shareholder to perform net asset takeover. This transaction is sometimes referred to as "squeeze-out" but the definition of the squeeze-out in its original meaning is incorporated in the Act no. 90/2012 of the Czech Republic which defines squeeze-out as a mandatory transfer of a company shares from minority shareholders back to the company. Net asset takeover sometimes follows the squeeze-out.

Companies undergoing a transformation according to Act no. 125/2008 of the Czech Republic are required by law to announce that in the Business Bulletin, an on-line register administrated by the Czech Ministry Interior. Additionally, companies are required to publish the transformation project and related statutory financial statements in the Corporate Register which is administrated by the Czech Ministry of Justice.

For the analysis purposes, we have downloaded all the company transformation announcements from the Business Bulletin published in the year 2013. We received a table containing the date of the announcement and names of the companies undergoing a transformation. This yielded a list of 862 transactions. Since the analysis required more detailed information about each transaction and obtaining this information requires an analysis of several documents for each transaction, we decided to analyse only a sample of transactions that were published in the Business Bulletin in 2013.

To obtain a statistical sample we employed a methodology of Czech Ministry of Interior for creating statistical samples for auditing purposes. First, we calculate the extent of the sample using the following formula (1)

$$n = \frac{z^2 * N * r * (1-r)}{(d^2 * N) + [z^2 * r * (1-r)]} \tag{1}$$

Source: Czech Ministry of Interior (http://kontrola.mvcr.cz/min_fin/chj04_02.htm)

where:

n	number of transactions in the statistical sample;
N	number of transactions in the sample frame (i.e. 862);
z	required level of reliability (95 %, i.e. 1.95);
d	acceptable level of deviation (i.e. 8,5 %);
r	expected level of deviation (i.e. 50 %).

Applying this formula, we obtain a necessary number of transactions for our statistical sample of 115 thus we have reached the coverage of the sample frame by our statistical sample of 13.34 %. Employing the random number generator, we have obtained a probability sample of 115 transactions for our detailed analysis.

For every transaction in the sample related document were gathered from the Corporate Register. These documents consisted of: transformation project, transcript of records from the Corporate Register for each participating company, their financial statements prior the transformation, opening balances of the successor companies and a valuation report of the court appointed expert (applicable only for those transactions where the net assets transferred were valued at fair values rather historical prices). A complete documentation for one transaction consisted of approximately 150 pages of documents, if the expert's valuation report was included it was usually 100 pages more.

The characteristics/attributes which we gathered for every transaction in our sample includes: type of transaction, type of the financial statements used, date of the transformation project, date of the financial statements, valuation date, effective date, amount of goodwill recognized, amount of deferred tax recognized, reasons for the transformation given and information about new equity items recognised in the opening balance sheet of the successor company (when applicable). To analyse the deployment of the important dates – milestones of the company transformation we calculated timespans between the effective date of the transformation and the respective milestone using the following equations.

$$TS_1 = PD - ED \quad (2)$$

$$TS_2 = BD - ED \quad (3)$$

$$TS_3 = RD - ED \quad (4)$$

$$TS_4 = AD - ED \quad (5)$$

where:

TS number of days between the dates specified in the respective equation;
ED effective date of the company transformation;
PD transformation project date;
BD balance sheet date of the financial statements used for the transformation purposes;
RD day of registration of the transformation at the Corporate Register;
AD acquisition date.

Additionally, for every company participating in the transformation we have gathered data on: total assets, profit or loss for the last period, sales, equity, registered capital (see Tab. I), owners, date of registration of the company in the Corporate Register and information on statutory audit. For transaction where the net assets transferred where valued by a court-appointed expert, we gathered data on: date of valuation, name of the expert, total value of the net assets transferred, valuation method used, deferred tax calculated in the valuation and information on valuation distribution of the total value to the equity items of the successor company.

RESULTS

First, we analysed the type of transactions in our sample. We find that majority of the transactions in our sample (56.5 %) are acquisition mergers. Another numerous type of transaction are merger spin-offs (24.3 %) and spin-offs (15.7 %). There is only one true merger, one merger split and two incidents of net asset takeover. There are no split transaction in our sample.

One of the definition attributes of the business combination per IFRS 3 is the fact that companies taking part in the transaction are independent. Based on the information published in the transformation projects and the data from the Corporate Register we assessed the level of interconnectedness. We discern three levels of interconnectedness: "common control - corporation" which stands for a group of companies organised under common control of one or more companies, "common control–investors" which stands for a group of companies organised under common control of one or more investors and "independent" which stands for transactions that occurred between independent or seemingly independent parties. We emphasize the term of "seemingly independent parties" as we are not able to verify the structure of corporate holdings outside of the Czech Republic. The results of this analysis are unambiguous. Only three transactions of 115 analysed are classified as transactions between independent parties. This means that 111 of 115 analysed transactions (there was one transaction for which we could not make a reliable judgment on its ownership structure) are in fact reorganisation transactions of the current corporate holdings rather than business combinations as defined by IFRS 3. Reorganisation transactions classified as common control–corporation occurred in 67.8 % of the analysed cases and transactions classified as common control–investors occurred in 29.6 % of the analysed cases.

The next issue is the deployment of the transformation effective date. The analysis shows that in 62.6 % transactions the effective date was put on 1st of January which is to be expected as the standard reporting period in the Czech Republic lasts from 1st January to 31st December. In 34.4 % of analysed transaction the effective date was placed on the first day of other month of the year and in only 2.6 % of analysed transactions the effective date was placed on a day different that first day of the month. Placing the effective date of the transformation on the first day of their reporting period allows companies undergoing the transformation to use their annual financial reports for the purposes of the transformation which

I: *Descriptive statistics for companies included in the statistical sample (values in CZK)*

Descriptive statistics	Total assets	Profit/Loss	Registered capital	Equity	Revenue
Minimum	43,000	-326,976,000	100,000	- 109,316,000	- 14,000
Maximum	808,795,000,000	15,562,000,000	15,200,000,000	87,593,000,000	48,651,000,000
Mean	3,987,761,221	78,448,748	143,299,365	579,360,778	678,527,478
Median	46,736,000	0	2,000,000	14,421,000	6,261,000
Standard Deviation	53,575,028,594	1,032,268,967	1,136,147,335	5,970,147,454	4,163,457,349

Source: Authors' research

makes the transformation process less complicated and less costly. These findings are in line with the results of analysis of financial statements types used for the transformation. The research shows that for 73.9 % of transactions the annual (regular) financial statements were used for the purposes of the transformation. A detailed breakdown is shown in the Tab. II.

Regulation of company transformation according to Act no. 125/2008 includes also these requirements and specifications: the settlement payments, new share issuance, share swap and valuation of the net assets transferred. We have analysed these items and the results are presented in the Tab. III. It is clearly stated that the instrument of the settlement payment was used only in two transactions. In both transactions company's net assets were evaluated by the independent expert to find the fair value for the settlement payment. Nevertheless, both transactions represent reorganisation of the current corporate holding thus there is no effective change in the ownership structure.

Regarding the transactions with shares that are held by the equity owners, in most cases there was no change which is typical for reorganisation transactions and so this outcome is in line with the findings described above. Issuing new shares is typical for spin-offs. Analysis of the valuation of the net assets transferred at the successor's balance sheet shows that in most cases the historical prices from the predecessor's books are used to value the net assets in the successor's balance sheet.

Last part of our research focused on deployment of the important dates–milestones of the company transformation and analysis of the timespans between these dates and the effective date of the transaction. The timespans were calculated according to formulas (2), (3), (4) and (5). The results are summarized in the Tab. IV which shows the number of days between the analysed date and the effective date of the transformation.

To understand the timespans better, we stratified the data and created histogram showing how many transactions fit to a respective cluster for each timespan analysed.

To give a proper interpretation of the data we need to combine the information provided by Fig. 1 and Tab. IV. From the histogram, we can see that most transactions fit in the 7. cluster which means that effective date was in most cases put 80–146 days before the project date.

Interpretation of Fig. 2 confirms our finding described above. In most transactions participating companies put the effective date as close to

II: *Structure of financial statements used for the transformation*

Type financial statements used for the transformation	Incidence	%
Annual (regular) financial statements	85	73.9 %
Special financial statements	21	18.3 %
Interim financial statements	2	1.7 %
A combination of annual and special financial statements	4	3.5 %
A combination of annual and interim financial statements	1	0.9 %
Financial statements were not published	2	1.7 %
Total number of reorganisation transactions in the sample	115	100,0 %

Source: Authors' research

III: *Other researched attributes*

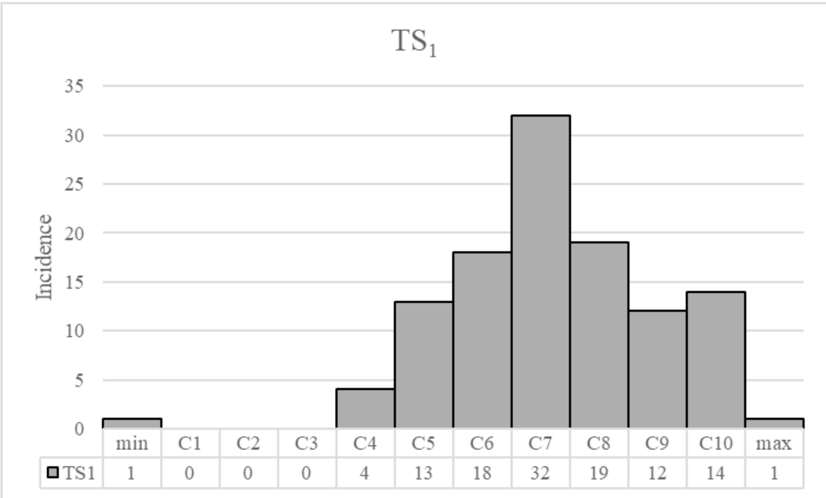
	Incidence	%
Settlement payments for the investors		
used	2	1.7 %
not used	113	98.3 %
Transactions with shares		
no change	93	80.9 %
swap	10	8.7 %
new shares issued	12	10.4 %
Net assets valuation by court appointed expert		
applied	30	26.1 %
not applied	85	73.9 %
Valuation of net assets transferred at the successor's balance sheet		
historical prices	94	81.7 %
fair values	13	11.3 %
n.a.	8	7.0 %

Source: Authors' research

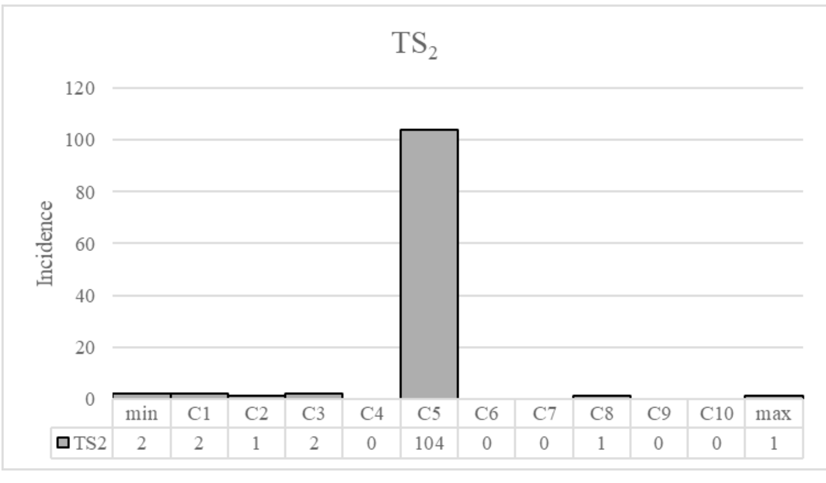
IV: *Timespans relative to the effective date of the transformation (units: number of days)*

	TS_1	TS_2	TS_3	TS_4
MIN	-325	-367	-37	-6 608
1. cluster threshold	-258	-294	7	-5 911
2. cluster threshold	-190	-221	51	-5 214
3. cluster threshold	-123	-147	95	-4 516
4. cluster threshold	-56	-74	139	-3 819
5. cluster threshold	12	-1	183	-3 122
6. cluster threshold	79	72	227	-2 425
7. cluster threshold	146	145	271	-1 728
8. cluster threshold	213	219	315	-1 030
9. cluster threshold	281	292	359	-333
MAX	348	365	403	364

Source: Authors' research



1: *A histogram for timespan TS_1 between the project date (PD) and the effective date (ED)*
Source: Authors' research
Note: there was one erroneous record in the data therefore the sum of TS_1 equals 114



2: *A histogram for timespan TS_2 between the balance sheet date (BD) and the effective date (ED)*
Source: Authors' research
Note: there were two erroneous records in the data therefore the sum of TS_2 equals 113

the balance-sheet date as possible. In most cases (104 out of 115) the difference between the balance-sheet date and effective date was - 75 to 0 days.

Regarding the timespan between the registration date and the effective date (see Fig. 3), we find that most transactions fall into the period of 140–183 days, but it is clear, that in case of TS_3 the transactions are distributed into the clusters more evenly than in any other timespan analysis.

Analysis of TS_4 is useful for estimation of the percentage of transactions which represents an immediate result of previous acquisitions - share deals. Acquisition mergers as defined above often follow an acquisition of a majority share on another company's equity. Fig. 4 shows that most transactions fall in the last cluster which represents transactions where the timespan between the acquisition date and the effective date was greater than – 333 days. This measure is not detailed enough therefore we create another histogram that provide a detailed overview of cluster Q1 as depicted in Fig. 4.

This detailed analysis of transactions clustered in C10 of TS_4 suggests that while many transactions seems to follow a previous share-deal acquisition (cluster c1 to c4), many company transformations are in fact retrospective as the effective date precedes the day of acquisition of the majority on target's equity (clusters c5 to max).

DISCUSSION

The first issue arising from our research is the identification of the accounting methods used for reporting the company transformations. There are three generally accepted methods for business combination accounting: a purchase/acquisition method, pooling-of-interests method and new entity method. As Czech national corporate and accounting regulation set the specific rules for each company transformation rather than providing the practitioners with a coherent method, we can only deduce which out the above-mentioned methods are in fact used for company transformation accounting.

The acquisition method emphasizes the fact that one of the participating companies can be identified as an acquirer who acquires another company or business. Acquisition method shall be applied for mergers, acquisition (share-deals) as well as business acquisition (asset-deals). This method assumes valuation of the net assets acquired at fair value and calculation of acquisition difference.

The pooling of interests method assumes the merger of equals, which means that none of the participating companies could be identified as an acquirer. An important difference compared to the acquisition method is that unlike the acquisition method (or the new entity method), pooling of interests method requires the net assets transferred to the balance sheet of the successor to be valued at the historical prices used in the balance sheet of the predecessor rather than fair values.

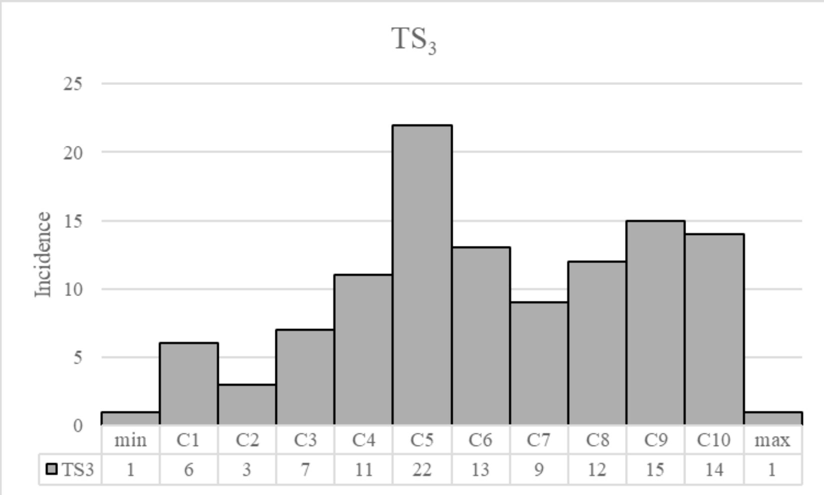
New entity method assumes emerging new company which poses as an acquirer of the other companies participating in the transaction. Newly established company shall come to existence at the point where the other companies undergoing the transaction cease to exist and the new company assumes the position of the acquirer. The acquirer issues new shares which then distributes to the investors of the predecessor companies respecting the fair value of their former ownership in the predecessor companies.

Our researched shows that in 2013 the predominant type of company transformation were acquisition mergers, spin-off mergers and spin-offs. We also found that in 96.5 % cases the transaction constituted only a holding restructuring as the participating companies were under common control of another company or an investor. This distortion alone should lead to rejection of the acquisition method as well as the new entity method and shift our attention to the pooling-of-interest method which does not allow for valuation of the net assets transferred at fair values. Our research thus confirms what other authors have elaborated on the theoretical level (Vomáčková, 2006a; Pelák, 2008).

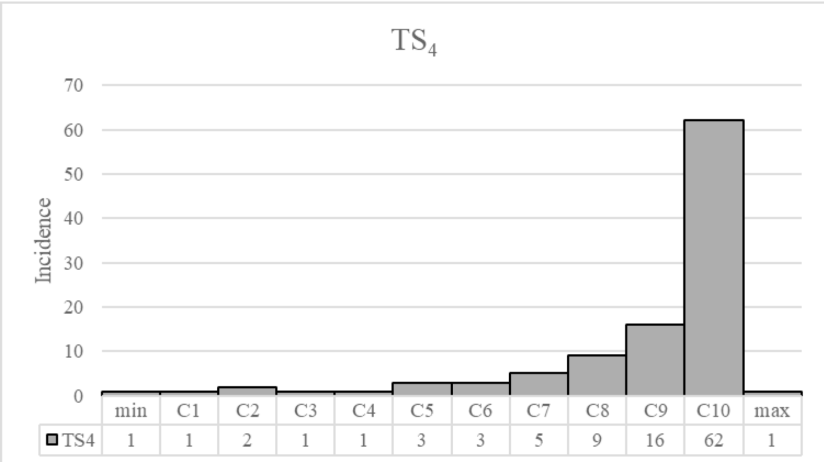
Analysis of the timespans between the effective date of the transformation and the other important dates in the company transformations shows that participating companies prefer to put the effective date at the day following the balance sheet day of the last available annual financial statements and at the same time they usually draft the transformation project after the effective day. We found this to be a good practice as it allows the companies entering the transformation to evaluate the financial position of the other participating companies. Placing the effective day after the project date (as allowed by the Czech regulation) may cause serious doubts regarding the ownership structure in the successor company or about settlement for the dissenting shareholders. Since there is no empirical research available for this issue at the Czech Republic territory, we can compare the results with the theoretical research available (Sklenár, 2011; Pospíšil, 2015). Both authors elaborate on possible combinations of effective date deployment, but conclude that the scenario where the effective date follows a balance-sheet date is the best option.

The research also showed that even though many transactions could be interpreted as a consequence of a prior share-deal acquisition, there were many transactions in the analysed sample which constituted a retrospective business combination as the effective date preceded (was put before) the day of acquisition of the majority on target's equity. We consider this practice a significant distortion of the true and fair representation of the successor financial position as the consolidation of the financial statements in such cases is performed to an earlier date that the true day of acquisition.

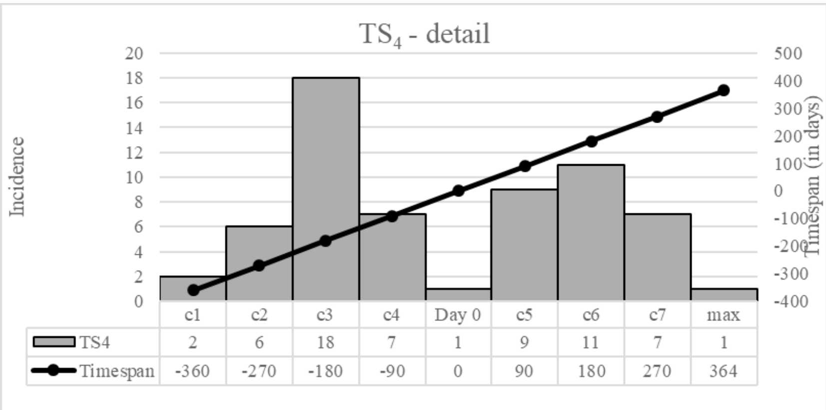
Another distortion in representation of financial indicates the analysis of exercise of settlement



3: *A histogram for timespan TS_3 between the registration date (RD) and the effective date (ED)*
Source: Authors' research
Note: there was one erroneous record in the data therefore the sum of TS_3 equals 114



4: *A histogram for timespan TS4 between the acquisition date (AD) and the effective date (ED)*
Source: Authors' research
Note: there were ten erroneous records in the data therefore the sum of TS4 equals 105



5: *A detailed analysis for cluster 10 (C10) of timespan TS_4*
Source: Authors' research
Note: the sum of TS_4 on Fig. 5 is a detailed analysis of column C10 on Fig. 4 therefore the sum equals 62

payments. The research showed that this instrument was used only rarely – we identified only two transactions employing this instrument. Nevertheless, upon closer examination of these two transactions we found that this instrument was misused as a tool for earnings distribution through the corporate holding structure because the settlement payment was used to settle with the dissenting shareholders who were in fact other members of the existing corporate holding. Moreover, the net assets transferred to the successor company were valued at fair value rather than historical prices which led to even greater distortion of the informative value of the successor's equity.

CONCLUSION

This paper is a descriptive study which analyses company transformations – a subset of M&A – which took place in the Czech Republic in 2013. Based on the statistical sample containing detail data of 115 transformations, we analysed important aspects of company transformations (M&A) such as ownership structure of the participating companies, deployment of the effective date, acquisition date, balance-sheet date, date of registration and transformation project date, utilization of available forms of company transformations, utilization of financial statements for transformation purposes and incidence of fair-value revaluation.

The results of the research shows, that 1) most common form of company transformation was an acquisition merger, 2) majority of company transformations are in fact corporate holdings reorganisations rather than business combinations as defined by IFRS, 3) the regulation of accounting for company transformation was misused in some cases for distribution of earnings (even unrealized earnings) through the corporate holdings, 4) there was numerous cases of retrospective company transformations, where the effective day of the merger was put before the date of acquisition of the majority on target's equity 5) share held by investors underwent no change during the transformation which is typical for reorganisation transactions thus in line with the findings mentioned above. Regarding the deployment of the effective date we found that when negotiating the transformation project, managers and owners of the companies undergoing the transformation prefer to place the effective date to the past, not to the future and as close to the date of the last regular financial statements as possible.

Our study has also some limitations. Firstly, because of time-consuming data collection, only a random statistical sample of business combinations announced during one year was analysed. Future research shall attempt at examining the whole population of transactions, as well as the development and changes in accounting practices adopted by companies over the time. Secondly, an international comparison, e.g. with other countries from the CEE region, would be vital as well. However, a thorough investigation of valuations in M&A requires substantial knowledge of each national background to control for any cross-country differences in accounting standards and law regulations, which might be a source of distinct incentives of companies to manage earnings and other figures in financial statements through inadequate accounting for M&A.

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