

# ASC 852 - Reorganizations

## Fresh-Start Accounting

As a company emerges from Chapter 11 bankruptcy, it is required to establish the fair value of the going concern's asset base for financial reporting purposes under an accounting standards codification (ASC) 852 reorganization. Usually, this involves meeting stringent deadlines determined during the reorganization process. Gordon Brothers understands key valuation issues specific to fresh start accounting services. We can make the transition from Chapter 11 as easy as possible by efficiently appraising all assets on the balance sheet and working with you, your advisors, and external auditors throughout the process to meet all deadlines.

## How is fair value determined in a fresh start accounting valuation?

Specific guidance has been provided by the Financial Accounting Standards Board (FASB) on acceptable methods and disclosures related to determining fair value. Fair value is defined as:

*"The price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date."*

It is an exit price or, in other words, the price that would be received to sell an asset or paid to transfer a liability by knowledgeable and independent market participants, including any discounts for risk. It assumes an orderly (not forced) transaction in an active market and assumes the highest and best use of the asset.

To determine fair value when conducting a fresh start accounting appraisal, Gordon Brothers considers various market inputs as outlined by the FASB, including:

- Quoted prices of identical assets or liabilities
- Market observables such as quoted prices for similar assets, interest rates and yield curves
- Non-observable assumptions that rely on internal information not readily available in the market

Accepted valuation techniques are then used to adjust the inputs to determine a fair value for the assets and liabilities. Gordon Brothers' fresh start accounting appraisals are independent and documented in compliance with the FASB's valuation framework.

## Why Gordon Brothers?

Fresh start accounting offers companies an opportunity to reset their balance sheets in accordance with market conditions at the time of emergence. It is important for companies to partner with a firm that understands the complex requirements of fresh start accounting and can deliver within tight timeframes valuation conclusions that are accepted by auditors and the court. We focus on meeting fresh start accounting valuation requirements, so that you can focus on your business.