

**Acquisition Adjustment Rule Workshop**

**May 20, 2010**

**Examples of Impact of**

**Changes to Existing Rule**

Purchase Price \$100,000 (Assume no asset depreciation)

Revised 3/30/10

Year 0 1 2 3 4 5 6 7 10 15 20

**Current Rule**

Net Book Value	500,000	500,000	500,000	500,000	500,000	500,000	500,000	500,000	500,000	500,000	500,000	500,000	500,000	500,000	500,000	500,000	500,000	500,000	500,000
Neg AA	(300,000)	(300,000)	(300,000)	(300,000)	(300,000)	(300,000)	(300,000)	(300,000)	(300,000)	(300,000)	(300,000)	(300,000)	(300,000)	(300,000)	(300,000)	(300,000)	(300,000)	(300,000)	(300,000)
5 yr amort	0	60,000	120,000	180,000	240,000	300,000	300,000	300,000	300,000	300,000	300,000	300,000	300,000	300,000	300,000	300,000	300,000	300,000	300,000
Net Book Value	<b>200,000</b>	260,000	320,000	<b>380,000</b>	440,000	<b>500,000</b>	500,000	<b>500,000</b>	500,000	<b>500,000</b>	500,000	<b>500,000</b>	500,000	<b>500,000</b>	500,000	<b>500,000</b>	500,000	<b>500,000</b>	500,000

Record the full negative acquisition adjustment and amortize over 5 years.

**Staff proposal if purchase price is 50% of net book value or less**

Net Book Value	500,000	500,000	500,000	500,000	500,000	500,000	500,000	500,000	500,000	500,000	500,000	500,000	500,000	500,000	500,000	500,000	500,000	500,000	500,000
1/2 Neg AA	(150,000)	(150,000)	(150,000)	(150,000)	(150,000)	(150,000)	(150,000)	(150,000)	(150,000)	(150,000)	(150,000)	(150,000)	(150,000)	(150,000)	(150,000)	(150,000)	(150,000)	(150,000)	(150,000)
7 yr amort	0	21,429	42,857	64,286	85,714	107,143	128,571	150,000	150,000	150,000	150,000	150,000	150,000	150,000	150,000	150,000	150,000	150,000	150,000
1/2 Neg AA	(150,000)	(150,000)	(150,000)	(150,000)	(150,000)	(150,000)	(150,000)	(150,000)	(150,000)	(150,000)	(150,000)	(150,000)	(150,000)	(150,000)	(150,000)	(150,000)	(150,000)	(150,000)	(150,000)
20 yr amort	0	7,500	15,000	22,500	30,000	37,500	45,000	52,500	60,000	67,500	75,000	82,500	90,000	97,500	105,000	112,500	120,000	127,500	135,000
Net Book Value	<b>200,000</b>	228,929	257,857	<b>286,786</b>	315,714	<b>344,643</b>	373,571	<b>402,500</b>	431,429	<b>460,357</b>	489,286	<b>518,214</b>	547,143	<b>576,071</b>	605,000	<b>633,929</b>	662,857	<b>691,786</b>	720,714

Record the full negative acquisition adjustment and amortize 1/2 over 7 years and 1/2 over the remaining life of the assets.

**AUF Proposal 1**

Net Book Value	500,000	500,000	500,000	500,000	500,000	500,000	500,000	500,000	500,000	500,000	500,000	500,000	500,000	500,000	500,000	500,000	500,000	500,000	500,000
1/2 Neg AA	(150,000)	(150,000)	(150,000)	(150,000)	(150,000)	(150,000)	(150,000)	(150,000)	(150,000)	(150,000)	(150,000)	(150,000)	(150,000)	(150,000)	(150,000)	(150,000)	(150,000)	(150,000)	(150,000)
20 yr amort	0	7,500	15,000	22,500	30,000	37,500	45,000	52,500	60,000	67,500	75,000	82,500	90,000	97,500	105,000	112,500	120,000	127,500	135,000
Net Book Value	<b>350,000</b>	357,500	365,000	<b>372,500</b>	380,000	<b>387,500</b>	395,000	<b>402,500</b>	410,000	<b>417,500</b>	425,000	<b>432,500</b>	440,000	<b>447,500</b>	455,000	<b>462,500</b>	470,000	<b>477,500</b>	485,000

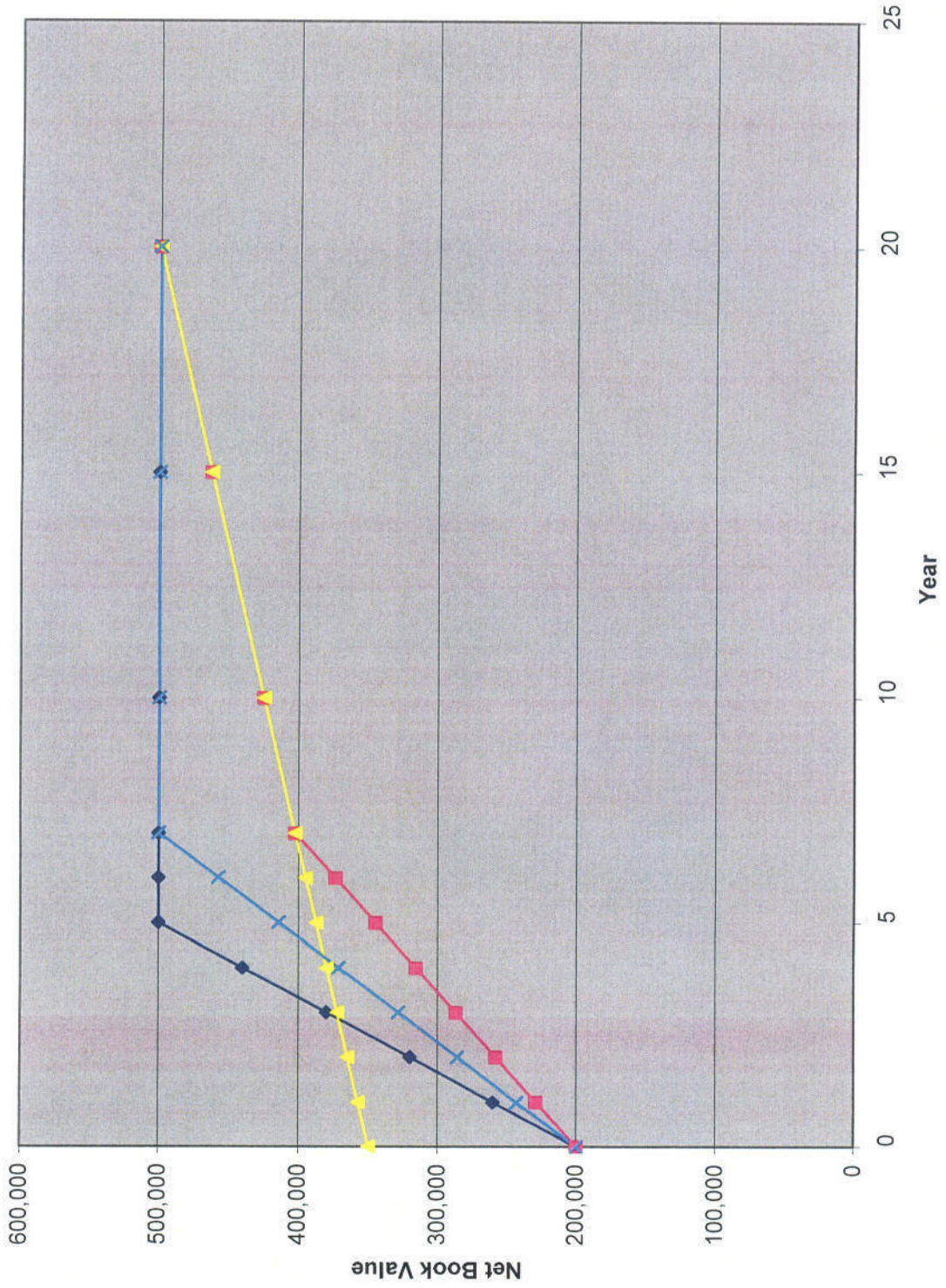
Record half of the negative acquisition adjustment and amortize over the remaining life of the assets. Record immediately.

**AUF Proposal 2**

Net Book Value	500,000	500,000	500,000	500,000	500,000	500,000	500,000	500,000	500,000	500,000	500,000	500,000	500,000	500,000	500,000	500,000	500,000	500,000	500,000
Neg AA	(300,000)	(300,000)	(300,000)	(300,000)	(300,000)	(300,000)	(300,000)	(300,000)	(300,000)	(300,000)	(300,000)	(300,000)	(300,000)	(300,000)	(300,000)	(300,000)	(300,000)	(300,000)	(300,000)
7 yr amort	0	42,857	85,714	128,571	171,429	214,286	257,143	300,000	300,000	300,000	300,000	300,000	300,000	300,000	300,000	300,000	300,000	300,000	300,000
Net Book Value	<b>200,000</b>	242,857	285,714	<b>328,571</b>	371,429	<b>414,286</b>	457,143	<b>500,000</b>	500,000	<b>500,000</b>	500,000	<b>500,000</b>	500,000	<b>500,000</b>	500,000	<b>500,000</b>	500,000	<b>500,000</b>	500,000

Record the full negative acquisition adjustment and amortize over 7 years.

Purchase Price \$100,000 (Assume No Asset Depreciation 7+Life)



- ◆ Current Rule
- Staff Proposal
- ▲ AUF 1
- × AUF 2

Purchase Price \$100,000 (Assume asset depreciation)

Revised 3/30/10

Year 0 1 2 3 4 5 6 7 10 15 20

**Current Rule**

Net Book Value	500,000	480,000	460,000	440,000	420,000	400,000	380,000	360,000	300,000	200,000	100,000
Neg AA	(300,000)	(300,000)	(300,000)	(300,000)	(300,000)	(300,000)	(300,000)	(300,000)	(300,000)	(300,000)	(300,000)
5 yr amort	0	60,000	120,000	180,000	240,000	300,000	300,000	300,000	300,000	300,000	300,000
Net Book Value	200,000	240,000	280,000	320,000	360,000	400,000	380,000	360,000	300,000	200,000	100,000

Record the full negative acquisition adjustment and amortize over 5 years.

**Staff proposal if purchase price is 50% of net book value or less**

Net Book Value	500,000	480,000	460,000	440,000	420,000	400,000	380,000	360,000	300,000	200,000	100,000
1/2 Neg AA	(150,000)	(150,000)	(150,000)	(150,000)	(150,000)	(150,000)	(150,000)	(150,000)	(150,000)	(150,000)	(150,000)
7 yr amort	0	21,429	42,857	64,286	85,714	107,143	128,571	150,000	150,000	150,000	150,000
1/2 Neg AA	(150,000)	(150,000)	(150,000)	(150,000)	(150,000)	(150,000)	(150,000)	(150,000)	(150,000)	(150,000)	(150,000)
20 yr amort	0	7,500	15,000	22,500	30,000	37,500	45,000	52,500	75,000	112,500	150,000
Net Book Value	200,000	208,929	217,857	226,786	235,714	244,643	253,571	262,500	225,000	162,500	100,000

Record the full negative acquisition adjustment and amortize 1/2 over 7 years and 1/2 over the remaining life of the assets.

**AUF Proposal 1**

Net Book Value	500,000	480,000	460,000	440,000	420,000	400,000	380,000	360,000	300,000	200,000	100,000
1/2 Neg AA	(150,000)	(150,000)	(150,000)	(150,000)	(150,000)	(150,000)	(150,000)	(150,000)	(150,000)	(150,000)	(150,000)
20 yr amort	0	7,500	15,000	22,500	30,000	37,500	45,000	52,500	75,000	112,500	150,000
Net Book Value	350,000	337,500	325,000	312,500	300,000	287,500	275,000	262,500	225,000	162,500	100,000

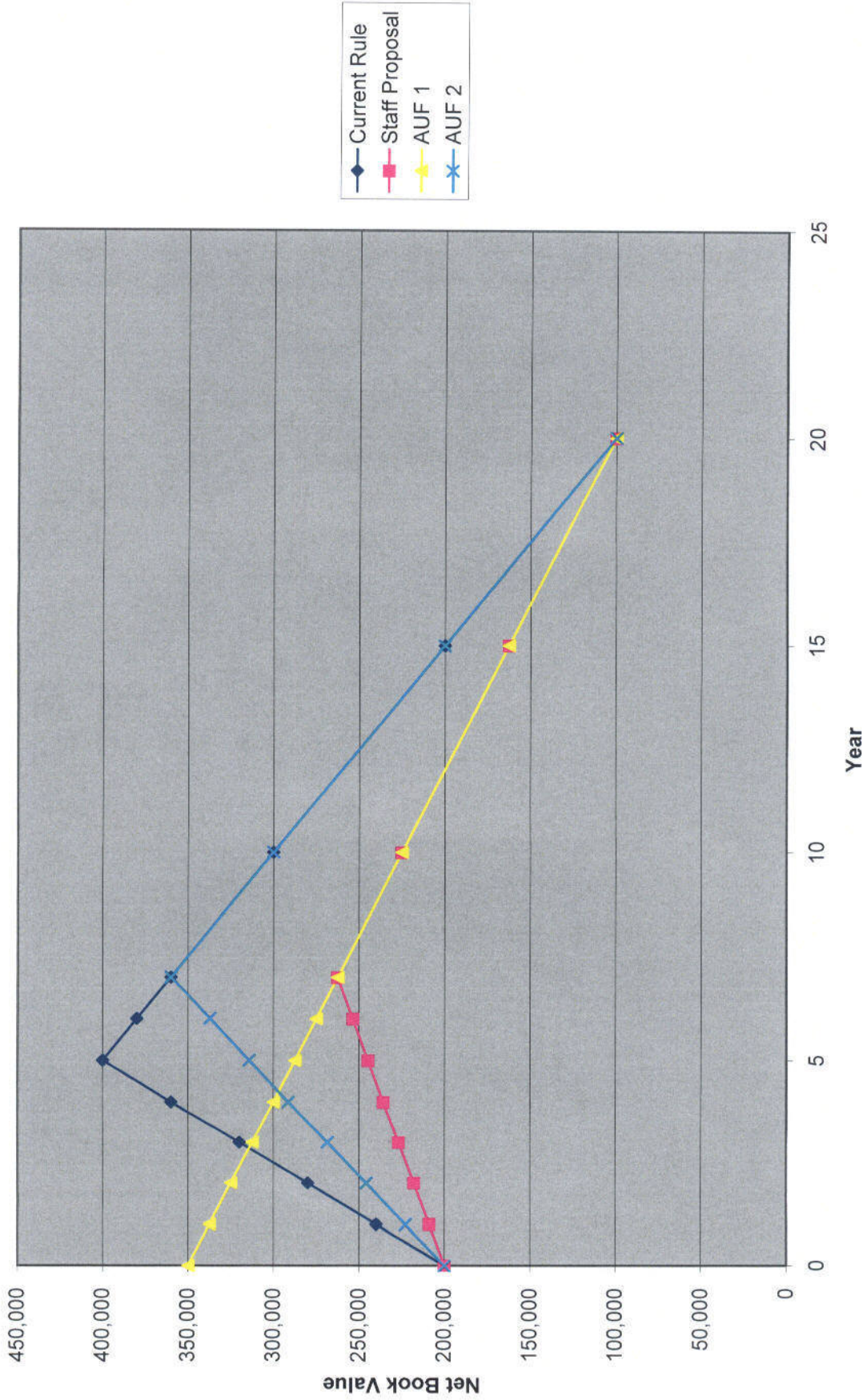
Record half of the negative acquisition adjustment and amortize over the remaining life of the assets. Record immediately.

**AUF Proposal 2**

Net Book Value	500,000	480,000	460,000	440,000	420,000	400,000	380,000	360,000	300,000	200,000	100,000
Neg AA	(300,000)	(300,000)	(300,000)	(300,000)	(300,000)	(300,000)	(300,000)	(300,000)	(300,000)	(300,000)	(300,000)
7 yr amort	0	42,857	85,714	128,571	171,429	214,286	257,143	300,000	300,000	300,000	300,000
Net Book Value	200,000	222,857	245,714	268,571	291,429	314,286	337,143	360,000	300,000	200,000	100,000

Record the full negative acquisition adjustment and amortize over 7 years.

Purchase Price \$100,000 (Assume Asset Depreciation 7+Life)



Purchase Price \$300,000 (Assume no asset depreciation)

Revised 3/30/10

Year 0 1 2 3 4 5 6 7 10 15 20

Current Rule

Net Book Value	500,000	500,000	500,000	500,000	500,000	500,000	500,000	500,000	500,000	500,000	500,000	500,000	500,000	500,000	500,000
Neg AA	(100,000)	(100,000)	(100,000)	(100,000)	(100,000)	(100,000)	(100,000)	(100,000)	(100,000)	(100,000)	(100,000)	(100,000)	(100,000)	(100,000)	(100,000)
5 yr amort	0	20,000	40,000	60,000	80,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000
Net Book Value	<b>400,000</b>	420,000	440,000	<b>460,000</b>	480,000	<b>500,000</b>	500,000	<b>500,000</b>	500,000	<b>500,000</b>	500,000	<b>500,000</b>	500,000	<b>500,000</b>	500,000

Record the full negative acquisition adjustment and amortize over 5 years.

Staff proposal if purchase price is greater than 50% and less than 80% of net book value

Net Book Value	500,000	500,000	500,000	500,000	500,000	500,000	500,000	500,000	500,000	500,000	500,000	500,000	500,000	500,000	500,000
Neg AA	(100,000)	(100,000)	(100,000)	(100,000)	(100,000)	(100,000)	(100,000)	(100,000)	(100,000)	(100,000)	(100,000)	(100,000)	(100,000)	(100,000)	(100,000)
7 yr amort	0	14,286	28,571	42,857	57,143	71,429	85,714	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000
Net Book Value	<b>400,000</b>	414,286	428,571	<b>442,857</b>	457,143	<b>471,429</b>	485,714	<b>500,000</b>	500,000	<b>500,000</b>	500,000	<b>500,000</b>	500,000	<b>500,000</b>	500,000

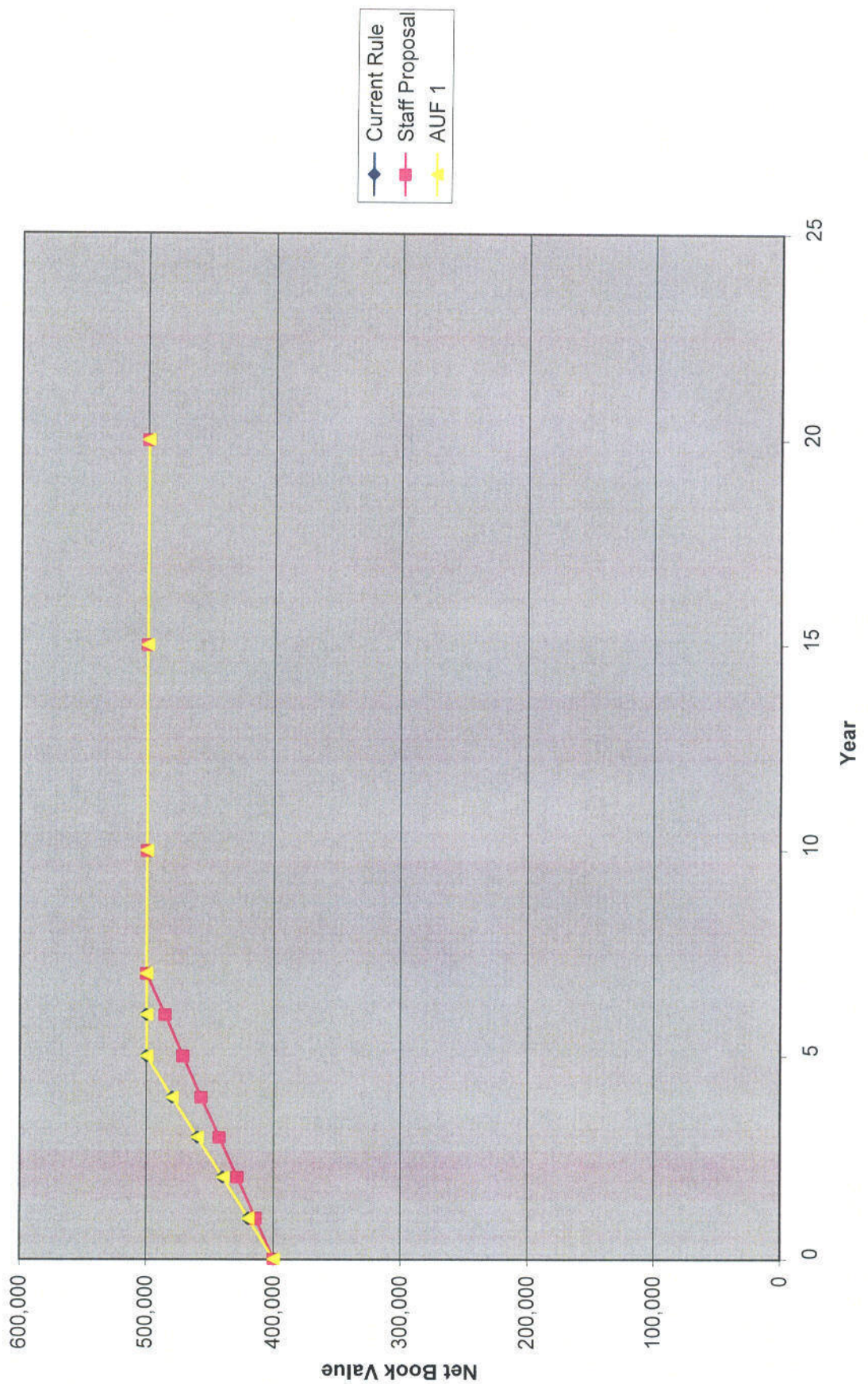
Record the full negative acquisition adjustment and amortize over 7 years.

AUF Proposal 1

Net Book Value	500,000	500,000	500,000	500,000	500,000	500,000	500,000	500,000	500,000	500,000	500,000	500,000	500,000	500,000	500,000
Neg AA	(100,000)	(100,000)	(100,000)	(100,000)	(100,000)	(100,000)	(100,000)	(100,000)	(100,000)	(100,000)	(100,000)	(100,000)	(100,000)	(100,000)	(100,000)
5 yr amort	0	20,000	40,000	60,000	80,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000
Net Book Value	<b>400,000</b>	420,000	440,000	<b>460,000</b>	480,000	<b>500,000</b>	500,000	<b>500,000</b>	500,000	<b>500,000</b>	500,000	<b>500,000</b>	500,000	<b>500,000</b>	500,000

Record the full negative acquisition adjustment and amortize over five years.

Purchase Price \$300,000 (Assume No Asset Depreciation 7+Life)



Purchase Price \$300,000 (Assume asset depreciation)

Revised 3/30/10

Year 0 1 2 3 4 5 6 7 10 15 20

**Current Rule**

Net Book Value	500,000	480,000	460,000	440,000	420,000	400,000	380,000	360,000	300,000	200,000	100,000	100,000
Neg AA	(100,000)	(100,000)	(100,000)	(100,000)	(100,000)	(100,000)	(100,000)	(100,000)	(100,000)	(100,000)	(100,000)	(100,000)
5 yr amort	0	20,000	40,000	60,000	80,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000
Net Book Value	400,000	400,000	400,000	400,000	400,000	400,000	380,000	360,000	300,000	200,000	100,000	100,000

Record the full negative acquisition adjustment and amortize over 5 years.

**Staff proposal if purchase price is greater than 50% and less than 80% of net book value**

Net Book Value	500,000	480,000	460,000	440,000	420,000	400,000	380,000	360,000	300,000	200,000	100,000	100,000
Neg AA	(100,000)	(100,000)	(100,000)	(100,000)	(100,000)	(100,000)	(100,000)	(100,000)	(100,000)	(100,000)	(100,000)	(100,000)
7 yr amort	0	14,286	28,571	42,857	57,143	71,429	85,714	100,000	100,000	100,000	100,000	100,000
Net Book Value	400,000	394,286	388,571	382,857	377,143	371,429	365,714	360,000	300,000	200,000	100,000	100,000

Record the full negative acquisition adjustment and amortize over 7 years.

**AUF Proposal 1**

Net Book Value	500,000	480,000	460,000	440,000	420,000	400,000	380,000	360,000	300,000	200,000	100,000	100,000
Neg AA	(100,000)	(100,000)	(100,000)	(100,000)	(100,000)	(100,000)	(100,000)	(100,000)	(100,000)	(100,000)	(100,000)	(100,000)
5 yr amort	0	20,000	40,000	60,000	80,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000
Net Book Value	400,000	400,000	400,000	400,000	400,000	400,000	380,000	360,000	300,000	200,000	100,000	100,000

Record the full negative acquisition adjustment and amortize over five years.



Purchase Price \$300,000 (Assume Asset Depreciation)

