

Fresh-Start

Implementing the plan
of reorganization and
revaluing your business



Fresh-Start overview

Recording the emergence from bankruptcy is one of the most complex and demanding accounting challenges an organization may face. It places significant demands on an organization's management team to deal with the equivalent of a year-end close upon emergence, account for restructuring of legal entities, adopt the requirements of FASB Accounting Codification 852 "Reorganizations" (ASC 852) and establish the opening balance sheet of the successor organization. Understanding the bankruptcy process and the related technical accounting requirements, determining the fair value of all the assets and liabilities of a business enterprise, and pushing the results down to

every legal entity can be an enormous burden on financial, operational and systems management and their supporting teams. Completing the process as quickly as possible will allow management to move forward and focus on the operations of the newly reorganized business.

The Fresh-Start process necessitates two significant accounting events — recording the effects of a Plan of Reorganization and the revaluation of both assets and liabilities for debtors and non-debtors alike. These events are also typically coupled with a significant amount of merger and restructuring activity. Each event must be completed in accordance with accounting requirements.

	Closing balance sheet prior to confirmation date	Transactions required to record the effects of plan upon emergence from Chapter 11	Record the impact of Fresh-Start reporting requirements	
	Old Company	Plan	Fresh-Start	New Company
Assets (in 000's)	\$2,000	(\$50)	\$200	\$2,150
Liabilities (in 000's)	\$3,000	(\$1,500)		\$1,500
Equity (in 000's)	(\$1,000)	\$1,450	\$200	\$650



How we can help

The Deloitte Corporate Restructuring Group (Deloitte CRG) and professionals from across Deloitte are leaders in helping companies implement Fresh-Start accounting. Our team is “on the ground” with our clients bringing specialists in bankruptcy, accounting and valuation, IT and Tax. Deloitte’s professionals have significant experience managing this event in some of the largest corporate bankruptcies in U.S. history. From planning to systems readiness, to implementation and validation. Deloitte can help companies from start to “Fresh-Start” through the following phases:

Planning

Accounting

- Understand the requirements and coordinate activities and processes to determine accounting efforts around the Fresh-Start event, including implementing the Plan of Reorganization and revaluing the entity’s assets and liabilities

Bankruptcy

- Understand how to manage the process for reconciling and allocating Liabilities Subject to Compromise throughout the bankruptcy and beyond to help limit future impact in the financial statements

Valuation

- Streamline management’s responsibility to gather information and revalue the balance sheet as well as the requirements of reconciling the revalued assets to the Enterprise Value

Systems

- Establish a process to facilitate an additional year-end closing within a fiscal year and coordinate various subsystem updates

Tax

- Determine the implications of a restructuring and develop tax strategies to help minimize costs to the company

Implementation

Accounting

- Assist in determining the appropriate accounting for:
 - Creditor recoveries and other effects of the Plan of Reorganization
 - Revalued assets and liabilities resulting from the valuation process
- Develop financial statement disclosures

Bankruptcy

- Assess the Plan of Reorganization to determine all economic events to be accounted for
- Determine distributions and gains resulting from the Plan of Reorganization

Valuation

- Value assets and liabilities as of the Fresh-Start reporting date and provide to accounting advice
- Allocate the revalued balance sheet in accordance with FASB ASC 805 and push down to legal entities

Systems

- Assist in determining and validating system-related activities necessary to record the Plan of Reorganization events and balance sheet revaluations

Tax

- Assist in the quantification and recording of the tax impact to the appropriate legal entities

Contact us

For more information, please email us at DeloitteCRG@deloitte.com or visit us at www.deloitte.com/us/crg.



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