



5x5 series: Insights and actions

Fresh Start accounting services



Recording the emergence from bankruptcy is a complex and demanding accounting challenge. Understanding the chapter 11 reorganization process and the related technical accounting requirements can be overwhelming to many management teams. Completing the process efficiently can help management to move forward and focus on the operations of the newly reorganized business.

5 insights you should know

Understanding the many requirements, activities, and processes associated with the implementation of a plan of reorganization (“plan”) and revaluing the entity’s assets and liabilities is critical to a successful outcome.

The plan effective date, critical to determining the Fresh Start reporting date, is **not always in the company’s control**.

The revaluation efforts associated with Fresh Start accounting impacts all of the entities within a company’s consolidated US GAAP financial statements.

Diversity exists regarding the availability of a measurement period for Fresh Start accounting.

Implementing Fresh Start accounting allows a company to change its accounting policies.

5 actions to take now

1

Define the requirements and key considerations for Fresh Start accounting and develop a detailed project plan. Design and test processes, tools, systems, and controls to implement fresh-start accounting.

2

Plan early. Consider procedures required to perform an accounting close in the middle of a reporting period (e.g., mid-month, mid-quarter, mid-week).

3

Identify stakeholders (e.g., tax, financial reporting, auditors, etc.) that will be impacted by the revaluation event. Plan appropriately in order to deliver the required valuation information to all of these stakeholders.

4

Start early and understand your auditor’s perspective. Commence the revaluation exercise using information as of a preliminary date, to be updated as of the Fresh Start reporting date.

5

Evaluate existing accounting policies and consider prospective impacts to take advantage of the ability to change accounting policies.

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