

# Acquired In-Process Research & Development

MAXIMIZING VALUE THROUGH KNOWLEDGE™

Mergers and acquisition pace is rapid in the high technology sector. Because most high tech companies have a high percentage of their value in intangibles such as in-process research and development (R&D), acquisitions are often at a high premium to book value. ASC 805 has recently changed the manner in which acquired in-process R&D is accounted for in a business combinations. Instead of being expensed immediately, in-process R&D is valued and recorded as an acquired asset.

Valuation of these intangibles requires a thorough knowledge of the R&D process and the technological environment in which a particular company operates. Technical know-how is needed to judge the feasibility of the technology and potential alternative uses. Financial and marketing expertise are necessary to project reasonable cash flow streams from potential contributions that R&D projects represent to future products.

Knowledge of the regulatory environment is also crucial to the valuation of intangibles such as in-process R&D. Our staff includes engineers, accountants, financial analysts, and attorneys who focus only on valuation issues. Our high tech industry experience, engineering, business valuation, and merger and acquisition advisory practices help us better understand the context of intangible valuation.