

**PROFESSIONAL ACCOUNTING CENTRE (PAC)  
2024 INVITED CONFERENCE**

**FORWARD-LOOKING ESTIMATES &  
VALUATION ISSUES  
IN ACCOUNTING**

**June 21, 2024. In-person**

Room L1220 Innovation Complex  
University of Toronto Mississauga (UTM), Mississauga, Ontario

*PAC is pleased to acknowledge funding for this conference from CPA Ontario*  
**And support from**  
The Department of Management &  
The Institute for Management & Innovation

**AGENDA**

**8:00 Registration, coffee & pastries**

**8:50 Opening Remarks**

The increasing use of forward-looking estimates and the application of increasingly sophisticated technology to professional accounting activities presents complex risks and opportunities that must be sufficiently understood to protect those who rely on the profession, and those who are or who aspire to be part of it. Exploring challenges such as these is the purpose of the Professional Accounting Centre, and the reason for this conference.

Leonard J. Brooks, Director, Professional Accounting Centre  
Craig Smith, EVP, Member & Student Services, CPA Ontario  
Dushyant Vyas, Professor, Department of Management, UTM

**9:10 Stephen Ryan,  
Vincent C. Ross Professor of Accounting,  
New York University**

***The Effect of the Current Expected Credit Loss Approach on Banks' Lending during Stress Periods: Evidence from the COVID-19 Recession***

*In the wake of the financial crisis, policymakers expressed the concern that the incurred loss model delays loan loss recognition to economic stress periods and thereby exacerbates banks' lending contraction during these periods. Addressing this concern, the FASB issued Accounting Standards Update 2016-13, which requires large public banks to accrue for loan losses using the current expected credit loss (CECL) approach starting in January 2020. We hypothesize and find that banks that adopted CECL prior to the COVID-19 pandemic increased loan loss provisions and reduced loan growth during the accompanying recession more than other banks. The lending contraction is stronger for adopting banks with low regulatory capital and low loan impairment and is primarily driven by commercial loans. Lastly, we find that counties in which CECL-adopting banks have higher market share experience larger increases in unemployment rates during the recession and slower subsequent recoveries.*

Stephen G. Ryan is the Vincent C. Ross Professor of Accounting at New York



University's Stern School of Business. His primary research areas include accounting measurement, accounting-based valuation and risk assessment, and financial reporting by financial institutions and for financial instruments. Professor Ryan has published in numerous journals including *The Accounting Review*, *Journal of Accounting and Economics*, *Journal of Accounting Research*, *Management Science*, and the *Review of Accounting Studies*. He is also the author of *Financial Instruments and Institutions: Accounting and Disclosure Rules*, second edition (John Wiley & Sons, 2007).

Professor Ryan served on the Financial Accounting Standards Advisory Council, the advisory body for the Financial Accounting Standards Board, from 2000-2003. He served on the Federal Reserve Bank of New York's Financial Advisory Roundtable from 2012-2018.

Professor Ryan's served as an editor of the Review of Accounting Studies from 2006-2011 and as a guest editor for the Journal of Accounting Research from 2015-2018. He currently serves on the editorial boards of the Journal of Accounting and Economics and Review of Accounting Studies. He received his Bachelor of Arts in economics and philosophy from Dartmouth College and his Doctor of Philosophy in business from Stanford University

**There will be an opportunity to share your views.**

**10:00 Break**

**10:10 Wayne Landsman,  
KPMG Distinguished Professor of Accounting,  
University of North Carolina at Chapel Hill**

### ***Value Relevance of Acquired Intangible Assets***

*This paper investigates the value-, cash flow-, and risk relevance of acquired intangible assets beyond the acquisition date using a comprehensive sample for 2,511 publicly-listed US-firms from 2002 to 2018. This sample allows us to assign acquired intangible assets into their respective economic lifetimes (i.e., definite vs indefinite useful lives) and into different classes (e.g., tech-, customer-, contract-, and marketing-intangible assets) to test their relevance for equity investors and cash flow forecasting. We predict and find positive associations for most intangible assets, however with different economic significance. Definite intangible assets are more relevant than indefinite intangibles, especially in comparison to the goodwill. Moreover, results underline that acquired intangible assets also have a different information set than the goodwill. In particular, tech intangible assets are priced by equity investors and are highly relevant for cash flow forecasting. Moreover, acquired intangible assets are also relevant for assessing equity risk. These and additional results aid firms and their equity investors' understanding of the economic impact of intangible assets, and are potentially relevant to standard setters as they consider a proposal to subsume several intangible assets into goodwill.*



Wayne Landsman is the KPMG Distinguished Professor of Accounting at the Kenan-Flagler Business School, the University of North Carolina at Chapel Hill. He served as the Associate Dean of the School's Ph.D. Programs (2001-2016), and as accounting area chairman (1991-1998). He has published over seventy articles in academic and professional journals, including *The Accounting Review*, the *Journal of Accounting Research*, the *Journal of Accounting and Economics*, *Review of Accounting Studies*, the *Journal of Financial Economics*, the *Journal of Finance*, and *Management Science*. Several of his scholarly

papers have received recognition from the American Accounting Association, including the Notable Contribution Award (2012 and 2020), the Deloitte Foundation Wildman Medal Award (1985 and 2016), and the AAA Financial Accounting and Reporting Section (FARS) Best Paper Award (2000, 2008, and 2014). Professor Landsman also received the 2014 AAA Outstanding Educator Award. He received the title of *Doctor Honoris Causa* from the Babeş-Bolyai University in Cluj-Napoca, Romania in 2023. Professor Landsman serves on editorial boards of numerous journals, and was an editor of *The Accounting Review* 2017-2020. He has also served as a member of the US Financial Accounting Standards Board Advisory Council, and as a consultant to the US Securities and Exchange Commission.

**There will be an opportunity to share your views.**

**11:00 Break**

**11:10 Emily Griffith,  
Associate Professor, Robert and Monica Beyer Professor in Accounting,  
University of Wisconsin-Madison**

### ***Specialists' Evidence, Evaluation and Judgements in Audits***

*While valuation specialists employed by public accounting firms primarily prepare valuations for advisory clients, they also play an important role evaluating components of valuations for audit clients. This sets the stage for questions about the extent and impact of specialists' psychological ownership of their audit work. We conduct a survey and an experiment to investigate specialists' ownership of their audit work and its effects on specialists' evidence evaluation and judgments. In the survey, we provide insight into specialists' ownership levels and contributing factors, which vary across specialists' experiences. In the experiment, we vary specialists' psychological ownership of their audit work and whether auditor behavior infringes*

*upon specialists' audit work. We predict and find that specialists with higher psychological ownership identify more contradictions during their evidence evaluation and make more evidence-informed judgments, but only when auditors do not infringe on the specialists' work. These outcomes are a necessary precursor to auditors' effective use of valuation specialists, and our study suggests the success of targeting specialists' psychological ownership to achieve these outcomes is contingent upon auditors' behavior.*

Emily Griffith is an Associate Professor and the Robert and Monica Beyer Professor in Accounting at the University of Wisconsin-Madison, where she teaches auditing at the undergraduate and graduate levels, as well as a doctoral seminar on behavioral research. Emily received her Ph.D. from the University of Georgia in 2014. She is also a graduate of Texas A&M University, a certified public accountant in the state of Texas, and a member of the inaugural class of the AICPA Accounting Doctoral



Scholars Program. Emily's research focuses on auditor judgments about complex estimates and the use of specialists in auditing. Her work examines factors and interventions that help auditors combine information from diverse sources to identify problems within estimates. Her work has been published in *The Accounting Review*, *Journal of Accounting Research*, *Contemporary Accounting Research*, *Review of Accounting Studies*, *Accounting, Organizations & Society*, and *Auditing: A Journal of Practice & Theory*. To learn more about her research, please visit:

<https://business.wisc.edu/directory/profile/emily-griffith/>

**There will be an opportunity to share your views.**

**12:00 Lunch in the UTM Room (Room 3140 in the Davis Building)**

**12:40 Practitioner Keynote (In the UTM Room)**

*Valuation Issues in Accounting: A practitioner's perspective*

**PJ Patel, Co-CEO, Valuation Research Corporation (VRC), New York**

*This presentation will cover the evolution of valuation practices over the past 25 years, current methodologies, and future trends. Topics include best practices from leading working groups, case studies on goodwill impairment, and critical thoughts on the relevance and reliability of current accounting approaches. Attendees will gain a deeper understanding of fair value measurement, the impact of intangible assets, and the role of technology in the future of*

*valuation. Interactive discussions are encouraged throughout the session. Key highlights will include:*

- *Overview of past, present, and future valuation practices*
- *Insights and developments from industry working groups and best practice guides*
- *Detailed case studies*
- *Exploration of the impact of intangible assets on financial statements*
- *The future of financial statements and disclosures with a focus on fair value.*



PJ Patel is co-CEO and a member of VRC's board of directors. PJ leads the firm's financial reporting practice, and the global valuation services of our international network, Valuation Research Group, in addition to other strategic growth initiatives and relationships for VRC, as the U.S.-based partner of the globally focused group.

Mr. Patel frequently presents on valuation issues relating to ASC 805, ASC 350/360, and ASC 820. In addition, he has been on the Fair Value panel at the AICPA SEC Conference. He is often quoted in the press regarding valuation issues.

Mr. Patel has over 25 years of financial and valuation advisory experience focusing on financial reporting and tax assignments for public companies, private equity firms, and their portfolio companies. He has worked with well-known firms such as The Carlyle Group, Mondelez, PepsiCo, AmerisourceBergen, and Quest Diagnostics.

He specializes in the valuation of business enterprises and their underlying intangible assets, including brands, trademarks, patents, customer contracts and relationships, software, and IPR&D. Mr. Patel also values businesses and IP for tax reporting and financing purposes.

Professional Affiliation Committees:

- Chair and active member of the Appraisal Issues Task Force (AITF)
- Member of the Appraisal Foundation's Business Valuation Resource Panel and Working Group, which prepared the 2016 industry Practice Aid for valuing customer-related intangible assets
- Member of the American Society of Appraisers Business Valuation Committee
- Former Member of the Appraisal Foundation, Business Valuation Resource Panel
- Former Member of the LES committee preparing best practices on IP valuation

## 1:30 Standard Setting Keynote Presentation (*Room L1220*)

### *Forward Looking Estimates and Valuation Problems in Accounting: A FASB Board Member Perspective*

**Fred Cannon,  
Board Member,  
Financial Accounting Standards Board**

Frederick L. (Fred) Cannon joined the Financial Accounting Standards Board (FASB) on



July 1, 2021. His first term concludes June 30, 2026, and he is eligible to be considered for reappointment to a second term. Mr. Cannon brings to the Board a deep understanding of financial services and a strong user perspective. An accomplished economist and financial analyst, he has almost 40 years of experience in diverse roles with a strong focus on research, equity strategy, investor relations, and corporate communications.

Prior to joining the FASB, Mr. Cannon served as director of research and chief equity strategist for Keefe, Bruyette & Woods, Inc., a subsidiary of Stifel Financial (NYSE: SF). He joined the firm in 2003 as vice president and was later promoted to senior vice president and

managing director before attaining his most recent position.

He began his career as an economist with Bank of America Corporation, steadily rising to positions of increased responsibility. In 1998, he joined Golden State Bancorp as executive vice president and director of investor relations and corporate communications.

Often quoted in the financial press, Mr. Cannon was also a regular guest on CNBC, Bloomberg Television, as well as other national radio and broadcast television outlets. Additionally, he served as a member of the FASB transition resource group for the current expected credit losses (CECL) standard. Mr. Cannon holds a Master of Science, Agricultural Economics, from Cornell University and is a chartered financial analyst (CFA). Mr. Cannon is currently a member of the CFA Institute

**There will be an opportunity to share your views.**

**2:20 Break**

**2:30 *Theoretical Perspectives on Valuations and Forward-Looking Estimates***

**Haresh Sapra,  
Charles T. Horngren Professor of Accounting,  
University of Chicago**

*Accounting is relevant only because we live in an imperfect world, where firms' insiders are better informed than outsiders, markets are not always fully liquid, incentives may be distorted and. I will argue that when we debate issues regarding accounting, it is important to be clear on the nature and consequences of the imperfections. I will illustrate several trade-offs that standard setters face in improving transparency via fair value accounting and CECL and how accounting standards should be designed given those trade-offs.*

Haresh Sapra is the Charles T. Horngren Professor of Accounting at the University of Chicago. He studies the real effects of accounting measurement policies, disclosure regulation, and corporate governance. His current research deals with issues of disclosure, transparency and financial reporting for financial institutions. For example, how do accounting measurement rules impact the optimal design of prudential regulation for financial institutions? To what extent should accounting and prudential regulation be linked? What is the impact of loan loss provisioning models on banks' risk-taking behaviour? Sapra earned a PhD in Business Administration in 2000 from the University of Minnesota and then joined the Chicago Booth faculty in 2000.



Sapra is an accomplished runner who has competed in over thirty marathons with a personal best time of 2:53:06. He is an Abbott World Marathon Majors 6-star finisher.

**There will be an opportunity to share your views.**

**3:20 Break**

**3:30 Practitioner and Regulator Panel**



*Forward-looking Estimates & Valuation Problems Facing  
Regulators & Practitioners*

**Wayne Landsman, KPMG Distinguished Professor of Accounting,  
the University of North Carolina at Chapel Hill**

**Scott Taub, Managing Director, Financial Reporting Advisors**

**Sandeep Patkar, Partner, KPMG**

**Alex Cheong, Director, Inspections,  
Canadian Public Accountability Board**

*Panelists will comment on the challenges facing regulators and practitioners when making and disclosing forward looking accounting estimates and valuations, including:*

- *The major problems or challenges they face now, or they foresee.*
- *Interesting examples*
- *Possible solutions*
- *Areas of research they believe could be helpful.*

*Value Relevance of Acquired Intangible Assets – An Overview*

**Wayne Landesman KPMG Distinguished Professor of Accounting,  
the University of North Carolina at Chapel Hill**

Professor Landesman's bio is included above.

*Forward-looking Estimates & Valuation Problems in Accounting*

**Scott Taub, Managing Director, Financial Reporting Advisors LLC**

Scott A. Taub is a Managing Director of Financial Reporting Advisors, LLC (FRA).



Based in Chicago, Illinois, FRA provides consulting services related to accounting and SEC reporting. FRA specializes in applying generally accepted accounting principles to complex business transactions, offering clients an unbiased assessment of the accounting literature as applied to their situation. Mr. Taub has been a member of many professional committees including the

FASB's Valuation Resource Group, the IFRS Interpretations Committee (IFRIC) and the FASB/IASB Joint Transition Resource Group for Revenue Recognition.

Mr. Taub spent 6 ½ years as a Professional Accounting Fellow, Deputy Chief Accountant, and Acting Chief Accountant at the Securities and Exchange Commission (SEC). He played a key role in the implementation of the Sarbanes-Oxley Act, and was responsible for the day-to-day operations of the Office of the Chief Accountant, including resolution of accounting and auditing practice issues, rulemaking, oversight of private sector standard-setting efforts, and regulation of auditors. Mr. Taub represented the SEC before accounting standard-setters, the US Congress, and many other bodies. He also chaired the accounting committee of the International Organization of Securities Commissions (IOSCO).

Mr. Taub also spent 3 years in Arthur Andersen's Professional Standards Group, consulting with clients and developing interpretive guidance for Andersen on a wide variety of accounting and reporting issues. He spent the first seven years of his career in the audit practice in the firm's Detroit office serving publicly held and privately owned companies in a variety of industries.

Mr. Taub is the author of CCH's Revenue Recognition Guide, a 600-page comprehensive guide to accounting for revenue recognition, and a co-author of CCH's Financial Instruments guide. He was the primary author of several SEC reports and publications, including several reports to Congress, and wrote a periodic column for Compliance Week on financial reporting developments for nine years.

Mr. Taub attended the University of Michigan in Ann Arbor, where he received an undergraduate degree in economics in 1990.

## *Forward Looking Estimates and Valuation Challenges*

### **Sandeep Patkar, Partner, KPMG**



Sandeep Patkar is a Partner in KPMG Canada. He focuses on audit and accounting advisory services particularly in KPMG's Financial Services practice and is part of Department of Professional Practice. Sandeep is a member of KPMG Canada's Financial instruments Topic Team and also a designated Financial Instruments and Derivatives Resource for KPMG Canada.

Sandeep is a Chartered Professional Accountant (CPA, CA - Ontario), Chartered Professional Accountant (Colorado State), Chartered Financial Analyst (CFA), Financial Risk Manager (GARP) and Chartered Accountant (India).

Sandeep's experience includes:

- Accounting assist and audit of IFRS 9 implementation, including assessment of impairment models at large Canadian banks. He is involved in walkthroughs, control testing, model vetting with impairment modeling teams and IFRS 9 white paper reviews and assist.
- Leading audits and accounting advisory services relating to hedge accounting, including hedge designations, hedge effectiveness testing, hedge ineffectiveness measurements and assessing appropriateness of designated hedged items and hedging instruments.
- Auditing variety of valuations of financial instruments, business acquisitions, intangibles and real-estate portfolios in conjunction with KPMG valuation specialists.
- Sandeep has worked at KPMG's global IFRS technical accounting desk in London (UK) and has authored some of the KPMG's global publications on IFRS 9 financial instruments.

Sandeep is also a board member and past chairperson of Toronto Chapter of the Institute of Chartered Accountants of India.

## *Forward Looking Estimates and Valuation Problems in Accounting*

### **Alex Cheong, Director, Inspections, Canadian Public Accountability Board**

Alex is a Director of Inspections at the Canadian Public Accountability Board



("CPAB"), Canada's independent, public company audit regulator. He has over 15 years of experience in various roles in assurance, valuations and financial reporting. His current role is focused on conducting CPAB inspections and supporting CPAB's inspection teams on forward looking estimates.

Before joining CPAB, Alex held key positions such as Valuations Principal at a public accounting firm and served as the Corporate Controller and Chief Financial Officer of a publicly listed company.

Alex is a Chartered Professional Accountant (CPA), Chartered Accountant (CA), and Chartered Business Valuator (CBV). He also holds a Master of Business Administration from the University of British Columbia.

**At the conclusion of the three presentations, there will be an opportunity to share your views.**

### **5:00 Closing Remarks & Adjournment – Len Brooks & Minlei Ye**

*PAC is pleased to acknowledge funding for this conference from CPA Ontario*

*After the conference, videos and PowerPoints used will be posted on the website of the Professional Accounting Centre at <https://www.utm.utoronto.ca/pac/>*