

## REVIEW

By: Prof. Ali Veysel, PhD; Department of Accounting and Audit, Higher School of Insurance and Finance – Sofia, professional field 3.8. Economics (Accounting, Auditing and Analysis).

Regarding: Dissertation for the award of the educational and scientific degree "doctor" in the field of higher education 3. Social, Economics and Legal Sciences, professional direction 3.8. Economics, Doctoral Program "Accounting, Auditing and Analysis".

Reason for presenting the review: participation in the composition of the scientific jury for the defense of the dissertation according to Order No 198/25.04.2023 of the Rector of the Higher School of Insurance and Finance (VUZF).

Author of the dissertation: Atanas Yanev Stoyanov

Dissertation topic: "Current financial and accounting aspects of business combinations".

Scientific supervisor: Prof. Emilia Milanova, PhD

### **1. Information about the dissertation student**

The author of the dissertation is Atanas Yanev Stoyanov, a doctoral student in an independent form of study at the Department of Accounting and Auditing at VUZF, with supervisor Prof. Emilia Milanova, PhD, enrolled by order No. 430/16.12.2019 and dismissed with order 436/19.12.2022.

The PhD student has completed a Bachelor's degree in Accounting at the University of National and World Economy and a Master's degree in Accounting with a specialization in the public sector at the same university. He has over 5 years of experience as an accountant and assistant auditor.

### **2. General characteristics of the presented dissertation**

The dissertation has a volume of 241 pages, and the presentation is structured in an introduction, three chapters, a conclusion, a bibliography and appendices. The bibliographic reference includes 12 sources in Bulgarian, 201 foreign sources, 30 regulatory sources, foreign databases and other Internet sources.

The introduction presents the actuality of the topic for theory and practice. The object of the study – business combinations, and the subject – examination of

the theoretical and applied aspects of the accounting of business combinations and their presentation in the financial statements are indicated.

The purpose of the research is precisely defined – to carry out a thorough review and, on this basis, a critical analysis of some of the theoretical aspects of business combinations and the development of their regulation, as well as to define and propose solutions to overcome the identified problems in connection with the presentation them in the financial statements.

To achieve the goal of the dissertation, the following research tasks are set and completed:

- historical justification of the development of the waves of mergers and acquisitions by means of a critical review and analysis of the publications of a number of foreign authors, in the period from 1897 to 2022;
- critical analysis of the normative regulation of business combinations in the International Financial Reporting Standards (IFRS);
- analyzing the development of the legal-organizational regulation regarding mergers and acquisitions;
- detection of gaps and contradictions in the reporting of business combinations and formulation of guidelines for improving their presentation in the financial statements.

The thesis advocated by the author of the dissertation is that there are gaps and contradictions in the legislation regulating the accounting recognition, evaluation and disclosure of business combinations.

The dissertation uses appropriate research methods, which are presented in the introduction: historical approach, methods of induction and deduction, system approach, comparative analysis, synthesis, method of analogy, combinatory, factor analysis and descriptive analysis.

The limitations of the study are correctly stated:

- the International Standards for Financial Reporting are researched; the requirements of the National Accounting Standards are not analyzed;
- a review of the applicable tax legislation has not been carried out;
- the analyzed regulations and accounting standards in the dissertation are current as of December 31, 2022;
- public sector enterprises are excluded.

A significant and well-chosen volume of literary sources was used in the development of the dissertation. Very good knowledge of theoretical and

applied aspects of business combinations is demonstrated.

The separate parts of the dissertation are developed in a logical sequence. In the introduction relevance, purpose, tasks, object and subject are highlighted. The research thesis is formulated. Research methods are indicated. Limitations are presented.

The first chapter is entitled "Essence, historical development and motives for the implementation of mergers and acquisitions. Legal – organizational framework regulating mergers and acquisitions as forms of transformation of commercial companies". It examines the essential characteristics and history of mergers and acquisitions. The six waves of their historical development are presented. The characteristic features of business combinations are derived. Special attention is paid to the motives behind mergers and acquisitions. The legal and organizational issues are considered.

The second chapter – "Business combinations as an object of accounting reporting and presentation in the financial statements of enterprises" is devoted to the accounting treatment of business combinations. In this regard, the requirements for their recognition, evaluation and disclosure are presented. Current issues of fair value, goodwill measurement and non-controlling interest accounting are analyzed. Special attention is also paid to integrated reporting indicators in business combination disclosures.

In the third chapter – "Empirical research on the practical applicability of the derived guidelines for improvement of existing methods and approaches regarding the accounting presentation of business combinations in company financial statements", the practical applicability of the derived ideas for improvement of existing methods and approaches regarding the accounting presentation of business combinations. In this regard, a practical example of a business combination in the banking sector are studied – the merger of Societe Generale Expressbank AD into DSK Bank EAD.

In the conclusion, the achieved results of the research work are summarized. Opportunities to improve the accounting reporting of business combinations are suggested.

Structurally and stylistically, the dissertation is at a very good level. The individual parts of the development are logically linked. This provide an opportunity to justify and defend the research thesis. Literary sources and current legal acts have been used in good faith.

### **3. Evaluation of the obtained scientific and scientific-applied results**

The aims and objectives of the research have been achieved and are well

justified. As a result of the research, the doctoral student proposes a number of improvements in the accounting treatment of business combinations. The most important are related to the need to revise the concept of fair value and the need to amortize goodwill.

In relation to the fair value, it is argued that in the absence of a certain minimum volume of transactions, the legitimacy of the thus determined fair value is called into question. The absence of a requirement in the accounting standards to undertake an exhaustive search of all possible markets to determine the fair value is also presented as an omission. According to the author, choosing a market by referring to the most profitable one introduces a fair price specific to individual companies.

The author claims that the perception of the preservation of the value of goodwill acquired as a result of a business combination unchanged over time is extremely wrong. According to him, the goodwill acquired as a result of a business combination is not able to generate cash flows without the help of other assets. It indirectly derives from the costs incurred in connection with the enterprise's activities. Thus, its value is supported by a number of additional costs that lead to the generation of internally generated goodwill that does not meet the requirements for reporting as an asset.

In researching business combinations, the author has found that corporate restructuring takes into account how the "right" deals can improve ESG indicators (environmental, social and governance indicators). Therefore, he presents the importance of integrated accountability.

These and other analyzes and summaries clearly outline the author's ideas. They are useful for looking for solutions to improve financial reporting.

#### **4. Evaluation of scientific and applied contributions**

The author has formulated 4 contributions as follows:

- carrying out a meaningful historical review of the separate waves of mergers and acquisitions;
- proposals to eliminate some shortcomings in the concept of fair value;
- argumentation of the need for the introduction of mandatory accrual of goodwill amortization costs on a systematic basis during its useful life;
- a proposal for the inclusion of indicators for integrated reporting in the disclosures to IFRS 3 Business Combinations in their role as non-financial measures of the success of business combinations;

The contributions correspond to the content of the dissertation work and the

results of the research.

## **5. Evaluation of dissertation publications**

The doctoral student has presented 3 publications on the dissertation work. They are the following:

- Stoyanov, A. "Genesis and features of the concept of integrated accountability. Correlation dependence between integrated reporting and the COSO model", IDES Journal, no. 3, 2019
- Stoyanov, A. "Financial reporting in the conditions of the global pandemic COVID 19 - irrefutable proof of the need to transition to integrated reporting", IDES magazine, no. 4, 2020
- Stoyanov, A. "Initial recognition, evaluation and disclosure of business combinations in the company's financial statements, according to IFRS 3 Business Combinations", IDES magazine, no. 3, 2022

The publications are in a renowned scientific publication of the Institute of Chartered Certified Accountants in Bulgaria. Through them, the main contributions to the development are reflected and the research carried out by the doctoral student related to the topic of the dissertation is disseminated.

## **6. Evaluation of the abstract**

An abstract that meets the requirements is attached to the dissertation. It has a volume of 58 pages and clearly, accurately and fully reflects the content of the dissertation work.

## **7. Critical notes and recommendations**

During the discussion of the project of the dissertation work from the "Accounting and Audit" department, based on the rules of the VUZF, I had critical comments and recommendations to the project. A significant part of them are reflected by the doctoral student in the dissertation.

The claim that mandatory accrual of goodwill amortization costs should be introduced requires further investigation, including analysis of empirical data. Therefore, the dissertation student can continue his research in this direction.

## **8. Conclusion**


The dissertation contains scientific, scientific-applied and applied results, which represent an original contribution to science and meet the requirements of the Bulgarian laws. The presented materials and dissertation results correspond to the specific requirements of the VUZF.

The dissertation shows that the doctoral student Atanas Stoyanov has in-depth

theoretical knowledge and professional skills in Professional direction 3.8. Economics, demonstrating qualities and skills for independent research.

Due to the above, I give my positive assessment of the conducted research and propose to the scientific jury to award the educational and scientific degree "doctor" to Atanas Yanev Stoyanov in the field of higher education 3. Social, Economics and Legal Sciences, professional direction 3.8. Economics, Doctoral Program "Accounting, Auditing and Analysis".

May 15, 2023 / Sofia

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