



Private Equity Accounting Training

Two-day Crash Course

Detailed Agenda

DAY 1

9:00 a.m. – 9:15 a.m. Registration, Breakfast & Networking

9:15 a.m.- 10:00 a.m. Introduction to Private Equity (PE) and Private Equity Accounting

- Private Equity as part of the Alternative Asset Class
- What is PE and what distinguishes it from other asset classes?
- Open-ended vs. Closed-end funds
- Limited life vs. Ever-green funds – why does PE tend not to recycle and what are the exceptions to that rule (redrawable/recallable amounts)?
- Types of funds
- Mechanics of the PE funds
- What differentiates PE accounting from accounting for other industries and asset classes
- PE fund lifecycle and PE fund accounting processes

10:00 a.m. – 10:45 a.m. PE Fund Structures and Reading & Interpreting LPAs

- Basic structuring considerations in PE
- Limited Partnerships as a preferred legal form
- The typical plain vanilla PE structure explained - US vs. UK
- Using combination of vehicles – master-feeder structures and parallel structures
- Limited Partnership Agreement (LPA) – what clauses accountants need to be aware of

10:45 a.m. – 11:00 a.m. Mid-morning Break

11:00 a.m. – 12:00 p.m. Industry Developments & Regulation Impacting Private Equity – brief overview

- How has the PE landscape changed?
- Fund terms
- Shifting balance of power from GPs to LPs
- Growing power of the Institutional Limited Partners Association (ILPA)
- ILPA developments

- New fund structures – fund-lites (deal-by-deal, pledge accounts, etc.)
- European and US developments – brief overview

12:00 p.m. – 1:00 p.m. Private Equity accounting & investor reporting;

Topic on Demand: What to expect from and how to pick the best specialist PE system and the best fund administrator

- Choice of accounting framework/GAAP in PE
- Existing reporting framework – ILPA, IPEV IRG, etc.
- Transition from EVCA RG to IPEV IRG and comparison between ILPA Quarterly Reporting Best Practice, IPEV IRG and EVCA RG
- Capital account formats – paramount to LPs
- Sample best practice report for LPs (Topic on Demand for LPs only, delivered only if LPs are attending the course)
- Sample Operations Process Manual for LPs (Topic on Demand for LPs only, delivered only if LPs are attending the course)
- Use of specialist PE accounting & Portfolio Management Systems (PMS) to optimise reporting and minimise errors (Topic on Demand)
- What should a good specialist PE system contain? (Topic on Demand)
- Choice of fund administrator – basic standards that a good fund administrator should be able to cover (Topic on Demand)
- Value added services provided by fund administrators (Topic on Demand)

1:00 p.m. – 2:00 p.m. Lunch Break

2:00 p.m. – 3:00 p.m. The Importance of Allocations and Allocation Rules

- What are allocations and allocation rules?
- Do all GPs fully appreciate their impact on financial and investor reporting?
- What would the impact on LPs' capital accounts and NAV be if GPs get the allocations wrong?
- Why do we have different allocation rules (some examples to demonstrate the impact)
- Using Excel-based accounting vs. specialist PE systems for allocation purposes

3:00 p.m. – 4:00 p.m. Drawdowns & Distributions

- What is a capital call/drawdown and a distribution – related documents and processes
- Capital contributions vs. loan contributions (specific to UK funds)
- What should the dates of the drawdown and distribution be and what their impact is?
- Drawdown & distribution calculation
- Accounting implications/treatment for GPs/fund administrators
- Deemed contributions (topic on demand)
- Accounting implications for LPs – some LP considerations (for LPs only, delivered only if LPs are attending the course)

- Types of distributions – return of capital (RoC), income distribution, capital distributions; temporary vs. permanent distributions, redrawable/recallable amounts, outstanding commitments – GP’s and LP’s perspective
- Some LP’s considerations: Cost Recovery Method (CRM) – pros and cons; Accounting and reporting for secondary fund investments

4:00 p.m. – 4:15 p.m. Mid-afternoon Break

4:15 p.m. – 5:00 p.m. Subsequent Closings, Rebalancing & Equalisations

- What is a subsequent closing and why do we have them in PE?
- Implications for LPs
- Equalisation – nature, calculation and accounting implications
- Rebalancing – what is rebalancing, why do we have to rebalance, why is it often disregarded and what the impact on LPs’ capital accounts/NAV would be if not performed by GPs?
- Difference between rebalancing and equalisation

5:00 p.m. – 5:15 p.m. Q&A Session

5:15 p.m. Close of Day



Private Equity Accounting Training

Two-day Crash Course

Detailed Agenda

DAY 2

9:00 a.m. – 9:15 a.m. Registration, Breakfast & Networking

9:15 a.m. – 10:00 a.m. Partner Transfers – is it really just about changing the name of the investor?

- What is a Partner Transfer and why do we have them in PE?
- Accounting implications – what should happen with the different types of GL accounts?
- Is it really just about changing the name of the investor and what are the implications for the partners'/LP's capital account? – GP's and LP's perspective
- Worked example illustrating the impact on the different GP accounts and transferor and transferee capital accounts/partners' statements

10:00 a.m.- 11:00 a.m. Management Fee vs. Priority Profit Share (PPS)

- Management fee – overview
- Priority Profit Share (PPS)/General Partner's Share (GPS)/General Partner's Profit Share (GPPS) – what is it and why do we have it in the UK funds?
- Calculation of management fee/PPS – different bases of calculation, transaction and other fees and offsets/rebates against management fee/PPS, etc.
- Accounting for management fee vs. accounting for PPS – GP's and LP's perspective
- How is the PPS presentation in financial statements and capital accounts different to management fee – the GP's and LP's perspective
- [How LPs should interpret PPS in their capital accounts/partners' statements LPs \(Topic on Demand for LPs only, delivered only if LPs are attending the course\)](#)

11:00 a.m. – 11:30 a.m. Mid-morning Break

11:30 a.m. – 1:00 p.m. Carried Interest

- What is 'carried interest' – substance and legal form?
- What is a waterfall and waterfall calculation?
- Types of carried interest models/arrangements – whole-of-fund/all-contributions-first /European model, deal-by-deal (pure) and hybrids

- Mechanics of the different carried interest models
- Accounting and presentation for carry under IFRS, US GAAP and LPA GAAP – GP's and LP's perspective
- Carried interest calculation and modelling
- Carry models – best practice and examples
- [Should LPs expect carry to be presented in their capital account/partner statement provided by GP and how to estimate it if it is not presented \(Topic on Demand for LPs only, delivered only if LPs are attending the course\)](#)

1:00 p.m. – 2:00 p.m. Lunch Break

2:00 p.m. – 3:30 p.m. PE Performance Measurement, Reporting & Benchmarking

- Is it all about IRR and how bad the IRR is as a performance metric?
- Nature of the IRR – definition, formula, manual and computer calculation, etc.
- Why IRR is a preferred metric in PE?
- Important features, limitations and flaws of the IRR
- Different levels/types of IRRs – Gross IRR and Net IRR
- IRR Calculation – Gross IRR and Net IRR
- Multiples – most common multiples (PIC, DPI, RVPI, TVPI)
- Some alternatives to IRR & multiples
- Benchmarking – some dangers and best practice

3:30 p.m. – 3:45 p.m. Mid-afternoon Break

3:45 p.m. – 5:00 p.m. PE Investments & Introduction to Investment Valuations for Accountants

- Why fair value?
- Fair value definition under IFRS and US GAAP
- Basic valuation approaches
- Valuation methodologies recommended by IPEV Board
- Valuation decision tree
- Key definitions – enterprise value (EV), attributable EV, equity value, etc.
- Understanding and measuring value
- Valuing non-controlling interests
- Multiple approach – the most common approach used in PE – key issues
- Some current discussions around PE valuations – Unit of Account, using mathematical models, etc.
- [Valuing fund interests LPs \(Topic on Demand for LPs only, delivered only if LPs are attending the course\)](#)
- Accounting for investments under the recognised GAAPs (IFRS, US GAAP and LPA GAAP)

5:00 p.m. – 5:15 p.m. Q&A Session

5:15 p.m. Close of Day



Private Equity Accounting Training

Two-day Crash Course

Detailed Agenda

DAY 3 (Practical Exercises) – GP Version

9:00 a.m. – 9:15 a.m. Registration, Breakfast & Networking

9:15 a.m.- 9:45 a.m. Reviewing a sample Limited Partnership Agreement (LPA) and all the relevant/important clauses in it.

9:45 a.m. – 10:30 a.m. Expenses & Management Fees/Priority Profit Share (PPS)

- Identifying the relevant expense clauses in the LPA, definitions, scope, allocation rules, limitations and pitfalls
- Posting organisational expenses/establishment costs and partnership expenses
- Calculating management fee/PPS
- Presenting management fee and PPS in the Partners Statements – comparing the accounting treatment and presentation of the management fee to the PPS

10:30 a.m. – 11:00 a.m. Drawdown/Capital Call Calculation and Journal Postings

- Identifying the relevant (to the calculation) clauses in the LPA, different classes of partners, “skin in the game” (if any), allocation rules and any other specifics and limitations
- Running a drawdown/capital call calculation
- Drawdown journal postings and transaction types (TTs) recommended by ILPA
- Discussing drawdown notice presentation (incl. ILPA compliant templates)

11:00 a.m. – 11:15 a.m. Mid-morning Break

11:15 a.m. – 11:45 a.m. Investments - Acquisition, Investment Income and Revaluation Journal Postings

- Accounting for investments under various recognised GAAPs (US GAAP, IFRS, UK GAAP/LPA GAAP) – fair value (FV) concept, initial recognition, subsequent recognition/revaluation, journal postings

11:45 a.m. – 12:15 p.m. Equalisation - Calculation and Journal Postings

- Identifying the relevant clauses in the LPA

- Performing an equalisation calculation and posting the relevant journals

12:15 p.m. – 12:45 p.m. Rebalancing

- Reminder of why a rebalancing process needs to be run, what the triggers are in comparison to the equalisation and what the impact would be if the GP doesn't run one
- Running a rebalancing process
- Analysing the results

12:45 p.m. – 1:15 p.m. Partner Transfer/Assignment

- Reminder of what should happen with the different types of GL accounts as a result of a Partner Transfer
- Running a Partner Transfer/Assignment process
- Analysing the results and identifying errors

1:15 p.m. – 2:00 p.m. Lunch Break

2:00 p.m. – 2:30 p.m. – Divestment/Disposal of Investments and Distribution of Proceeds from the Disposal- Calculation, Allocation and Journal Postings

2:30 p.m. – 3:45 p.m. Carried Interest Modelling/Waterfall Calculation, Accounting and Presentation

- Identifying the type of carried interest model/arrangement in an LPA
- Reading and interpreting the waterfall clauses in an LPA
- Creating a carried interest model based on the same LPA
- Calculating a carry estimate based on a simplified method
- Accounting for and presentation of carried interest under various recognised GAAPs (US GAAP, IFRS, UK GAAP/LPA GAAP) (accrual and actual)

3:45 p.m. – 4:00 p.m. Mid-afternoon Break

4:00 p.m. – 4:30 p.m. PE Performance Measurement

- Calculating Gross IRR
- Calculating Net IRR including stripping carried interest where no accrual has been made
- Calculating MIRR
- Calculating Multiples
- Identifying some errors and pitfalls
- Interpreting IRRs& Multiples and benchmarking

4:30 p.m. – 5:30 p.m. putting together a Trial Balance and a set of Financial Statements, based on the information provided in the other exercises.



Private Equity Accounting Training

Two-day Crash Course

Detailed Agenda

DAY 3 (Practical Exercises) – LP Version (available only to LPs attending the course)

9:00 a.m. – 9:15 a.m. Registration, Breakfast & Networking

9:15 a.m.- 9:45 a.m. Reviewing a sample Limited Partnership Agreement (LPA) and all the relevant/important (to LPs) clauses in it.

9:45 a.m. – 10:30 a.m. Expenses & Management Fees/Priority Profit Share (PPS)

- Identifying the relevant expense clauses in the LPA, definitions, scope, allocation rules, limitations and things for LPs to be aware of and monitor
- Identifying whether an investee fund/GP has a management fee or PPS and what that means to the LPs
- Comparing the GP's accounting treatment and presentation (in the Partners Statements/capital accounts) of the management fee to the PPS

10:30 a.m. – 11:00 a.m. Commitment (Drawn and Undrawn/Outstanding) and Drawdowns/Capital Calls from the LP's Perspective

- Identifying the relevant (to the calculation) clauses in the LPA, different classes of partners, "skin in the game" (if any), allocation rules and any other specifics and limitations
- Commitments - drawn and undrawn/outstanding
- Presentation/reporting of undrawn commitment after the investment/commitment period
- Accounting treatment of drawdowns for organisational expenses/establishment costs, partnership expenses and management fee/PPS – to capitalise to the investment or to expense?
- Transaction types (TTs) recommended by ILPA
- Discussing drawdown notice presentation (incl. ILPA compliant templates)

11:00 a.m. – 11:15 a.m. Mid-morning Break

11:15 a.m. – 11:45 a.m. Fund Interests – Fair Value Reporting. Portfolio Tracking.

11:45 a.m. – 12:15 p.m. Equalisation

- Identifying the relevant clauses in the LPA
- GP's equalisation calculation – some things LPs should be aware of

12:15 p.m. – 12:45 p.m. Rebalancing

- Reminder of why a rebalancing process needs to be run, what the triggers are in comparison to the equalisation and what the impact would be on the LPs' Partner Statements/Capital Accounts if the GP doesn't run one

12:45 p.m. – 1:15 p.m. Partner Transfers/Assignments from the LP's Perspective and Secondary Investments

- Partner Transfers/Assignments for the LP as a Transferor
- Partner Transfers/Assignments for the LP as a Transferee
- Secondary Investments – some complications for LPs

1:15 p.m. – 2:00 p.m. Lunch Break

2:00 p.m. – 2:30 p.m. – Divestment/Disposal of Investments and Distribution of Proceeds from the Disposal –the LP perspective

- Tracking the different types of distributions
- Reflecting the distributions as per the Distribution Notices vs. Cost Recovery Method (CRM) – comparison

2:30 p.m. – 3:45 p.m. Carried Interest Modelling/Waterfall Calculation, Accounting and Presentation

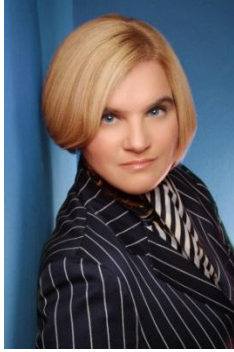
- Identifying the type of carried interest model/arrangement in an LPA
- Reading and interpreting the waterfall clauses in an LPA
- Creating a carried interest model based on the same LPA
- Calculating a carry estimate based on a simplified method – checking the investee funds'/GPs' carry calculation
- Different GPs' accounting treatments and presentations of carried interest under various recognised GAAPs (US GAAP, IFRS, UK GAAP/LPA GAAP) (accrual and actual)

3:45 p.m. – 4:00 p.m. Mid-afternoon Break

4:00 p.m. – 4:30 p.m. PE Performance Measurement

- Calculating Gross IRR
- Calculating Net IRR including stripping carried interest where no accrual has been made
- Calculating MIRR
- Calculating Multiples
- Identifying some errors and pitfalls
- Interpreting IRRs & Multiples and benchmarking

4:30 p.m. – 5:30 p.m. Putting together a best practice LP report based on a few investee funds'/GPs' quarterly reports and Partner Statements/Capital Accounts.



Speaker:

Mariya Stefanova, Partner, Private Equity Accounting Insights

Mariya Stefanova is the author of the best seller “Private Equity Accounting” (<https://www.privateequityinternational.com/peaccounting/>) published by PEI Media in October 2011 with a second book “Private Equity Accounting, Investor Valuations and Beyond” to be published by Financial Times Press in July 2014. Mariya is also a founder partner of Private Equity Accounting Insights (PEAI), a private equity training and consultancy firm, providing specialist training and technical advice to GPs, LPs and fund administrators. She has more than nine years of experience in private equity accounting and investor reporting and more than five years of experience in training during which period she has trained over 600 fund accountants and senior executives on the GP, LP and the fund administration side. PEA Group is also providing specialist PE publications such as the PEA Private Equity Technical Journal.

Previously (August 2008-September 2011) Mariya was working in the technical department of Augentius Fund Administration LLP, a premium provider of fund administration services specialised in private equity and real estate funds. She was in charge of the technical training of the client services accountants and keeping them up-to-date with the industry and accounting developments. Mariya also provided advice to clients and client-services accountants in resolving complex technical issues, as well as performing technical reviews of accounts, quarterly investors’ reports and complex calculations.

Before joining Augentius in 2008, Mariya worked for fund administrator Maurant International Finance Administration (now part of State Street) (May 2006-August 2008), looking after a portfolio of private equity clients.

Before joining Maurant in 2006, Mariya worked for Calyon, a French investment bank (October 2005-April 2006) and before Calyon she was working for Patron Capital Partners (October 2004-September 2005), a leading European opportunistic real estate manager.