



EXCERPTS OF RECENT MEDIA COVERAGE

TECHNOLOGY & LIFE SCIENCES PRACTICE

A SAMPLING OF BDO THOUGHT LEADERSHIP IN THE MEDIA FOR Q2 2014

► THE WALL STREET JOURNAL

SURVEY ROUNDUP: INTERNATIONAL EXPOSURES AN INCREASING CONCERN OF TECH COMPANIES

By Ben Dipietro

M&A Grows as Risk for Tech: A growing percentage of tech companies cite managing merger and acquisition deals and their growing international exposures as a significant risk this year, according to professional services firm **BDO USA LLP**. The firm's Technology RiskFactor Report ranks the risks most often stated in the 10-K filings of the top 100 public technology companies, and found the top concern was competition in the tech sector and its impact on pricing, followed by regulation worries.

► PCWORLD

WALL STREET BEAT: WHAT KEEPS TECH EXECS UP AT NIGHT?

By Marc Ferranti

Technology stocks are up for the year, and while high company valuations may boost compensation for some executives, it doesn't necessarily help them sleep easier

at night. In fact, those high share prices can be a cause for concern.

The pace of change in tech with the subsequent need to innovate rapidly is a major worry for leaders at tech companies, fueling mergers and acquisition activity. In turn, the high valuations involved with tech



M&A these days put a tremendous amount of pressure on company executives to make them work, according to **Aftab Jamil, leader of the technology and life sciences**

practice at BDO, the network of public accountancy firms.

"High valuations and the high profile of some of these deals increases chances for negative consequences to be more impactful," Jamil said. Absorbing a tech company is a complex task, and when the price tag for an acquisition is high, there is a great deal of scrutiny on company leaders to pull it off successfully, Jamil said...

"Failure to develop or market new products and services" was listed by 84 percent of the tech SEC filings, according to the BDO report. Meanwhile, "labor concerns" were cited in 83 percent of the filings and "ability to attract or retain key personnel" was listed in 81 percent of the filings.



BDO has been a valued business advisor to technology and life sciences companies for 100 years. The Technology & Life Sciences practice of BDO works with a wide variety of clients, ranging from multinational Fortune 500 corporations to more entrepreneurial businesses, providing a myriad of accounting, tax, consulting and other financial services.

► POLITICO

**WHAT TO WATCH TODAY:
CJS – THE BIG IDEA: FTC
AS CYBER ENFORCER
– SNOWDEN ON THE
NATURE OF A SPY – SABU:
HERO OR VILLAIN?**

By Tal Kopan

REPORT: BUSINESS MORE WORRIED THAN EVER ABOUT BREACHES – Concern among the 100 largest tech companies in the U.S. about breaches continues to skyrocket, according to a new report. “Breaches of technology security or privacy” was tied for seventh on the list of the top 25 risk factors cited by technology companies in **BDO’s 2014 Technology RiskFactor Report**. In BDO’s analysis of SEC filings of the companies, 91 percent cited breaches as a concern, up from 81 percent in 2013, 71 percent in 2012 and 57 percent in 2011. In 2009, it was cited by just 30 percent of companies.



Technology and Life Sciences Practice at BDO USA. “It will have an impact on how these companies do business and how to view certain things that they do, for example, how the pricings are getting done. There’s a new conceptual framework that this new standard offers, as opposed to tweaking the groups here and there. In some industries the impact will be a lot more impactful than perhaps the others. I deal with the technology companies most of the time, and some of those companies do expect a fair amount of change in how their practices are, both from an accounting standpoint as well as business operations.”...

Licensing will be a major issue in the software sector, with different companies realizing revenue from perpetual licenses and constant licenses, including in Software as a Service providers. “The SaaS companies always have to look into that,” said Jamil. “Beyond that with technology companies, hardware companies that sell their products through a distributor network may need to change and challenge some of the accounting that has been followed over a long period of time. In some sectors, for example, the sell-through model may no longer be applicable. A number of these hardware technology products are sold through a distributor network, so there is certainly going to be an impact on the timing of when the revenue can

be recognized and how much can be recognized.”...

Jamil sees an important role for the large firms, especially in helping clients decide how to go about making the transition. “I think the major firms, including BDO, will play a constructive role in terms of sharing our insights and guidance with our clients,” he said. “While the implementation date is 2017 or 2018, depending upon which transition method these companies adopt, there are at least three choices available. If you apply it on a full retrospective basis, then for the analysis that needs to be done in the period in which you are not officially reporting under this new GAAP, there will be a requirement for you to keep that analysis going, so when you do adopt it, if you are on a retrospective basis you can adjust your historical financials under the new guidance. From that standpoint there’s not a lot of time left for those companies to start putting in place the new controls, practices, policies and training of their internal staff, not only from the accounting side, but within the business operations side as well. How you go about doing business and how you negotiate your contracts are going to be critical in implementing the new standards as the new rule is very much based on what the contractual rights and obligations are, and when you have the disposition of those rights and obligations.”

► ACCOUNTING TODAY

**ACCOUNTING FIRMS
READY GUIDANCE
FOR NEW REVENUE
RECOGNITION STANDARDS**

By Michael Cohn

Some of the major accounting firms and the American Institute of CPAs are planning to publish materials to help accountants and companies deal with the new revenue recognition standards.

Last week, the Financial Accounting Standards Board and the International Accounting Standards Board released the long-awaited converged standards (see FASB and IASB Release Revenue Recognition Standard and Accountants Start Preparing for Newly Released Revenue Recognition Standard).

“In some sectors it will go beyond looking at the back-end accounting,” said **Aftab Jamil, a partner and leader of the**

► **INSURANCE NEWS NET**

**BDO USA REPORT:
PROTECTION OF IP AMONG
TOP PRIORITIES FOR LIFE
SCIENCES COMPANIES**

Amid uncertainties around patent protection and lawmakers putting an indefinite hold on patent reform legislation, life sciences companies are increasingly pointing to intellectual property (IP) infringement as a threat.

According to BDO USA's second annual analysis of risk factors noted in the most recent 10-K filings of the 100 largest companies on the NASDAQ Biotechnology Index by revenue, 98 percent of companies cite the protection of their intellectual property as a risk...

The *2014 BDO Life Sciences RiskFactor Report* also found that supply chain management and concerns over suppliers and vendors was the number one cited risk for life sciences companies in 2014, with every company in the sample (100 percent) noting this concern. With many life sciences companies relying on third-parties to bring their products to market and to

produce critical materials, they depend on these suppliers to comply with numerous standards and regulations, and any compliance setback can lead to disruption in production as well as exposure to product liability issues and recalls. As a result, 95 percent of companies cite significant risks related to product liability and insurance costs, while 88 percent cite product recall and complication concerns.

"Despite recent market volatility, the biotech industry is seeing positive growth and robust M&A activity," said **Ryan Starkes, partner and Life Sciences practice leader at BDO USA**. "As life sciences companies work to deliver positive shareholder return, our analysis shows they are intensely focused on protecting their IP, product integrity, and their competitive position by carefully evaluating vendor, collaboration and acquisition opportunities."



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