Part 15 of 32

Integration Finance: Managing the First 100 Days After an Acquisition

Day 1 readiness requirements, financial system integration, chart of accounts harmonization, combined company reporting, synergy tracking, and purchase price accounting mechanics

WHAT YOU WILL LEARN AND WHY IT MATTERS

The first one hundred days after an acquisition closing are the most financially demanding period in the life of a growth-stage company that has made a buy-side transaction. The Day 1 readiness requirements — ensuring the acquired business can continue operating without disruption from Day 1 — the financial systems integration, the purchase price accounting, and the synergy realization tracking all compete for the CFO's attention simultaneously, against a backdrop of an organization that is still running its core business at full speed.

Most acquisition integrations underperform their financial models — not because the strategic thesis was wrong or the due diligence was inadequate, but because the integration execution was poorly managed and the expected synergies were realized later and at lower rates than the model assumed. The CFO's integration finance discipline — the financial governance of the integration process — is one of the most direct levers available for closing the gap between the acquisition model and the actual integration outcome.

DAY 1 READINESS: THE FINANCIAL CHECKLIST

Day 1 readiness — the preparation required to ensure the acquired business can continue operating normally from the moment the acquisition closes — must begin months before the closing, not in the final days before signing. For the finance function, Day 1 readiness covers several non-negotiable operational requirements.

PAYROLL CONTINUITY: The acquired company's employees must receive their payroll on the expected schedule from Day 1, using the acquirer's payroll system or maintaining the target's payroll system through an established transition period. Payroll failure on Day 1 — one of the most common and most damaging integration errors — creates immediate employee anxiety and sets a negative tone for the entire integration. The CFO must ensure that the payroll transition has been fully planned and tested before the acquisition closes, including the transition of all payroll accounts, the re-establishment of direct deposit arrangements, and the re-enrollment of employees in benefits plans.

BANKING AND CASH MANAGEMENT: The acquired company's bank accounts, payment systems, and cash management infrastructure must be either transitioned to the acquirer's systems or maintained as parallel systems with clear protocols for intercompany cash movement. The CFO must ensure that the acquired company's vendors are paid on time from Day 1 and that the acquired company's customers can continue to make payments without disruption.

FINANCIAL REPORTING INFRASTRUCTURE: The acquired company's accounting systems must be either integrated with the acquirer's ERP or maintained as a separate system with defined interfaces to the acquirer's financial reporting. The choice between integration and maintenance depends on the complexity of the acquired company's accounting systems, the compatibility of the systems with the acquirer's ERP, and the risk tolerance of the acquirer for the disruption that system migration creates. In most cases, the right answer for the first one hundred days is to maintain the acquired company's

accounting systems as a separate, parallel system and to integrate them over a longer period — typically six to twelve months — with proper planning and testing.

PURCHASE PRICE ACCOUNTING MECHANICS

The purchase price accounting — the ASC 805 opening balance sheet adjustment that records the acquisition at fair value — must be completed within the measurement period, generally up to one year from the acquisition date. This accounting work is one of the CFO's primary financial governance deliverables in the first several months after closing, and it requires engagement with valuation specialists, tax advisors, and the external auditors.

THE OPENING BALANCE SHEET ADJUSTMENT: The opening balance sheet adjustment records the acquisition at the fair value of the consideration transferred and allocates that value to the fair value of the identifiable assets acquired and liabilities assumed. The most complex and consequential elements of this allocation are the intangible assets — the customer relationships, developed technology, trade names, and non-compete agreements that must be separately identified and valued even if they were not on the target's balance sheet. Each identified intangible asset has a useful life assigned to it, and the amortization of these intangible assets will be a significant income statement charge for several years following the acquisition.

THE GOODWILL CALCULATION: The goodwill recognized in the acquisition — the excess of the purchase price over the fair value of the net identifiable assets — must be calculated precisely and allocated to the reporting unit that will benefit from the acquisition for goodwill impairment testing purposes. Goodwill is not amortized but must be tested for impairment annually, and the CFO must design the reporting unit structure with both the near-term accounting efficiency and the long-term impairment testing requirements in mind.

THE TAX BASIS ADJUSTMENT: The acquisition creates a new tax basis for the acquired assets equal to their fair value at the acquisition date (for asset acquisitions and some stock acquisitions that include a Section 338 election). This tax basis step-up is a significant long-term tax benefit — the higher tax basis generates higher depreciation and amortization deductions that reduce future taxable income. The CFO must work with the company's tax advisors to quantify the tax basis step-up, record the deferred tax assets created by the step-up, and model the cash tax savings that the step-up will generate over the depreciation and amortization period.

SYNERGY REALIZATION TRACKING

The synergy realization tracking process is the financial governance mechanism that monitors the actual delivery of the cost and revenue synergies that justified the acquisition price. Without this tracking discipline, the synergies that looked compelling in the acquisition model quietly fail to materialize — not because the thesis was wrong, but because no one is accountable for delivering the specific actions required to realize each synergy, and no one is measuring whether those actions are being taken on schedule.

THE SYNERGY REGISTER: The synergy register is the operational document that translates the acquisition model's aggregate synergy assumptions into specific, ownable, measurable line items. For each synergy identified in the acquisition model, the register should document: the synergy category (cost synergy, revenue synergy), the description of the specific action required to realize the synergy, the responsible executive who owns the delivery, the expected realization date, the expected annual value, and the current status. The synergy register should be reviewed at every post-acquisition board meeting, with the CFO providing the financial analysis of the actual synergy realization against the model.

THE SYNERGY FINANCIAL MODEL: The synergy financial model connects the synergy register to the combined company's financial plan — showing how the expected synergy realization schedule contributes to the combined company's revenue growth, EBITDA improvement, and cash generation relative to the standalone financial plans of the two companies. This model is the primary tool for assessing whether the acquisition is on track to deliver the returns assumed in the original investment thesis.

COMBINED COMPANY REPORTING

The combined company reporting structure — the financial reporting framework that presents the financial performance of the acquired company and the acquiring company as a single entity — must be designed to serve multiple audiences: the growth equity investor (who needs to assess the combined company's performance against the investment thesis), the board (who needs to govern the combined company's strategy and financial performance), and the management team (who need the operating data required to manage the integration and the combined business).

THE REPORTING SEGMENTATION DECISION: The CFO must make an explicit decision about whether to report the combined company's financial performance as a single consolidated entity or as separate business segments (the legacy company segment and the acquired company segment). The segment reporting approach provides more visibility into the integration progress — it allows the board and the investors to see whether the acquired business is performing as expected in the acquisition model — but it also adds reporting complexity and can create internal competition between the segments that works against the integration objectives. For most bolt-on acquisitions that are intended to be fully integrated into the parent company's operations, the single consolidated reporting approach is preferable after the initial integration period.

ACTIONS TO TAKE BEFORE PART SIXTEEN

Create the Day 1 readiness checklist for every current and planned acquisition: a complete inventory of the financial operations that must be transitioned before the acquisition closes (payroll, banking, AP and AR, financial reporting), with the status, the responsible owner, and the target completion date for each item. The Day 1 readiness checklist should be incorporated into the due diligence process — the assessment of the target's financial systems infrastructure — so that the transition planning begins before the acquisition agreement is signed.

Build the synergy register for any completed acquisition that does not yet have one: identify every cost and revenue synergy that was included in the acquisition model, translate each into a specific, ownable action, assign ownership, and establish the monitoring cadence. Present the synergy register to the board at the next board meeting as the financial governance framework for the acquisition's value creation delivery.

CLOSING PERSPECTIVE

Integration finance is the discipline that converts the acquisition model from a financial projection into a financial reality. The CFO who manages the Day 1 readiness with meticulous preparation, executes the purchase price accounting with technical rigor, tracks the synergy realization with accountability and discipline, and designs the combined company reporting to serve the governance needs of the board and the investors — is creating the financial governance infrastructure that makes the acquisition's expected value actually achievable.

COMING NEXT IN THE SERIES

Part 16 — Preparing for the Series C and Beyond: Late-Stage Venture and Pre-IPO Finance

Part Sixteen covers the financial governance transition for companies approaching IPO readiness — the financial reporting standards required by the SEC, the internal controls assessment under SOX, the auditor upgrade timeline, the financial model and narrative required for the S-1, and the CFO's organizational preparation for the demands of public company financial governance.