

Stakeholder's Perception of Subsequent Goodwill Measurement: An Analysis of IASB Comment Letters

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Abstract: Goodwill is the most intangible of intangibles and continues to generate great debate in academic, business, and regulatory circles, with no consensus on its subsequent measurement. In early 2020, the International Accounting Standards Board (IASB) published a discussion paper entitled *DP/2020/1 Business Combinations – Disclosures, Goodwill and Impairment*, to gather input on more useful disclosures on business combinations, bringing back to the discussion the subject of the subsequent measurement of goodwill. The IASB received comments on its proposed disclosures, as well as new evidence and arguments on how to account for goodwill, having received 193 comment letters from a wide range of stakeholders. This study aims to analyse the perception of those interested parties about the subsequent measurement of goodwill proposed by the IASB, as well as the arguments used for its reasoning. For this purpose, the content of stakeholder's comment letters was analysed and classified as academics, auditors, investors, standard setters, preparers, regulators/securities, and others, and by region. In addition, the preparers' comment letters were subclassified by sectors of activity to identify differences in the perception of preparers by industry. These differences point to the need to reflect on the existence of more than one goodwill measurement model, which best fits the sector of activity, a pioneering aspect in research on goodwill. The results reveal a preference trend for the systematic amortisation of goodwill. In all categories of stakeholders, apart from the "Others", the preference is for the reintroduction of goodwill amortisation. Similarly, most stakeholders in the Americas, Asia, Europe, and Oceania are in favour of reintroducing the systematic amortisation of goodwill. In some industries (Automotive, Banking, Luxury Goods, Electrical Appliances, Energy and Technology) no preparer prefers the impairment-only model, which suggests that perhaps in those sectors of activity, this model is not suitable. This study contributes to the literature on the subsequent measurement of goodwill, as well as to the different stakeholders, by presenting, under different perspectives of analysis, the respondents' preferences on the subsequent measurement of goodwill, as well as the arguments in favour of each model.

Keywords: Goodwill, Intangibles, Impairment, Amortisation, IASB, Subsequent measurement

1. Introduction

In March 2020, the International Accounting Standards Board (IASB) published the Discussion Paper (DP) *Business combination: disclosures, goodwill and impairment* (IASB, 2020a), to receive input on the most useful disclosures on business combinations, bringing the subsequent measurement of goodwill back into public discussion. The IASB (2020a) highlights the relevance of goodwill in corporate accounts, with the value of that asset reaching around \$8 trillion in 2019 in listed companies worldwide, representing approximately 18% of their equity and 3% of their assets.

In that DP, the IASB (2020a) preliminary view is to keep the impairment-only model and not to reintroduce goodwill amortisation. However, this position was not consensual among IASB members (8 of 14 Board members voted in favour). Therefore, the IASB solicited input from various stakeholders on this topic. The IASB received new evidence and arguments on how to account for goodwill, having received 193 comment letters from a wide range of stakeholders.

This study aims to analyse the perception of those interested parties about the subsequent measurement of goodwill proposed by the IASB, as well as the arguments used for its reasoning. In this context, this study aims to answer the following three research questions:

- What is the preference in the subsequent measurement of goodwill by stakeholder category?
- What is the preference in the subsequent measurement of goodwill by region?
- What is the preference in the subsequent measurement of goodwill by sector of activity of the preparers?

After the global financial crisis of 2008 and the subsequent sovereign debt crisis of the EURO, the current moment could not be of greater importance for the debate on the subsequent measurement of goodwill. Not only due to the economic crisis created by the pandemic by COVID-19 but also the war in Ukraine, with economic consequences on a global scale, phenomena that potentiate the recognition of goodwill impairment losses.

This study provides important contributions to the literature by presenting the respondents' preferences on the subsequent measurement of goodwill, as well as the arguments in favour of each model. The results of this study also contribute for future research, namely, to confront the preference trend of the respondents for the reintroduction of systematic amortisation, with the IASB's final position on the discussion on the subsequent measurement of goodwill. On the other hand, the differences in perception identified in this study point to the need to reflect on the existence of more than one goodwill measurement model, which best fits each activity sector, a pioneering aspect in research on goodwill.

The study is organised as follows: after this first section of the Introduction, section 2 presents the theoretical background of the research. Section 3 explains the methodology of content analysis of the comment letters received by the IASB to the DP. Section 4 presents the results of that analysis and, in section five, the main conclusions of the study.

2. Background

2.1 Accounting for Goodwill

IFRS 3 defines goodwill as an asset representing the future economic benefits arising from other assets acquired in a business combination that are not individually identified and separately recognised (IASB, 2020b). This is why goodwill is commonly dubbed the most intangible of intangibles, given its complex nature.

In 2004 was issued the IFRS 3 – *Business Combinations* that introduced the impairment-only approach and replaced International Accounting Standards 22 - *Business Combinations*, that was issued in November 1983, which required goodwill amortisation. The IASB began the IFRS 3 Post-implementation Review (PIR) in 2013 and published the *Report and feedback statement: post-implementation review of IFRS 3 Business Combinations* in June 2015. In March 2020, DP 2020/1 was published by the Board for comment only.

The first major joint accounting harmonisation project between the IASB and the FASB focused on business combinations (Hughes et al, 2017). As a result of this process, the majority of the accounting standard boards currently prescribe the initial recognition of goodwill acquired as an asset, subjecting it only to annual impairment tests in its subsequent measurement (Carvalho, 2015). The IFRS 3 was issued to improve the accounting treatment for goodwill and provide users with more useful and value-relevant information. However, it has been criticized on the grounds of the managerial discretion inherent in impairment testing (Abughazaleh, Al-Hares and Roberts, 2011; Carvalho, 2015; Hayn and Hughes, 2006; Li and Sloan, 2017).

The Board's preliminary view is that there is no compelling evidence to justify once again changing the accounting for goodwill and the costs that such a change would entail (IASB, 2020a). In other words, the IASB considers that goodwill amortisation should not be reintroduced but requests the indication of any new arguments or evidences that stakeholders have on this topic.

2.2 Literature Review

The adoption of the fair-value-based goodwill impairment approach in 2005 has been motivated by the assumption that the impairment approach will enable managers to provide information regarding goodwill that is value-relevant to the market (Colquitt and Wilson, 2002). However, several authors state that the goodwill impairment is not timely (Bepari and Mollik, 2017; Li and Sloan, 2017; Pechlivanidis, Ginoglou and Barmpoutis, 2022; Ramanna and Watts, 2012). Thus, the empirical evidence suggests that the impairment approach has resulted in inflated goodwill balances and untimely goodwill impairments, because the estimates of the current fair value of goodwill rely on unverifiable assumptions such as expectations of value to be generated by managers' future actions. Ramanna and Watts (2012) state that the unverifiability in goodwill accounting rules is used to manage financial reports opportunistically. They found some evidence of an association between goodwill non-impairment and CEO compensation, CEO reputation, and debt-covenant violation concerns.

Bepari and Mollik (2017) studied a sample of Australian companies for the period 2006-2009, and found a significant increase in the number of impairments recorded by companies. However, a large number of firms

did not impair goodwill even during the 2008-2009 global financial crisis, although their firms' market-to-book ratios were less than one. These results are consistent with those of Carvalho (2015) and Li and Sloan (2017), concluding that the model of impairment-only is subject to opportunistic managerial behaviour.

Some empirical findings suggest that only current-year acquired goodwill is value relevant compared to older goodwill, and therefore goodwill's impact on stock prices is decreasing as it ages (Pechlivanidis, Ginoglou and Barmpoutis, 2022). However, there is also evidence that under the impairment approach the value relevance of goodwill does not decline with the ages of goodwill (Bepari and Mollik, 2017). These results contrast with those of Bugeja and Gallery (2006) under the amortisation regime, by concluding that the market assumed that the remaining goodwill balance has lost its value relevance. The study of Bagna, Ramusino and Ogliari (2023) shows that the information provided by listed companies to market investors, under the current accounting regime (impairment-only), is value relevant and contributes to explain the level of the market to tangible book value multiple.

The findings above, lead us to the question of comparability. In this regard, Durocher and Georgiou (2021) state that the concept of comparability is different for standard setters and analysts/investors. The authors refer that for the standard setters: information about a reporting entity is more useful if it can be compared with similar information about other entities and with similar information about the same entity for another period or another date; and for the users: comparability is about being able to cross compare companies that adopt different growth strategies. Users strive to compare acquisitive firms to organically-grown firms. So, users hence tend to ignore goodwill and goodwill impairment losses. For its part Ma and Zhang (2023), refer in their study on intangible assets, that to enhance comparability, standard-setters, regulators and practitioners should work together to establish more industry-specific guidance on the timing of research and development (R&D) capitalization.

The subjective nature of goodwill impairments also makes it difficult for auditors and regulators to enforce impairments (Li and Sloan, 2017), with goodwill impairment tests being commonly cited as an audit deficiency (Ayres, et al, 2019). Estimates to measure goodwill are based on unverifiable characteristics, assumptions and cash flow projections, requiring the audit of this asset to be subject to extensive professional scepticism (Chambers and Finger, 2011).

Ferramosca and Allegrini (2021) found evidence that accounting culture affects chief financial officers' preferences for the impairment-only model or the amortisation model, which is consistent with the study of André, Filip and Paugam (2016), that find differences in the frequency and magnitude of goodwill impairment losses reported by European-listed firms compared with what is reported by US-listed firms. During the financial crisis, European-listed firms reported a significantly smaller proportion of goodwill impairment losses concerning goodwill balances than US-listed firms. In this respect, Martínez, Rubio and Morales (2023) warn of the lack of studies covering samples of several countries and a deeper analysis of the factors that may justify those differences between companies and countries. In the studies on the contrast of the application of different goodwill accounting practices, those authors concluded that sample sizes and composition are varied and there is generally no distinction between different sectors of activity. On the other hand, Linsmeier, Wangerin and Wheeler (2020) conclude that a one-size-fits-all subsequent accounting alternative for goodwill may be difficult to apply, due to heterogeneity in the economic components of goodwill.

The various stakeholders try to influence the standards-setting process in order to maximise utility for themselves (Hartvig, 2012; Sutton, 1984; Watts and Zimmerman, 1978), whereby the lobbying is most productive when the rule-makers' preferences are still undecided (Sutton, 1984). Because changes in IFRS may pressure national standard-setters to change country-specific standards, the IASB has been subjected to lobbying efforts from not only preparers, users, accounting professionals and academics but also from regulators and national standard-setters (Hughes et al., 2017).

3. Methodology

This study aims to analyse the perception of those interested parties about the subsequent measurement of goodwill proposed by the IASB, as well as the arguments used for its reasoning. The rational-choice model of lobbying serves as the main theoretical lens that guides the examination of these matters (Sutton, 1984). By recognising that the accounting standard-setting process is political, it is accepted that there are different conflicting interests among the parties involved, which will have some impact on the standard to be set (Fogarty, Hussein and Ketz, 1994).

The methodology used for data collection was content analysis (Bardin, 1977) of the 193 comment letters received by the IASB to DP/2020/1, transcribing into an analysis grid the content of the comment letters that allowed answering the three research questions defined in the Introduction. Thus, we proceeded to collect the respondents' answers about their preference on the subsequent measurement of goodwill (in favour of the amortisation model; in favour of the impairment-only model; in favour of another approach; or no preference/response). The content of the 193 comment letters was subsequently classified by type of stakeholder (academics, auditors, investors, standard-setters, preparers, regulator/securities, and others), following the methodology of other studies (e.g. Anantharaman, 2015; Bautista-Mesa, Muñoz-Tomás and Horno-Bueno, 2019; Giner and Arce, 2012) and the classification of the IFAC (2008). In the particular case of preparers, they were then classified by activity sector in order to identify differences in perceptions by sector.

The IASB establishes accounting standards now used in some form in over 160 countries. Diverse geographical participation in IFRS standard-setting is seen as desirable as it may improve the consistency of IFRS applications, reduce criticism of regional over-influence, and promote the legitimacy of the IASB (Larson and Herz, 2013). The comment letters were also classified by geographical region.

It should be noted that, of the 193 comment letters analysed, 22 are from a group of Malaysian students, the vast majority advocating the impairment-only model. In order not to bias our analysis, those 22 comment letters were considered as only one response, in the category of academics. Thus, our final sample consists of 172 comment letters. It should also be noted that, although most respondents followed the structure of the questions posed in DP/2020/1, some did not, indicating only their general position on the subsequent measurement of goodwill. On the other hand, some respondents gave brief and direct answers, but others gave exhaustive answers, which required complex, time-consuming and very careful work to interpret the answers, for subsequent classification of their position.

4. Results

4.1 Preference in the Subsequent Measurement of Goodwill by Stakeholder Category

To answer the first research question, we classified the respondents by their role in the financial reporting chain: academics; auditors; investors; standard-setters; preparers; regulators/securities; and others (Table 1).

Table 1: Responses from Comment Letters by Stakeholder Category

| Category | In favour of the amortisation | | In favour of the model impairment-only | | Another approach | | No preference/response | | Total | |
|----------------------|-------------------------------|--------------|--|--------------|------------------|-------------|------------------------|--------------|------------|---------------|
| Academics | 11 | 6.4% | 9 | 5.2% | 2 | 1.2% | 1 | 0.6% | 23 | 13.4% |
| Auditors | 10 | 5.8% | 6 | 3.5% | - | 0.0% | - | 0.0% | 16 | 9.3% |
| Investors | 6 | 3.5% | 5 | 2.9% | 1 | 0.6% | - | 0.0% | 12 | 7.0% |
| Standard-setters | 26 | 15.1% | 16 | 9.3% | 2 | 1.2% | 7 | 4.1% | 51 | 29.7% |
| Preparers | 33 | 19.2% | 11 | 6.4% | 6 | 3.5% | 6 | 3.5% | 56 | 32.6% |
| Regulator/securities | 4 | 2.3% | 2 | 1.2% | - | 0.0% | 2 | 1.2% | 8 | 4.7% |
| Others | - | 0.0% | 2 | 1.2% | 1 | 0.6% | 3 | 1.7% | 6 | 3.5% |
| Total | 90 | 52.3% | 51 | 29.7% | 12 | 7.0% | 19 | 11.0% | 172 | 100.0% |

The responses in favour of the amortisation model, preparers and standard-setters stand out, accounting for 62% of the responses received by the IASB. These two categories are mainly in favour of reintroducing goodwill amortisation (34.3%). Regarding those in favour of the impairment-only model, preparers and standard-setters are also those who most support this model but are less representative (15.7%) than those in favour of the amortisation model. The likelihood of lobbying is greater among preparers than among investors (Georgiou, 2010; Hewa, Mala and Chen, 2020; Rey, Maglio and Rapone, 2020), so greater participation from that category of respondents was already expected. The same applies to the participation of standard-setters, given the influence of IASB standards on accounting standards in each country (Hughes et al., 2017).

Although in all the categories presented most respondents are in favour of reintroducing the amortisation of goodwill, academics and investors stand out as they are the ones where the difference between the number of

responses in favour of reintroducing amortisation (17) and the number of responses in favour of the impairment-only model (14) is smaller. The auditor's category also stands out, more specifically concerning the Big4, their positions being divided (2 prefer the reintroduction of amortisation, and 2 are in favour of maintaining the impairment-only model).

Among the comment letters in favour of the reintroduction of the amortisation, we highlight the one from *La Société Française des Analystes Financiers*, classified in the investors' category, defending that the current impairment-only model has to underlie that the economic benefits associated with the goodwill are difficult to capture, both in terms of timing and amount of realization. As such, goodwill is an asset that is consumed over time and therefore should be depreciated systematically.

As for the advocates of maintaining the impairment-only model, EFRAG's response (in the category of standard-setters) stands out. Considering that an accounting policy should only be changed if it would provide reliable and more relevant information, EFRAG suggests the IASB further explore improvements to existing impairment tests and any cost and consequences of reintroducing amortisation.

In the categories in favour of another approach, 7 respondents consider that the treatment of goodwill should be a matter of accounting policy choice and that the standard should prescribe different subsequent measurement models. In this group is also a preparer who supports a global review of goodwill accounting, from its initial recognition (reopening the discussion on whether goodwill is or is not an asset), to its subsequent measurement.

In the group "No preference/response" is the response of the European Securities and Markets Authority (ESMA) as it does not clearly express its preference on the subsequent measurement of goodwill. If, upon further assessment, the IASB confirms its preliminary conclusion that the current impairment test cannot be significantly improved at a reasonable cost for issuers, ESMA considers that the Board should explore the possible re-introduction of goodwill amortisation. ESMA highlights that the existing impairment-only model is not sufficiently enforceable and auditable. This group also includes the response of the International Organization of Securities Commissions (IOSCO): some members argue that the IASB should improve the impairment test before considering re-introducing amortisation; others argue for the urgent re-introduction of goodwill amortisation to improve the reliability and usefulness of financial statements.

4.2 Preference in the Subsequent Measurement of Goodwill by Region

To answer the second research question, the content of the stakeholders' comment letters was classified by region (Table 2). The United Kingdom is the only European country in which most respondents support the impairment-only model, which is why it was separated from the other European countries in Table 2.

In the Europe region (ex. UK), respondents from France are the most divided, although they are more in favour of the amortisation than the impairment-only model. On the contrary, from Germany, Sweden, and Switzerland there is no comment letter in favour of the impairment-only model. We also highlight 6 comment letters from European bodies that we do not allocate to any country, but to the European continent as a whole (3 in favour of amortisation, 1 in favour of the impairment-only model, and 2 with no preference).

The respondents from Latin America are largely in favour of reintroducing goodwill amortisation, while in North America the respondents are divided: Canada favours the impairment-only model, while in the United States there is a slight preference for the amortisation regime. As regards the Asian continent, the answers come from 11 countries, with respondents from India, Korea, Malaysia and Thailand favouring the impairment-only model. We consider in the international group the respondents representing countries from different continents (e.g. Auditors/Big4).

The analysis of the results suggests that the legal system of the respondents' countries influences the preference for the subsequent goodwill measurement model. Overall, the 11 countries that contributed the most comment letters represent 55% of the responses obtained, which can be divided into two subgroups according to their legal system (La Porta et al, 1998): civil law (Germany, Brazil, China, France, Japan, the Netherlands and Switzerland), with 38 responses in favour of reintroducing amortisation, and 8 for the impairment-only model); and common law (Australia, Canada, US and UK) with 16 responses in favour of amortisation; and 15 in favour of the impairment-only model). Most respondents from civil law countries are in favour of reintroducing goodwill amortisation, while those from the common law regime are divided (with a slight preference for amortisation). In terms of representativeness of participation, our results are similar to those of Larson and Herz (2013).

Table 2: Responses from Comment Letters by Region

| Region | In favour of the amortisation | | In favour of the model impairment-only | | Another approach | | No preference/ response | | Total | |
|------------------------------|-------------------------------|--------------|--|--------------|------------------|--------------|-------------------------|--------------|------------|---------------|
| Europa (ex. UK) | 36 | 66.7% | 5 | 9.3% | 5 | 9.3% | 8 | 14.8% | 54 | 100.0% |
| Germany | 11 | 84.6% | - | 0.0% | 1 | 7.7% | 1 | 7.7% | 13 | 100.0% |
| France | 4 | 50.0% | 3 | 37.5% | 1 | 12.5% | - | 0.0% | 8 | 100.0% |
| Netherlands | 4 | 57.1% | 1 | 14.3% | | 0.0% | 2 | 28.6% | 7 | 100.0% |
| Switzerland | 3 | 60.0% | - | 0.0% | 1 | 20.0% | 1 | 20.0% | 5 | 100.0% |
| Sweden | 3 | 100.0% | - | 0.0% | - | 0.0% | - | 0.0% | 3 | 100.0% |
| Others | 11 | 61.1% | 1 | 5.6% | 2 | 11.1% | 4 | 22.2% | 18 | 100.0% |
| United Kingdom | 6 | 35.3% | 8 | 47.1% | 2 | 11.8% | 1 | 5.9% | 17 | 100.0% |
| America | 16 | 55.2% | 9 | 31.0% | 2 | 6.9% | 2 | 6.9% | 29 | 100.0% |
| Latin America | 11 | 78.6% | 3 | 21.4% | - | 0.0% | - | 0.0% | 14 | 100.0% |
| United States | 4 | 44.4% | 3 | 33.3% | 1 | 11.1% | 1 | 11.1% | 9 | 100.0% |
| Canada | 1 | 16.7% | 3 | 50.0% | 1 | 16.7% | 1 | 16.7% | 6 | 100.0% |
| Asia | 15 | 50.0% | 10 | 33.3% | 2 | 6.7% | 3 | 10.0% | 30 | 100.0% |
| China | 4 | 44.4% | 3 | 33.3% | 1 | 11.1% | 1 | 11.1% | 9 | 100.0% |
| Japan | 5 | 83.3% | - | 0.0% | - | 0.0% | 1 | 16.7% | 6 | 100.0% |
| Singapore | 2 | 50.0% | 1 | 25.0% | 1 | 25.0% | - | 0.0% | 4 | 100.0% |
| Others | 4 | 36.4% | 6 | 54.5% | - | 0.0% | 1 | 9.1% | 11 | 100.0% |
| Oceania | 6 | 50.0% | 4 | 33.3% | 1 | 8.3% | 1 | 8.3% | 12 | 100.0% |
| Australia | 6 | 66.7% | 2 | 22.2% | - | 0.0% | 1 | 11.1% | 9 | 100.0% |
| New Zealand | - | 0.0% | 2 | 66.7% | 1 | 33.3% | - | 0.0% | 3 | 100.0% |
| Africa | 3 | 37.5% | 5 | 62.5% | - | 0.0% | - | 0.0% | 8 | 100.0% |
| International | 7 | 38.9% | 8 | 44.4% | - | 0.0% | 3 | 16.7% | 18 | 100.0% |
| Others (Unidentified) | 1 | 25.0% | 2 | 50.0% | - | 0.0% | 1 | 25.0% | 4 | 100.0% |
| Total | 90 | 52.3% | 51 | 29.7% | 12 | 7.0% | 19 | 11.0% | 172 | 100.0% |

The preference for impairment-only model is higher in countries with a less conservative accounting culture. More optimistic accounting cultures exist mostly in Anglo-Saxon countries (André et al., 2016; Ferramosca and Allegrini, 2021). It is curious to note that US and Australia respondents prefer the amortisation model. This preference is noticeable in the preparers category, which suggests that the sector of activity of these respondents may be influencing their response.

4.3 Preference in the Subsequent Measurement of Goodwill by Sector of Activity of the Preparers

To answer the third research question, we classified the content of the 56 comment letters from preparers by activity sector, as shown in Table 3. In the "Others" sector are included the responses received from business associations or preparers not fitting into a specific sector.

From the automotive sector, both Ford Motor Company (USA) and Volkswagen Group (Germany) are in favour of the reintroduction of depreciation. Along the same lines, the Banks sent 6 comment letters, 4 of which were in favour of the reintroduction of depreciation (Germany, UK, France, and Netherlands). For example, Barclays believes that it would be beneficial to re-introduce amortisation of goodwill. Also, the European Association of Co-operative Banks (EACB) believe that amortisation is the only way to show the consumption of goodwill over its useful life and prevent the entities from recognizing "internal goodwill".

In the luxury goods sector, Swiss company Richemont is firmly against the Board's proposal to not reintroduce the amortisation of goodwill. They consider that acquired goodwill is not an indefinite life asset. This is particularly true in the current environment, with the impact of technology leading to rapid changes in business models across many industries. In the communications sector, meanwhile, there is only one comment letter from the French group Vivendi, which is in favour of the impairment-only model.

Of the 3 comment letters framed within the consultant sector, there are two that are in favour of the impairment-only model, although one of them agrees that, in some circumstances, such as limited life mining operations, it might be better that goodwill be amortised rather subject to the impairment test. In turn, the respondent from the electrical appliances sector (Siemens) does not express a preference as to the subsequent treatment of goodwill, acknowledging that there are benefits and challenges to both models for subsequent goodwill accounting.

Table 3: Responses of Comment Letters from Preparers by Activity Sector

| Sector of activity | In favour of the amortisation | | In favour of the model impairment-only | | Another approach | | No preference/response | | Total |
|-----------------------|-------------------------------|--------------|--|--------------|------------------|--------------|------------------------|--------------|------------------|
| Automotive sector | 2 | 100.0% | - | 0.0% | - | 0.0% | - | 0.0% | 2 100.0% |
| Bank | 4 | 66.7% | - | 0.0% | 1 | 16.7% | 1 | 16.7% | 6 100.0% |
| Luxury Goods | 1 | 100.0% | - | 0.0% | - | 0.0% | - | 0.0% | 1 100.0% |
| Communication | - | 0.0% | 1 | 100.0% | - | 0.0% | - | 0.0% | 1 100.0% |
| Consultant | 1 | 33.3% | 2 | 66.7% | - | 0.0% | - | 0.0% | 3 100.0% |
| electrical appliances | - | 0.0% | - | 0.0% | - | 0.0% | 1 | 100.0% | 1 100.0% |
| Energy | 8 | 88.9% | - | 0.0% | 1 | 11.1% | - | 0.0% | 9 100.0% |
| Insurance | 3 | 37.5% | 3 | 37.5% | - | 0.0% | 2 | 25.0% | 8 100.0% |
| Technological | 2 | 100.0% | - | 0.0% | - | 0.0% | - | 0.0% | 2 100.0% |
| Others | 12 | 52.2% | 5 | 21.7% | 4 | 17.4% | 2 | 8.7% | 23 100.0% |
| Total | 33 | 58.9% | 11 | 19.6% | 6 | 10.7% | 6 | 10.7% | 56 100.0% |

In the energy sector, the 9 preparers are from the American, European and Oceania continents. Of these, 8 preparers are in favour of the reintroduction of amortisation, with only 1 considering that amortisation should be reintroduced as an accounting policy option. In other words, there is great unanimity in this sector for the reintroduction of the systematic amortisation of goodwill. These preparers argue that the current impairment test is very onerous and not provides useful information about the performance of an acquisition. They believe that goodwill has a finite life and should be amortised over time.

Of the 11 preparers who are in favour of the impairment-only model, 3 are from the insurance sector, which is the one with the highest number of companies (37.5%) advocating this model. As for the technology sector, 2 respondents support the reintroduction of goodwill amortisation. They argue that the current requirement for an annual impairment test is onerous, requiring significant resources to develop internal forecasts and document related assumptions despite the absence of any indication of impairment. Goodwill has a finite life and is consistently being consumed and replaced by internally generated goodwill.

Of the 23 comment letters grouped under "other", about half (12) favour systematic amortisation of goodwill, 5 favour the impairment-only model, 4 advocate another approach, and 2 have no preference. For example, Business Europe and the 100 Group argue to give companies an accounting policy choice to amortise, or not, based on their assessment of whether the goodwill has, or not, a limited life. The Brazilian Association of Publicly-Held Corporations (ABRASCA) strongly supports a hybrid approach that combines goodwill's amortisation with impairment. The Confederation of Swedish Enterprise, for its part, highlights the improvement of comparability between entities with different growth strategies (organic *versus* through acquisitions) as the main argument for reintroducing the systematic amortisation of goodwill. This argument is consistent with the analysts/investors' perspective of the concept of comparability, once the users strive to compare acquisitive firms to organically-grown firms (Durocher and Georgiou, 2021).

5. Conclusions

From the results presented in this study, which focused on the analysis of the content of 172 comment letters to DP/2020/1 of the IASB, in all categories of stakeholders, apart from the "Others", the preference is for the reintroduction of goodwill amortisation. Similarly, an analysis by region also shows that most stakeholders in the Americas, Asia, Europe, and Oceania are in favour of reintroducing the systematic amortisation of goodwill. Only respondents from the African continent are mostly in favour of the impairment-only model, as well as a group of respondents who operate at an international level.

When analysing the 56 comment letters of the preparers by sector of activity, in some sectors (Automotive, Banking, Luxury Goods, Electrical Appliances, Energy and Technology) no preparer prefers the impairment-only model, which suggests that perhaps in those sectors of activity, this model is not suitable. Some of those respondents mention that the pace of change at the technological level, in customer preference, market

competition and substitute products, among others, contribute to the goodwill acquired losing value over time and having to be systematically replaced by internally generated goodwill.

In fact, in the past the pace of change in the economic environment was slower, contributing to a view that goodwill could remain indefinitely in the balance sheet of companies. However, nowadays, in a world of constant change, where companies need to constantly reinvent themselves, otherwise they may be excluded from the market, the concept that acquired goodwill does not lose value may be outdated. These companies are daily replacing acquired goodwill with internally generated goodwill, reinvesting in the renewal of their goodwill, just as they do with their tangible fixed assets. In this way, the acquired goodwill is being consumed in a going concern.

Indeed, the IASB itself has expressed concern that IAS 38 might be outdated in various ways in the new economy. As of IASB's April 2022 meeting, revisiting financial reporting standards on intangible assets is finally considered to be a research pipeline project for the coming five years. To enhance comparability, standard-setters, regulators, and practitioners should work together to establish more industry-specific guidance (Ma and Zhang (2023)).

This study provides important contributions to the literature on the subsequent measurement of goodwill, as well as to the different stakeholders of financial information, by presenting, under different perspectives of analysis, the respondents' preferences on the subsequent measurement of goodwill, as well as the arguments in favour of each model. The results of this study may be the basis for future research, namely, to confront the preference trend of the respondents for the reintroduction of systematic amortisation, with the IASB's final position on the discussion on the subsequent measurement of goodwill. On the other hand, the differences in perception identified in this study point to the need to reflect on the existence of more than one goodwill measurement model, which best fits each activity sector, a pioneering aspect in research on goodwill.

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