A thesis submitted to satisfy the requirements for the Degree of Master of Commerce

ACCOUNTING FOR GOODWILL ON CONSOLIDATION

GARRY D. CARNegie. B.COM.

November, 1967
Date
21st November 1987

Signature Redacted by Library

higher degree to any other university or institution, (or any part of the same) has not been submitted for a
except where otherwise acknowledged, and that this thesis
Master of Commerce is the result of my own research,
goodwill on consultation and submitted for the degree of
I certify that the thesis entitled, Accounting for
2.1.7 Bad Buy or Loss on Acquisition
2.1.6 Premium for Contract
2.1.5 Master Valuation Account
2.1.4 Represents Certain Intangible Resources
2.1.3 The Residuum Concept
2.1.2 Future Excess Profits
2.1.1 The Customer Partnership Concept

Chapter 2

2.1 Concepts of Goodwill
Nature, Recognition, and Measurement of Goodwill

Chapter 1

1.1.4 Thesis Plan
1.3 Limitations in Scope of the Study
1.2 Aim of the Study
1.1 Accounting for Goodwill: A Controversy

Introduction

Summary of Thesis

Acknowledgements

List of Tables

Table of Contents
Adjustments Upon Acquisition

3.1.3 Financial Statement Implications of

3.1.2 Reversal of a Subsidiary’s Assets

Undistributed Profits

The Parent’s Accounts Restate Reserves or

Writing Down of the Investment Account in

3.1 Adjustments Upon Acquisition

Accounting Practices for Goodwill on Consolidation

CHAPTER 3

2.5 Conclusions

Financial Statements

2.4.1 Purchased Goodwill and Consolidated

Goodwill

2.4 Cooperatively Accounting Measurement of Purchase

4.6 Reliability Versus Relevance

4.4 Primary Decision-Specific Qualities

41 Reporting

2.3.2 Fundamental Objective of Financial

2.3.1 Internally Generated and Purchased Goodwill

39 Recognition of Goodwill as an Asset

27 Does Goodwill Fit the Definition

25 Generally Accepted Definition of Assets

24 Is Goodwill an Asset?
Professional Accounting Requirements

3.4.2 AS18 and other related Australian
3.4.1 Requirements of AS18

Consolidation (AS18)

Accounting Bodies: on Accounting for Goodwill on
Requirements of the Australian Professional

3.3.2 Goodwin
3.3.1 Gibson and Franks

Regulation

Consolidation Practices in Australian Practice to
Major Research Studies into Goodwill on

Adjustments Subsequent to Acquisition

3.2.4 Financial Statement Implications of
the Directors

3.2.3 Capitalised as an Asset and Written Off at
Amortised

3.2.2 Capitalised as an Asset and Systematically
3.2.1 Lump Sum Write Off

Adjustments Subsequent to Acquisition

(A)
Before and after the 31st March 1985

CHAPTER 5

5.1 Goodwill on Consolidation Accounting Policies

Research Findings and Discussion

CHAPTER 4

4.1 Motivation of Research Methodology of the Research

Conclusions

3.7 Conclusions

Requirements

3.6 Comparison of the Australian and Overseas

3.5.5 International (IAS22)

3.5.4 New Zealand (SAS8 and E398)

3.5.3 United Kingdom (SSAP22)

3.5.2 Canada (CICA Section 1580)

3.5.1 United States (APB Opinion No. 17)

Consolidation

Accounting Bodies on Accounting for Goodwill on

Requirements of the Major Overseas Professional

(1)
CHAPTER 6

5.4.1 Company Views of Consultation

5.4.2 Influence of Views Held Upon Present

5.4.3 Company Views - Internally Generated

5.4.4 Discussion of Findings

5.2.1 Adjustments Upon Acquisition

5.2.2 Adjustments Subsequent to Acquisition

5.2.3 Adjustments Upon Acquisition

5.3 Comparison with Findings of Goodwin

5.2.4 Analytical of Conceptual Issues

5.3.2.1 Comparison of Items of Gibson and Frenchs

5.3.2.2 Adjustments Subsequent to Acquisition

5.3.2.3 Discussion of Findings

5.2.4.1 Adjustments Upon Acquisition

5.2.4.2 Adjustments Subsequent to Acquisition

5.2.4.3 Discussion of Findings

6.1 Major Findings

6.2 Implications For the Australian Accounting

6.3 Recommendations

6.4 Future Research

Proession

II

II

II

II

II

II

II

II

II

II

II

II

II

II

II

II

II

II

II

II

II

II

II

II

II

II
BIBLIOGRAPHY

Questionnaire and Covering Letter

APPENDIX I

Representing Goodwill

Possible Advantages Factors and Conditions

APPENDIX II

APPENDIX III

W.I.T. (III)
continuing encouragement and understanding.

My wife, Colleen, and children, Lauren and Joel, for their
courage for their helpful comments. Special appreciation goes to
special thanks are extended to Mr. Ken Norris and Mr. John
were of valuable assistance in completing the task at hand.
Dr. Gibbon’s patience, encouragement and constructive comments
course of the preparation of this thesis from Dr. R.W. Gibbon.
I gratefully acknowledge the support I have received during the

ACKNOWLEDGEMENTS

(x)
Future research opportunities
recommendations will be proposed together with a description of
the Australian accounting profession will be addressed, and
are reported and discussed. Implications of the research for
which sound views upon some of the conceptual issues involved
consolidation before and after regulation of the issue and
investigate the accounting policies adopted for Goodwill on
Findings of a study of listed Australian companies which
Australian and major overseas professions on the issue. The
practices will be examined along with the requirements of the
Encouraged statements of a group of companies. Major accounting
concentrate upon Goodwill arising on consolidation of the
its recognition and measurement, the investigation will then
the concepts and definition of Goodwill and the criteria for
the research conducted involves a literature review to identify
practice by accounting professions in the Anglo-American world.
practices for Goodwill, which has led to attempts to regulate
contradicted to the adoption of a variety of accounting
measurement of Goodwill. Such diversity of views has
been diversity of views as to the nature, recognition and
concern to accountants and academics. For over 100 years there
the issue of accounting for Goodwill has caused considerable

SUMMARY OF THESIS

I
Chapter 1

1.1 Accounting for Goodwill: A Controversy

Introduction
The first accounting article on Goodwill appears to have been published by Harris (1884).

Even true to its time and era of diversity at that time, diversity of views held, have contributed to the overall diversity of opinion on the nature of Goodwill in the profession. Furthermore, diversity is so much diversity of opinion concerning the nature of Goodwill is perhaps the most ephemeral of accounting concepts. The word "concept" is used since the presence of Goodwill has to be inferred from more nature of Goodwill, Woot (1985, p.119) observed that:

different aspects of the nature. However, upon considering the Goodwill, many of the writers on the issue focus on the as there is no precise universally accepted definition of Goodwill, many of which seem to be inaccurate.

Of these references would reveal important differences of and closely related topics..." Even a casual review of some been written that focused on accounting for Goodwill 1980's...approximately one thousand books and articles had years...as observed by Hughes (1982, p.1) "by the early
...
either of these two major types of acquisition.

losses is normally the amount of the excess of the

value of those net assets. However, it is noted that the

amount of the excess over the book value of the assets,

which constitutes the goodwill arising from the

acquisition of net assets, which

is determined as follows (p. 226):

para. 5(a) of the statement of financial

positions of the reporting entities comprising the

entity comprising the financial statements of an economic

entity

Consolidated financial statements have been prepared by the

Auditor.

endeavored to regulate practice in Australia by issuing

Institute of Chartered Accountants in Australia (ICAA) and the

The Australian Society of Accountants (ASA) and the

Goodwill on consolidation was diverse in the period 1980-1983.

Study, Goodwin (1985) found that accounting practice for

there was no common approach in practice. A more recent

Goodwill on consolidation accounting policies in 1974, found

and Francis (1975), in the first formal Australian study of

the book value of the share of net assets acquired. Goodson

of the value attributed to the acquisition of a subsidiary over

of the goodwill on consolidation is normally the amount of the excess

of the financial statements of a group of companies.

accounting practice for goodwill arising on the consolidation

in Australia, there was evidence of considerable diversity in

In the period prior to the regulation of the goodwill issue

has been quoted.

Reference of some of the accounting requirements on Goodwill

5
standards.

In meeting the objective upon issuing the accounting
constructions to the profession, with regard to the profession's initial
of the findings for the respective periods will enable
periods before and after the application of AS126, a comparison
companies for Goodwill on consolidated income statements.
investigating the accounting policies of listed Australian
initial impact of the profession's requirements by
the primary objective of this study is to determine the

treatment for Goodwill on consolidation.

The primary objective of this study is to consider the issue of

2. Aim of the Study

Period ending on or after the 31st March 1985.

Consolidation and was operative in respect of any accounting
(AS1 and ICA (1984), p.2) - AS126 is applicable to Goodwill on
Goodwill that can be applied consistently by business entities.

The measurement and prescribed an accounting treatment for
are to clarify the nature of Goodwill, specify procedures for
the profession indicated that the objectives of the statement
(AS126) in March 1984, in the better guide to the statement

Statement of Accounting Standards. Accounting for Goodwill
10. For a discussion of these circumstances and an overview of

the pooling method refer to Lea (1984, pp. 41-58).

may be possible for Goodwill to arise in Australia. The
not be raised. Although in some very limited circumstances it
(1984, p. 46) "the expectation in general is that Goodwill
of the constituent companies. Therefore, as indicated by Leo
cause the minimum possible changes to the combined book values
though now joined. In accounting terms, the combination should
through these entities are continuing as separate businesses,
of this method is to account for the combining entities as
relates to the objective of the pooling method. The objective
business combinations. The primary reason for this exclusion
consolidation under the pooling method of accounting for
The study will not investigate accounting for Goodwill on

1.3 Limitations in scope of the study

the application of AAS18.

Influenced the accounting policies adopted in the period after
and to determine the extent to which these views have
surveyed in respect to some of the conceptual issues involved
objective is to identify the views of the listed companies
reasons for any changes in practice. The other secondary
trades in accounting practice and to investigate the likelihood
Gibson and Freneser and Goodwin studies in order to identify any
of those is to compare the study's findings with those of the
There are two secondary objectives of the study. The first
II. AUS and ICA (1983), Paragraph 26

...entities involved which alter the dollar amount shown in the
emphasis is primarily upon the way in which the accounting
case in the Clibson and Francis and Goodwin studies, the
in the present study of accounting policies, as was the
attributed to the acquisition.
assets acquired upon acquisition of a subsidiary over the value
where there is an excess of the book value of the share of net
consolidation will arise in consolidated financial statements
premium or negative goodwill on consolidation, discount on
discount on consolidation, which is otherwise described as
there will also be no investment into account for
In Australia, in the period 1980-1983, which indicated that the pooling method was virtually not used
for the execution relates to the evidence of Goodwin (1986)
imputation in AASB to adopt this method. An additional reason
combinations (Paragraph 24), this effectively confirms the
the purchase of cost method of accounting for business
after the last March 1986. AASZ21 prescribes that the application of
operative in respect of any accounting period ending on or
entitled) (AASZ21) issued in December 1985. AASZ21 was
accounting for the acquisition of assets (including business
in Australia under Statement of Accounting Standards
execution, primarily the pooling method is prohibited from use
there are two additional reasons for the foregoing
AASZ's definition and measurement of goodwill.
term goodwill would not be applicable as it would conflict with
IZ. Disclosure on a detailed debt is generally regarded as a
component of equity. Chapter Five contains the
accounting policies adopted by listed Australian companies for
Consolidation. Chapter Four describes the methodology of a survey of
Australian and major overseas accounting bodies on the issue:
Consolidation. Chapter Two reviews the requirements of the
Consolidation. The major Consolidation practices which have been adopted for
Consolidation measurement of Goodwill: Chapter Three considers
literature on the issue and considers the nature, recognition
chapters are as follows: Chapter Two reviews the professional
avenues available for future research. The four contain
Australian accounting profession, major recommendations and the
conclusions. The implications of these conclusions for the
content chapters, and a final chapter stating the study’s
The thesis consists of six chapters: the introduction, four

I.4 Thesis Plan

Investigated. IZ

as a deduction from consolidated reserves, is not
dannual detailed disclosure statement, where Goodwill is shown
Consolidation in the balance sheet. As a result, the use of the
study has sought to determine the classification of Goodwill on
Furthermore, neither the Gibson and Francal nor the present
financial statements. The study has not been extended to assess
If any, between the views expressed and the accounting policies

analyzes the conceptual issues involved and the relationship of

contrasts those findings with those of the earlier studies,
detection and discussion of the survey's findings, compares and
concentrated financial statements as a form of functional accounting. In Australia, in the early 1990s, the advent of concentration only became an accounting issue.

2.1 Concepts of Goodwill

Accounting measurement of goodwill is investigated. The objectives of financial reporting, finally, the contemporary ramifications of this solution are considered in view of the generally accepted solution to such problems is outlined. The under historical cost accounting are addressed and the ramifications of this solution then considered. Furthermore, recognition problems whether goodwill is an asset under the major concepts of concepts of goodwill are investigated. The question as to goodwill, in addressing the nature of goodwill, the various implications, the adoption of accounting and to recognize accounting standards for the issue of accounting for goodwill. Remains controversial and to express as to the nature, recognition and measurement of goodwill to provide evidence of the diversity of views.

This chapter reviews the professional literature on

Chapter 2

Nature Recognition and Measurement of Goodwill
reporting for groups of companies\(^2\). However, many attempts had been made to define the nature of goodwill prior to this period. Often the definitions were proposed in response to specific problems of accounting. Consequently, there is a considerable degree of overlap. This chapter seeks to clarify these definitions and divides them into seven different concepts of goodwill. Each of these concepts will now be examined.

2.1.1 The Customer Patronage Concept

Although commercial use of the term goodwill had been noted as early as 1571\(^3\), the first legal case which considered the nature of goodwill was not until 1810. In this case, Crutwell v. Lye (1810; 17 Ves. 335), Lord Elton, while dealing with the business of a country wagoner, said, "the goodwill which has been the subject of sale is nothing more than the probability that the old customers will resort to the old place". An almost identical definition was provided in England v. Downs (1843, 6 Beav. 269), where goodwill was stated to be "the chance or probability that custom would be had at a certain place of business in consequence of the way in which the business had been previously carried on". Therefore, the courts of law

---

2. An evaluation of the information conveyed by consolidated financial statements is found in Walker (1976).

3. Leake (1948, p.1) referred to an old writing: "1571, Wills and Inv. N.C. (Surtees, 1835), 352: 'I gyve to John Stephen ... my whole interest and good will of my Quarrell' (i.e. quarry)".
businesses, as observed by Hughes (1982, p. 29), the owner’s separation of ownership from the management of the business is a partner or a partner of a business that was depersonalized with the death of a partner or a business. Much of what was written about accountants around the turn of the century involved valuing goodwill on the death of a partner or a business. At that time, the vocational, technical, and personality of the proprietor or partner of a business was attached mainly to the partnership itself. Holden (1981) pointed out that in the 19th-century, in those years, partner to the rise of the partnership concept may be going to the new firm which has acquired the business.

connection and reputation, the probability of the old customers described goodwill as “the benefit arising from the reputation of the public.” Similarly, Dickee et al. (1994) described goodwill as “just another name from the likelihood of their continued patronage and support.” The benefit and advantage of accountants in existing businesses appeared to attach themselves with the early legal definition of goodwill as described by Booth (1888, p. 604) as follows: “In the accounting literature a number of early writers in the accounting literature dealt with a particular business entity. Customer patronage, or the reasons why customers continued to purchase the services of the owner, was being nothing more than

initially perceived goodwill as being nothin...
new business enterprises.

Investors ascribe large amounts of goodwill value to relatively
illiquid, ... the market value of stocks sometimes indicates that
to be too narrow. As observed by Cazzatto and Olson (1968),
could only exist in established businesses and businesses was also considered
It should be noted that subsequent to the view that goodwill
concept of goodwill had become too narrow.

Goodwill, it had become evident that the customer patronage
this general view which resulted in different concepts of
businesses, although there were different interpretations of

established businesses possessed in contrast to a new
regarded as those advantageous factors and conditions which an
personality of the owners. Consequently, goodwill came to be
less directly attributable to the skills, experiences and
the goodwill which a particular business possessed became
implementation of advertising programmes. These changes meant
advances, widespread development of markets, and the
consequences, originated and trained labor, technological
manu facturing processes, new information and
modern industrial nations witnessed the introduction of
of the stock and the right to receive a dividend. At the same
circle shielded from management of the business to vantage
The views expressed in this lecture are contained in

1. D Picke


accommodate the non-corporate form of business, were the
deducation was required for the cost of management to
multiplied by some factor to obtain the Goodwill Value. A
skilled of management, with the restaurant, if any, being
for interest on capital invested, and the cost of the time and
net profits over the past three to four years, less deductions
according to a formula. The formula proposed was the average

Dick see suggested the value of Goodwill was calculated
November 1886, when he delivered a lecture on Goodwill.

The excess profit concept was taken up by Dicksee in
making a return in excess of an ordinary or normal return.
no price was to be paid for Goodwill unless the business was
means whereby profits are earned. However, more bettered that
with the tangible assets being merely regarded as one of the
profits of a business should be the real basis of valuation.

of course, Moore (1891, p. 28a). He then suggested that the
cannot refer you to any authorities on the subject, for I know
evaluated from the perspective in which he stated, "I am sorry I
valuation. Moore's views on Goodwill Valuation at the time are
offered a short sketch of the development of Goodwill
lecture on Goodwill Valuation from an accountants viewpoint.

This concept was developed in the last decade of the
2.1.2 Future Excess Profits
excess-profits.

p. 313.) Lacke used the term 'super-profits', rather than
the same (1913, p. 313) 'lacke (1914, p. 315) lacke (1922, p. 315),
'calbert and oston,' a number of other writers have endorsed the future excess
assets.

By definition, Goodwill has no accounting significance.

Assets

income equal to a normal return is a payment for the other
by Goodwill, and that the payment for the expected stream of
... it may be said that the payment for the expected stream of
expected of a normal return on the investment are anticipated
above the value placed on other assets - because profts in
except in terms of an earnings capacity which is estimated
equal to above normol. A price is paid for Goodwill - a price
except in terms of an earnings capacity which is estimated
by definition, Goodwill has no accounting significance.

Goodwill and future excess profts as follows:

Warner (1939, p. 213) discussed the relationship between

to or accompany excess profts.

all those advantageous factors and conditions which contribute
These properties suggest that the concept of Goodwill includes
which interprets the advantages of the underlying advantages involved.
properties of the future excess profts concept seem to have a
ability to earn excess profts. The twentieth century
they believed the value of Goodwill was attributable to the
customers continue to transact at a particular business entity.'
defined Goodwill as customer patronage, or the reasons why
It should be observed that although more and more
management cost attributable to the proprietor or partners is

16
6. Material approaches to valuing goodwill are discussed in

Carlsberg (1966, pp. 7-8).

Advantageous factors and conditions a business entity

being a residue which embraces all those intangible

businesses as a whole. Therefore, goodwill may be perceived as

the amount of shortfalls between the value attributed to the

when the mentioned the intangible are the residuum, which is

Patron (1922, p. 310) described a possible view of goodwill

as the whole does not equal the sum of the parts.

Göge-concern, concept of goodwill may be otherwise expressed

greater than the value of the net tangible assets. This

imported to explain why the value attributed to a business is

concern. This approach implies that goodwill is an item

the resulting valuation of the whole business as a whole.

the subtraction of the value of the net tangible assets from

allowance for normal interest on tangible capital employed, and

involved the capitalization of net profits before deducting an

approaches to goodwill valuation. One of these approaches

Hatteland (1912, pp. 111-112) described two different

professional interests not long after the turn of the century.

The residuum concept of goodwill became evident in the

2.1.3 The residuum concept

reproduced in Appendix I,

and which could give rise to excess earning power. This list is

advantageous factors and conditions which a company may possess

provided in their study a listing of some of the possible
value of Goodwill may only be computed by deduction because reflects the value of the whole business.  He believed that the Goodwill, considered separately, so that the aggregate demonstrates a unity and correct value for each asset (including residuum concept where he stated, "It is not possible to (1966, p. 112) would appear to agree with this version of the effect of this treated method of decomposition." Carpenter the notion of Goodwill as a residuum is necessary to neutralize ... value. This view led Millar (1973, p. 282) to conclude that "... importance resides in the fact that any construction to form of total entity value of that entity, therefore, intangible valuations cannot be neglected to obtain a reliable estimate of the total assets, in terms of value to the system, are arbitrary and approach is that all the intangible valuations of an entity's accounting entity as an open system, the essence of Millers financial accounting. Suggested it is useful to consider an Millar (1973) applied a systems-theoretic approach to trademarked.

Assesses, for example, patents, copyrights, licenses and able to be specifically identified and separately recorded as number of intangible advantageous factors and conditions may be of Goodwill mentioned by Patron suggests the prospect that a excess profits. It is important to note that the possible view the definition of Goodwill as the estimated value of future consistently to ... the residuum concept he mentioned. He accepted views of Goodwill, "... do not adhere closely and possessors. However, Patron (1972, p. 312) suggested the community"
conditions described by Callatt and Olsen (1976) refer to Appendix 10. Early reference in the literature to the concept is found

These internalities would include the various factors which contribute to the overall profitability of a business, especially firm-specific intangible assets.

Presence of certain intangible advantageous factors and essence of the concept is that goodwill exists because of the net assets including those intangible assets which are capable of being identified and separately recorded. The value attributed to the various intangible assets and the value attributed to the business as a whole is the difference between the total value of a concept goodwill that represents the future excess profits represented certain intangible resources. Under this a variation of the excess profit concept is that goodwill

represents certain intangible resources

business entity.

Conditions which represent or contribute to the concept of a defined as the underlying advantageous factors and

In other words, the concept does not specifically aim to determine

nature of goodwill, but is more concerned with the measurement.

Research concept is not primarily directed at defining the

It has been suggested by Stewart (1980, p. 11) that the

have little meaning.

attempts to specifically value goodwill as a separate asset
II. Gytherer (1969, p.247) provided the following examples of "established clientele":

"trapp. He suggested the existence of Goodwill depends on the number of letters had fallen into a "... conceptual trap." (1972, p.320) provided support for this view when he provided evidence of the overall results of a business."

The intangible involved would still be expected to exist and normal or less than normal. However, under Gytherer's argument, there is presumed to be no Goodwill when properties are prototypical of that business. Under the excess properties profitability of a business and not solely to any excess intangibles which collectively contribute to the overall GOODWILL. Is reliant upon the presence of certain method than an outright concept. He believes the existence of suggesting the excess properties concept is more of a valuation resources concept as the most relevant concept of Goodwill and contributed to Goodwill. An exhaustive list of the various intangibles which represent or unrestrictive to assume that it is possible to produce in commercial, intellectual, financial, and political Goodwill. Categorized such intangibles into four broad areas, namely: intangibles, for instance, patron and patent (1971, p.430). Other writers have also attempted to describe these
historical cost also includes the excess of market value over written down
Any excess of the value in use over the market value, but

12. This notion of undervaluation of identifiable assets includes

undervaluations of those items listed as assets," summarized

... to measure certain identifiable assets, resulting in ,, "

unrecognized assets concept relates to an inducement in accounting

residual assets concept and the unrecognized assets concepts, the

valuation account concept results from combining the good-will

Beevers and Mosely (1983, pp. 21-2) observed that the master

valuation account, of the valuation account per excellence,

Camthane (1979, p. 42) described goodwill as a, "master

2.1.5

Master Valuation Account

to be the goodwill of that business.

which is not represented by identifiable net assets, is assumed

This is because the portion of the total value of a business

may be regarded as another version of the residual concept.

described separately from the other concepts of goodwill.

Although the certain intangible resources concept has been

in producing goods and services

implies the concept is a fraction in that all factors interact

operational than definitional and handshakes (1982, p. 409)

who include Stewart (1980, p. 10) who suggests the concept is more

profits concept is too artificial and too subjectivne. These

There are a number of other writers who believe the excess

the value of goodwill depends on the level of these profits.

certain conditions which contribute to overall profits, whereas
A. A discussion of some of the advantages of directing the

Evidence of this concept of goodwill may be found in Will.

Evidence may be paid for reasons unrelated to earning power.

To acquire a strategic business operation, such as a brewery or

opportunity to eliminate a troublesome competitor or the chance

Premiums may be paid for other reasons which include the

entity's policies into the foreseeable future. However a

from paying a premium for control is the right to direct an

control of a business entity. The primary benefit derived

Goodwill is sometimes viewed as a premium or cost of

Premium for Control

as if it had no single distinct value constitutes characteristic.

created because of the measurement difficulty and is recorded

\[1977, p. 21.4, \text{stated that it is clear that an accounting concept}

\text{Generalization: Upon desiring the concept, Bedrock and Burton}

Any given enterprise is capable of statistical

interesting to speculate about but only the mass resultant, in

statement that \text{"eminentary concepts of goodwill are}

\[1929, p. 3.9, \text{manvers, this view is evident from Carnings's}

able to be allocated to specific types of assets in a tangible

concept implies that goodwill is a common value which is not

components: Contingent value and unrecorded assets value. The

measure or allocate the value of goodwill to the two individual

\[1929, p. 4.3\] The concept developed due to the inability to
resulting in an overpayment to the vendor. The bad buy may
incorrectly assessed of the net assets acquired. And if a bad buy will occur when a purchaser makes an
loss on acquisition or bad buy.

2.1.7 Goodwill has also been considered to be in the nature of a

contract from the

contract. However, the difficulty is to separate the premium for
also be irrelevant, notwithstanding the payment of a premium for
business entity. Another agreement with Barry that goodwill may
premium may be paid over the perceived economic value of a
seller. In these circumstances, a speculative amount of
interest where an enthusiastic buyer faces a spread or return

described by Archer (1776; p. 43) who stated that a premium

Another version of the premium for contract concept is

of business combination (Barlow (1793; p. 306)).

specific reasons for the payment of this premium in each case
they should identify and measure the components and detail the

paying a premium and not report the amount in earnings.

suggested that accountants should determine the reasons for
may arise in circumstances where goodwill is also evident. He

Barrow (1793; p. 306) pointed out that a premium for contract

value of the business entity.

Furthermore, Carlaw (1982; p. 361) noted that the value of the

Furthermore, Carlaw (1982; p. 361) noted that the value of the
Does this mean that accountants may feel confident in defining
determination than a similar business without goodwill. However,
business, with goodwill generally commands a higher
concept of goodwill is likely to lead to the conclusion that a

The most superficial reading of the earlier described

2.2 Is goodwill an asset?

concept.

concept shall be termed the "unallocated acquisition cost"
be regarded as an overpayment. This version of the bad buy
value attributable to the intangibles not assets acquired may
value of acquisition. Consequently, any excess paid over the
recorded in the partner’s financial statements involved at the
intangible advantageous factors and conditions not specifically
In these circumstances it may be suggested that there are no
names, marks, letters, trade-marks, licences, patents and titles,
involved in an acquisition, including brand and/or business
where a purchaser endeavours to value every conceivable asset
A more comprehensible version of the bad buy concept is
acquisitions where a purchaser will make a "good buy",

Any amount at the time of acquisition, therefore, the concept
business entitlement of directly deriving the positive residual
implication from the accounting practice adopted by a number of
proposed that this concept of goodwill arises merely by
Investigation of the acquisition by the purchaser. It is
arise for many reasons, but often because of an inadequate
Generally accepted accounting principles require that certain assets are recorded and measured in accordance with generally accepted accounting principles. These assets include economic resources of an enterprise that are not resources of any particular activity or transaction, but that are probable future economic benefits to the enterprise. The term "asset" is defined as "economic resources of an enterprise that provide future economic benefits to the enterprise." The term is defined in the FASB's Accounting Standards Board to include economic resources of an enterprise that provide future economic benefits to the enterprise.

15. For example, patent and trademark (1998, p. 16) define the assets as "assets that are held for sale in the ordinary course of business." The term is defined in the AICPA's "Statement of Position 90-1" as "assets that are held for sale in the ordinary course of business and that have no alternative future use." The term is defined in the FASB's Accounting Standards Board to include economic resources of an enterprise that provide future economic benefits to the enterprise.

2.2.1 Generally accepted definition of assets: Goodwill is an asset in order to respond to this question.
that an asset has value because of a future income (cash) generated and consistent with the economic nature of the asset. The economic resources approach is broader asset definition, as found in the economic and accounting literature, and suggests that the economic benefits of an entity's transactions are found in the economic and accounting treatment of the transaction. 

E. Work, Frenous, and Treaney (1984), P. 265}

Paragraph 26. The definition also requires that the asset be capable of generating future economic benefits. This means that an asset is something that can provide future economic benefits. The capacity of the asset to control and the economic benefits received by the entity, and (3) occurrence of the transaction or event. Characteristic of economic resources, these characteristics are: (1) the capacity to control the resource; (2) the Australian accounting profession has not explicitly defined assets, although a definition should be provided. Paragraph 26. The economic benefits obtained or controlled by a particular entity...
Although goodwill has not been expressly delimited, there seems to be general agreement as to some of the characteristics.

Hendrickson (1982, p. 257):

An all inclusive definition of "assets in the opinion of"... has been disregarded by the FASB which has provided separate yet assentable or attributable... However, it is evident that benefits which are able to be severed from an entity (the possession of an entity is not necessarily equivalent to these economic assets, "... as any severable means in the continuous comptemporary accounting (Chamber, 1966)."

In being subject to debate in the professional literature, in asset when considered in terms of the asset's separability, has exercise the legal rights. However, the issue of control of an entity encompassing the ability to control an entity requires further consideration. It is the notion that assets are economic benefits under the law, as assets. The classification does not change the nature of both cash and intangibles provide rights to future benefits which are not presently controlled by the entity.

By Hendrickson (1982, p. 257):

classification, assets are fundamentally identified. As observed furthermore, it should be noted that regardless of conventional benefits which arise from future transactions or events,
Goodwill may be regarded as an asset if the premium for control

However, the subsequent discussion will also address whether

identifies in respect to the FASB's definition of assets.

these two concepts, i.e., those necessary characteristics

will primarily investigate whether goodwill, as defined under

represents excess future profits. The discussion which follows

represents certain intangible assets, and (2) goodwill

different options. These concepts are: (1) goodwill

which concepts embrace many of the assumptions under which

about the nature of goodwill. However, it is proposed that two

professional literature is replete with different options

it is evident from the discussion in section 2.1 that the

Notwithstanding these generally accepted characteristics,

The may exist in the absence of specific costs to develop.

incurred in the development of that goodwill. Goodwill

combination may have no relationship to the costs

acquired separate and identifiable assets in that manner

aggregated in relation to a business as a whole, as an

not susceptible to independent valuation by any method

industrial factors that may contribute to goodwill are

business.

1. Goodwill relates to a business as a whole, and

are:

therefore, to generalize agreement from most writers. These characteristics

of goodwill, which were indicated to be subject

of goodwill. The FASB (1976, p. 47) has identified these
espoused by Bereford and Mosley (1983, p. 21-7) who,
of control in reference to Goodwill. The first view has been
definition is met. There are two main views as to the meaning
to ascertain whether the second characteristic of the FASB’s
Goodwill and control others’ access to such benefits in order
can obtain the benefits from the Intangibles representing.
It is necessary to determine whether a particular entity
then there would be no Goodwill and no asset involved.
However, if there is no likelihood of future excess profits,
be regarded as an asset on the basis that it will ultimately
represent future excess profits. Consequently, Goodwill should
there is the assumption that the various Intangibles involved
be treated as an asset, under the future excess profits concept.
The collective future benefits from such Intangibles, should be
entity’s overall profits. Goodwill therefore, in representing
Intangibles involved are contributing to the generation of an
concept of Goodwill, there is an assumption that the various
circumstances. However, under the certain Intangible resources
benefits is a matter of judgment in the specific
whether any asset is capable of generating probable economic
direct or indirect future net cash inflows, of course, as to
capable of generating probable economic benefits in terms of
FASB’s definition fully requires Goodwill to be
consideration.
the other options proposed and therefore require separate
two concepts are considered to be distinguishable from a number of
and unallocated acquisition cost concepts are assumed. These
A reference to this particular view of contract is found in

Lear (1971, p. 222).

Purchasing arrangements

Commitments and customers which are not bound by any formal
labour force or management after attaining to contractued
of contract involved is likely to be lower, for instance, the
performances. However, for other intangibles the intangible level
secret manufacturing processes and support training
controllable intangibles may include advertising campaigns,
involved may be regarded as being 'contractual'. These
recognized that a number of the contractible intangibles
view, which may be termed the macro-view of contract. It is
various intangibles perceived to be involved. Under this
the ability to exercise sufficient control over all the
the other view of control in relation to goodwill relates

Macro-view of contract

Resources. This particular view may be described as the
providing the entity generates goodwill is not destroying the
internal generated via the normal operations of the business,'
view would seem to apply to goodwill which is non-purchased or
derived from being regarded as an asset. Furthermore, this
combination, commonly termed purchased goodwill, is not
acquired are maintained. Therefore, goodwill arising from a
creation will be met providing the resources of the entity
divestiture the acquired entity'. This implies that the contract
control of access to the goodwill is accomplished by

... combination in relation to a business combination, stated,'
Documentation, in respect to Goodwill, which is internally represented by a contract or sale or other similar supporting evidence. This transaction would normally be part of a business combination. There are no particular problems involved due to the existence of some form of determination, it is essential to establish whether the Goodwill came into existence as a result of past transactions or events.

In order to satisfy the third characteristic of the PASB's asset as perceived to exist, where there is no likelihood of future excess profits, as no under the excess profits concept, control will not be an issue, the excess profits resources are not diversified. Of course, long as an entity's resources are not diversified, so with control of the access to these benefits being achieved, so the view that Goodwill represents collective future benefits' argued that the macro-view of control is more consistent with the net cash inflows of an entity. Consequently, it is from a collection of intangibles, which as a group, constitute the contribution to be too narrow as Goodwill represents those benefits arising determined. Therefore, the micro-view of control is concerned their aggregate value to the business as a whole may be.

Although there may be some concerns as to whether

1976, p. 47 indicated that the industrial intangibles involved

second characteristic of Goodwill as defined by the FASB industrially valuable and recorded each individually separately. The intangibles' it is apparent that accountants do not attempt to sufficiently control may be exercised over some of these other.
an asset in accordance with the FASB's definition of assets, the two major concepts, is not excluded from being regarded as applicable to all assets. It is therefore proposed that goodwill as defined under the view of Beresford and Mosely would appear to have a wider whether any particular item qualifies as an asset. Therefore, of course, judgment will always be required in determining the future benefits from goodwill may be relatively certain to meet the first characteristic, the authors observed: expressed some concern in relation to the capacity of goodwill problems for determining goodwill as an asset. However, they the second and third characteristics pose no particular FASB's definition of assets, Beresford and Mosely argued that In considering whether goodwill is an asset under the to exist. transactions or events are irrelevant as no goodwill is deemed to be normal or less than normal. In these cases the events pose no difficulties as future profits are regarded as profits concept the identification of past transactions or arising rise to internally generated goodwill. Under the excess difficulties to identify all the transactions or events also be expected to be a number of past transactions or events generated by the normal operations of the business, there would

32
time of the business combination.
Of purchased goodwill & trade names & intellectual property being at the
21. Calcott and Alison (1968, p. 106) recommended the writing off

Reported separately...

... since goodwill is not a separable asset, it should not be
realized at a value. Hendriksen (1982, p. 409) also stated that
the corporation since it is not possible for the corporation to
attributes attributable to the corporation as a whole can have no value to

p. 23) supported this view in stating that "goodwill
nature of separable resources and property rights. May (1975,
general rules for determining costs is for the items to be in the
treatment for goodwill they suggested that one of the
Chambers argued in recommending a particular accounting
Calcott and Alison (1968, p. 115) provided early support for
be severed from an entity or exchanged in its own right.
Goodwill should not be recorded as an asset because it cannot
assets; many of these writers agree with Chambers' opinion that
that not all writers agree with the notion that goodwill as an
from a reviewer of the professional literature, it is evident
then there is no goodwill and therefore no asset.
Consequently, if there is no prospect of future excess profits,
and above those attributable to a normal rate of return.
the intangibles only represent future economic benefits over
profits of an entity, the future excess profits concept assumes
various intangibles involved are all contributable to the total
intangible resources concept because of the assumption that the
However, goodwill may arise more frequently under the certain

33
...more specifically, Chambers (1966; p.211) wrote:

22. More specifically, Chambers (1966; p.211) wrote:

measurement and asset determination. Furthermore, arguments three

The first argument seems to confuse the issues of asset

that Chambers' views are impounded in arguments two and five.

In precisely considering these above arguments, it is evident

---

5. The value of goodwill is not to be revalued except when the sale of
the firm is likely to be the result of the operation of those
earnings. (Elton et al., 1971, p.48)  

4. The cost of goodwill is a 'terminal' for the result of
the operation of those earnings. (Elton et al., 1971, pp.20-21)  

3. Goodwill is not consumed or used in the production of
business income in the same manner as are the economic resources of a business.


1. In the case of purchased goodwill, it is not an economic asset:

because:

- The argument is based on the interpretation of "economic assets"
- Additional support for the view that goodwill is not an asset.
- Shultzey (1979) agreed with the above writers, but provided

Resources, Shultzey (1979, p.33) stated:

...
should be included among the assets in an entity's balance.

As assets, furthermore, Stewart (1980, p.6) argued that goodwill is generally correctly accounted for as an asset. 

Potentially profit earning, Magnitosh (1974, p.31) observed, prevent their accounting treatment as such, for all are business assets in a conventional sense, but this should not be accepted, and if and if and not control in defining assets, Lee (1971) wrote that at a time when there was emphasis on legal ownership, effect, advocated a non-accounting for goodwill approach.

In a case of Carter and Olson and suggested that they, in the balance sheet as such, and therefore did not agree with the view that goodwill is an investment and should be described on the assets with physical substance, Smith (1969, p.22) adopted the potential and are no different, in an economic sense, from represent value in the form of future beneficial services be characterized by a lack of physical substance, they other, Cynefin (1969, p.255) stated that although these assets might under the two major concepts, is an asset. For instance, consider the support for the view that goodwill, as defined, other writers with the same or similar views, there is notwithstanding the views of Chambers, Shirley and the precedence over the role of the balance sheet.

Profit and loss statement is all important and should take and four appear to be related to the view that the role of the
normally be expected to generate future economic benefits from
instances, the establishment of a troubleshooting competitor would
for consequential economic benefits is unlikely to exist in both
competitor or to acquire its strategic business, the capacity
where a premium is paid to establish a troubleshooting
defined as an asset, in the event of a business continuation.
for control over policy-making is not excluded from the
is therefore argued that a payment in the nature of a premium
would not be satisfied where a continuation had not occurred. It
contract of sale in the instance of a business continuation, but
transaction of event involved would be represented by a
prescribe the relevant policies involved. Furthermore, the past
is also likely to be material due to the ability of current or
assets would normally be satisfied, control over these benefits
then the first characteristic of the RAS's definition of
materialised, where such benefits are perceived to be evident,
a business combination so long as control over policy making is
may ensure that permanent synergistic benefits will arise from
an entity's policies into the foreseeable future. This right
commonly, a premium is paid to obtain the right to direct
depends upon the nature of the advantages involved.
However, whether the premium may be regarded as an asset or not
advantage or factor of a permanent nature has been obtained.
this follows, the premium for control concept implies that an
acquisition cost concept is another matter and discussion of
RASR definition under the premium for control and unattained
as to whether goodwill is an asset in accordance with the
to reconcile industri

24. This is consistent with the views of Leventhal (1973, p. 45).

...
perpendicular to the P&SB, as well.

The other argument:

Gooldwill. However, the severalability characteristic is not a

asset as so on the basis of the interchangeable nature of

that most of the writers who hold the view that Gooldwill is not

universally accepted in the profession, reiterature, it seems

referred as an asset. Although those opinions may not be

concept does not satisfy the P&SB definition and should not be

however, Gooldwill under the unallocated acquisition cost

future excess profits and premium for control of companies.

definition of assets under the certain intangible resources,

being defined as an asset in accordance with the P&SB’s

In summary, it is argued that Gooldwill is not excluded from

the definition of assets adopted by the P&SB.

of the immediate, consequently, an asset should not arise under

acquisition cost, then the amount involved should be written

benefits to represent the unallocated portion of the

is argued that since there is likelihood to be no future economic

unallocated acquisition cost is in the nature of a bad buy. It

intangibles will remain unrecorded with the result that any

nature of Gooldwill. Therefore, it is likely that no significant

those intangibles which are commonly regarded as being in the

is concerned that assets of this type are likely to represent

recording in the balance sheets of a number of entities.

business names, and trademarks before I particularity and specifically

In practice this has resulted in assets such as brand names,
It is important to review both the internally generated and purchased components of Goodwill.

In order to determine if Goodwill meets this recognition criteria, the assets should not be recognized in the balance sheet. This is because the benefits are not capable of being quantified in monetary terms.

However, in terms of a monetary unit, therefore, if future economic benefits are capable of quantification with acceptable accuracy, an asset in the balance sheet could be regarded as an asset under the certain intangible resources.

The conclusion that Goodwill is not excluded from being recognized if it does not exist, the previous discussion had to establishement of the existence of the asset. An asset cannot be identified against recording Goodwill as an asset, so to be the first requirement for recognition of an asset is the

2.3 Recognition of Goodwill as an Asset.

Other considerations which may not be necessary relevant to determining assets which appear to be relevant. By contrast, as noted above, the term "economic resources" seems to be the
26. Despite the attractiveness of the accounting process by the accounting profession in the Anglo-American world to develop and insulate the asset with specific transactions, as represented by some form of contract

In relation to purchased goodwill, the existence of a

Internally Generated Goodwill in the balance sheets of entities, difficulties accountants emphasize the non-recognition of

difficulties, accounting has emphasized the non-recognition of the various
to be based on hypothetical assumptions and subject to a fair

accurately reproduced in specific transactions or event are likely

It so, subject to uncertainty, furthermore, the future

Generated Goodwill, such cost allocation may be arbitrary and,

specific transactions or event, in respect to Internally

is important to be able to attribute a particular cost to a

which may be involved, under historical cost accounting

able to attribute some form of value to the economic benefits

or events may be achieved, another difficulty arises in being

Furthermore, where specific identification of such transactions

number of cases the identification may be virtually impossible.

These transactions or events is likely to be difficult, in a

past transactions or events. However, the identification of all

section 2.2.2, the presence of Internally Generated Goodwill

Internally via on-going activity and development, as noted in

normal operations of an entity, whereby a business is built up

Internally Generated Goodwill arises as a result of the

2.3.1

Internally Generated and Purchased Goodwill
2.3.2

Fundamental Objective of Financial Reporting

The purpose of financial reporting is to provide information that is useful to financial statement users. Hence, the function of financial reporting is to provide the auditors in the United States with information about the financial performance of the entity. In the Anglo-American world, to define the function of financial reporting, it is necessary to review the accounting for this inconsistency presents any particular difficulties for the concept of good will. However, in order to ascertain whether it has been acquired, it is necessary to ascertain whether the transaction is for a different accounting treatment. Inconsistent with Goodwin (1989, p. 40) stated, "there is no Goodwill, if any, in the balance sheet of an entity."

It has been argued that the recognition of only purchased above, may be recorded as an asset. Then Goodwill is determined under the three concepts mentioned above. Income is supportable by probable future economic benefits. Calculation of Goodwill involves providing the Know-That and the presence of such evidence permits the objective identification of net assets acquired. Accordingly, accounting has normally calculated on the same basis as the value of the asset will be evaluated from the discussion in Section 2.4. It is of no acquisition can be determined. The amount so determined, due to the documentation and the transaction, the cost of the recognition of internally generated Goodwill. Furthermore,
26. This definition is similar to the definition proposed at an earlier time by Barton (1982, p. 9). However, Barton's approach was of accountancy and not financial reporting definition included reference to control, as his.

For economic decision-making reports should communicate information which is useful.

27. It is contended that this definition implies that corporate

paragraph 31. It should be noted that in the Guidance

and (b) to satisfy accountability.28 (ASB and ICA (1996b)

disclose information: (a) useful in making economic decisions;

purpose financial reporting by public sector entities to

Australian professions stated, "the objectives of General

release: Statement of Accounting Concepts No. 1 (SAC1), the

public sector. In the first formal conceptual framework

by the Australian professions for financial reporting in the

(1975, p. 8))27. The usefulness, approach is also supported

such information. "Accounting Standards Steering Committee

Reporting entity useful to those having reasonable rights to

information about the resources and performance of the

reports for communicating economic measurement of and

United Kingdom where the fundamental objective of corporate

(FASB (1978, p. 8)). A similar definition is supported in the

those who make economic decisions about business enterprises
In meeting the fundamental objective
as an asset have adverse ramifications for functional reporting
is the non-recognition of internally generated goodwill. More specifically, the question which may be posed
argument identifiably in respect to internally generated
these two characteristics in considering the incoherence of
purport to be useful to consider the respective importance of
decision-specific qualities of accounting information. It is
reliability and relevance, and are regarded as the
primary, decision-makers and their needs. These characteristics are
accounting that this statement concerns not place an emphasis
information. The specific qualitative characteristics of

The PASB (1980) in SAGC has addressed the issue of
reporting, policies and financial reports.
and criteria for selecting and evaluating accounting
the qualitative characteristics of information provide
satisfy the fundamental objective of accounting more utility.
usefulness, and therefore enable the accounting system to
possess several attributes which are prerequisites for
the information prepared in an accounting system should

also observed:

Information required by various people. Barton (1982, p.31)
Information system designed to provide the informational
Barton (1982, p.2) "... accounting is taken to be a informational
respect to the informational attributes of an entity. As observed by
information which is useful in making economic decisions in
should be able to satisfy the needs of users for informational
All of these determinations imply that informational reports
appears to be in favour of verifiability. The position of balance adopted between these two components,  
reliability and representational quality of all meanings. The concept of representational quality of all meanings,  
how to read between the lines, so to speak, as to copy the statement as long as the user knows  
that there is no Goodwill. Yet, to argue that there is no danger of  
the expression, the absence of Goodwill from a balance does not appear to represent the same. From the standpoint of  
representational quality of all meanings, the concept of representational quality of all meanings,  
not be recorded as assets in the accounts.  
achieved by verifiability, then they are not reliable and should  
be measured. The measurement of these components: verifiability, representational  
truthfulness and neutrality. In respect to asset recognition,  
truthfulness is reasonable free from error and bias and  
defined as "the quality of information that assures that  
decision-specific qualities shall be analysed. Reliability is  
In attempting to answer this question, the two primary  
and 3.3
value of financial statements is likely to be undermined.

Therefore, the predictive value and feedback
suggesting that asset being referred to an off-balance sheet
intelligently generated could lead to a very real and
are by Billard (1985, p. 22) the accounting perspective for
intelligently generated in an entity’s balance sheet. As
intelligently generated will adversely affect the reference of any
only, it is likely that the non-recognition of intelligently
as accounting permits the recognition of purchased goodwill

In respect to the quality of relevance, Barton (1982, p. 32):

In respect to the quality of decision makers.

The earlier expectations of decision makers
of earnings. Feedback value refers to correction or confirmation
the value of useful inputs for predictions, such as cash flows
(predictive value) and feedback value. Feedback value is

(1980, p. 21). Relevance has two main aspects, being

Future events or to confirm or correct expectations "par

to form predictions about the outcomes of past, present, and
"capable of making a difference in a decision by helping users

The quality of relevance is expressed in SPAG as being
Qualitative characteristics are reproduced in Table 2.1.

developments of the weights assessed to each of the twenty
being rated "10", a rank listed of the means and standard
criteria which they considered as first equal in importance
criteria on an 11 point cardinals scale (0-10), with the
The ASC members were requested to weight each of the twenty
countries.

studies which had been carried out in various Anglo-American
characteristics were derived primarily from review of research
useful accounting information, the spectrum of qualitative
criteria in order of their importance in producing
Kingdom to rank a spectrum of twenty qualitative
of the accounting standards committee (ASC) of the United
in a natural approach, Stamp (1981, p. 221) requested the members
regard, the evidence obtained by Stamp in 1980 be useful.
regard to the two qualities of accounting information. In this
is time for the profession to accredit the relative importance
evidently selected the relatability route. However, perhaps it
the accounting profession in the Anglo-American world has
and relatability. In respect to Internally Generated Goodwill,
it is evident that there is a trade-off between relevance

2.3.4 Relatability versus Relevance
29. Thus outcome is similar to that subsequently reported by Joyce, Libby and Sander (1982, p. 689) in respect to the quantitatively characterized characteristics proposed by the pass in SAGC 2.

In addition, the ability of any good or service to "fit" or of balance, it would appear to be contrary to this perceived position the approach adopted in accounting for internally generated trade-off between the two primary decision-specific qualities. These results therefore suggest any vertiabiltiy and of reliability (freedom from bias, objective and standard deviation) to be more important than the attributes members surveyed regarded relevance to users' needs (mean 10, 2.5) as a major of the results derived indicate that the.

<table>
<thead>
<tr>
<th>Isomorphism</th>
<th>Converseation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Full disclosure</td>
<td>Preclusion</td>
</tr>
<tr>
<td>Freedom from bias</td>
<td>Undermining</td>
</tr>
<tr>
<td>Cost benefit effectiveness</td>
<td>Untruthfulness</td>
</tr>
<tr>
<td>Beneath exclusivity</td>
<td>Premanifestation</td>
</tr>
<tr>
<td>Comprehensibility</td>
<td>Vertically</td>
</tr>
<tr>
<td>Certainty</td>
<td>Vertiabiltiy</td>
</tr>
<tr>
<td>Rejection</td>
<td>Non-interteness</td>
</tr>
<tr>
<td>Vertically</td>
<td>Restriction</td>
</tr>
<tr>
<td>Recongnability</td>
<td>Flexibility</td>
</tr>
<tr>
<td>Consensus</td>
<td>Coporate</td>
</tr>
<tr>
<td>Non-intereneness</td>
<td>Freedom from bias</td>
</tr>
<tr>
<td>Thereeness</td>
<td>Subtance over form</td>
</tr>
<tr>
<td>Comprehensability</td>
<td>Materiality</td>
</tr>
<tr>
<td>Substantive to users' needs</td>
<td>Relevance to users' needs</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>(Ascending order)</th>
<th>(Descending order)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Standard Deviations</td>
<td>Means</td>
</tr>
</tbody>
</table>

Table 2.1

47
30. Fair value is a market value approach to measuring cost and may include cash or other monetary assets, non-monetary assets, purchase consideration needs to be ascertained. These statements are in accordance with the purchase method of accounting, the fair cost. To determine the purchase consideration involved in the purchase consideration and the incidental purchase of acquisition is normally considered to have two components, and the cost be recorded as an asset, it is necessary to determine the value in order to determine the amount of purchased Goodwill.

2.4 Contemporary Accounting Measurement of Purchased Goodwill.
assets acquired are often adopted, (Wood and Mutton, 1968, p. 41-43).

pp 32. [missing text]

30. [missing text]

31. It is also possible to measure the purchase consideration as the purchase consideration costs are those costs incurred by the acquiree by takeover activity. The price has been traditionally recorded as a temporary volume or as accumulated unrealized gains or losses. Shares are listed on a stock exchange, however, where the shares are not difficult to compute, especially where the shares are not.

32. [missing text]
Although Goodwill on consolidated financial statements is normally purchased Goodwill, it is not normally recorded on purchased Goodwill and consolidated financial statements.

2.4.1 The acquisition concept:

no Goodwill is likely to be recorded under the unallocated, there would be no Goodwill and no asset recorded. In addition, if there is no evidence of excess above normal profits, then be recorded. However, under the future excess profits concept, probable future economic benefits, then a non-current asset may be supported by concepts, so long as the result is supported by the certain intangible resources and premium for control given that all the other measurements are stated at fair value. can be drawn that any Goodwill is less than fair value identifiable net assets acquired. Consequently, the conclusion of the cost of acquisition over the fair values of the is complete, Goodwill is normally regarded as being the excess asset in the books of the settlor, once this valuation process benefits than the written down historical cost value of an to be a more relevant measure of probable future economic fair value is a measure at a specified time and is likely
To Farr (1976, pp. 106-109).

For a more comprehensive discussion of these issues refer

34. Hooghiemstra (1969, p. 67) referred to these arguments and stated that

of Goodwill discussed in this chapter provide an indication as

recognitions and measurement of goodwill. The different concepts

is where diversity of views in relation to the nature,

from the survey of the literature it is evident that there

2.5 Conclusions

consistent with the historical cost convention.

35. That Goodwill by the Parent. Therefore, the treatment is

recorded as Goodwill on consolidation is the cost incurred for

approach is normally dependent on the basis that the amount

the Parent's Proportional Interest. However, the proportional

in recognizing the fair value of Goodwill only to the extent of

their entity to a fair value basis there is an incoherence

subsidiaries' net assets, other than goodwill, are restated in

Mortensen (1966, p. 201) argued that the proportional approach

consolidated statements are to represent Group assets.

Goodwill on this basis is inconsistent with the notion that

company reports. However, Codrey also pointed out that showing

financial statements are intended to amplify Parent or Holding

approach is consistent with the view that consolidated

a subsidiary company. Codrey (1984, p. 585) suggested that

amount recorded relates to the share of net assets acquired in

calculated in the same manner as outlined in section 2.4, the
could also affect practice. Consequently, the major accounts treatment applied. Different views in respect to measurement of financial reporting may also have consequences for the recognition internally generated goodwill and the implications accounts. Concerns over the conceptual relevance of not expected to affect the accounting treatment applied in the perception as to whether goodwill is an asset or not would be adoption of consolidation accounting practices for goodwill. The background provided in this chapter underscores the issue of accounting for goodwill remains controversial. Of measurement to adopt provides further evidence as to why the diversity of thought in relation to the most appropriate method of financial reporting in meeting the fundamental objective. Internally generated goodwill may also have adverse implications for relevance. In addition, the non-recognition of internally generated goodwill has also been questioned in respect to the conceptual separately sell or assign the goodwill of an entity. The generally adopt this view because of the inability to concepts. Those writers who argue goodwill is not an asset resources, future excess profits and premia for control FASB's definition of assets under the certain preamble exclude from being defined as an asset in accordance with the goodwill as identified, it is argued that goodwill is not of accounting concepts. In regard to the major concepts of to why goodwill is considered to be perhaps the most ephemeral
of the diversity of opinion which prevails. Investigations in the following chapter may be appended in view of the practices adopted for goodwill on consolidation, as...
THE purpose of conducting this investigation of accounting practices in Australia is to provide a frame of reference for the accountants and accountants' practices and the relevant professional accounting requirements. The research on accounting practices in Australia are summarised to identify the extent of diversity in practice prior to regulation of the accounting profession in Australia and the findings of the chapter and the financial statement implications of the various practices are examined and arguments for the adoption of each practice are examined and the amount of recorded goodwill and adjustments subsequent to the acquisition. Being adjustments upon acquisition affecting the issue, the practices investigated are classified into two categories, major overseas and major Australian. The results of the consolidation practice are discussed and described from the professional literature and the results of the major overseas consolidation practices are described from the literature.
...and Tomkin (1986, p.130)

The treatment as a "somewhat artificial device" (sketch...)

creation of a zero reserve against which goodwill could be...taxes on that...must appear to be on a statutory basis...the amount of consolidated goodwill, adjusted in this manner. However, in the United Kingdom, where the total of unsecured reserve and unregistered goodwill...pay support for the argument of charitable goodwill to...2. A portion thereof, believe that parameters for...shareholders' equity by the amount of consolidated goodwill, or...reasons. I...accounts against shareholders' equity for various...3.1 Writing down the Investment account in the Parent's...assets...understated profits and the revelation of a subsidiary's...Investment account in the Parent’s accounts against reserves or of the major practices of this type, being the writing down of the...There are two important aspects on which the magnitude of this...It is possible at the time of acquisition to make adjustments...of the party of net assets acquired in that subsidiary...value of the share of net assets attributed to the book...where there is a positive difference between the value...
Study Committee - The Matching Concept (1965).


3. Stewart (1980, p. 19) observed that support for this view is emerging as an inaccurate matching may result if the

income it is argued that shareholders' retained earnings should be reflected in the balance sheet immediately. Although it is not immediately reflected, the assets constituting Goodwill under the assets constituting Goodwill are determined, as noted by Lee (1984, p. 2) this argument asserts Goodwill to future earning capacity cannot be accurately determined. This manner is related to the recognition of another argument for eliminating the constituting Goodwill in another argument for eliminating the Goodwill belongs to the company's future earnings on more than an earned argument, and should be deducted from the company's retained earnings. Stewart's point is a common practice of shareholders and not the company's entity. Similarly, Speck argued that Goodwill belongs to the company's entity's chambers and previously supported write-downs of this type. When there is a reduction in stockholders' equity estimates that fact, corresponding amounts, and accounting for the reduction of Goodwill, resources reduces the stockholders' equity in a company. Resources represent a portion of a company's resources. The statements paid for Goodwill in a business combination represent distributions for anticipated future earnings. In 1980, supported this position in Cartell and Olson (1980, p. 9-0) supported this position in any distribution of earnings and should be treated accordingly. In essence, these proponents take the view that Goodwill is like any distribution of earnings and should be treated accordingly. In essence, these proponents take the view that Goodwill is like
The study group was formed jointly by the American Chartered Accountants in Ireland, the Institute of Chartered Accountants in Scotland, and the Institute of Chartered Accountants in England and Wales. In contrast, the American Institute of Certified Public Accountants and the Canadian Institute of Certified Public Accountants were not involved.

5. In such a study group, as noted by Mott (1967, p. 272), the written-in-down-in-this manner has no continuing value to the or other entities.


In such a manner, it may also be argued that consolidated goodwill which is not recorded as a goodwill, but is part of the total value of the consolidated entity, is not included in the consolidated financial statements. This is consistent with the argument presented by the International Study Group (1975, paragraph 21.3) that the internally generated goodwill is part of the consolidated entity and is not a separate entity.

An additional argument for immediate write-off year by year and between groups is that the use of current asset reserves and the appropriate accounting for purchased goodwill results in a normal trailing loss on measurement of purchase. When the purchase of goodwill is in fact deemed merged, its accounting period is adjusted to the accounting period of the acquiring entity. This is consistent with the argument presented by the American Institute of Certified Public Accountants, as observed by the accountants from 1975 to 1985. The American Institute of Certified Public Accountants does not specifically address the appropriateness of the accounting practice, but it is not practicable to determine the appropriate period of one period accepts the full burden of the write-off.

In describing this argument McKinnon (1984, p. 77) stated:...
Industry or even losses.

as an asset when they earn below normal earnings for the
p.252 (when the acquired assets are reported to the

7. This view would seem to be supported by Letter (1971).

Adjustment is consistent with historical cost accounting.

deemed to be a measure of the cost of these assets, the
assets may include patents and trademarks. As fair value is
previously written off in the subsidiary’s accounts, such
furthermore, some assets may be restated after having been

time in the accounts. For instance, brand names and trademarks.
revaluation may be that some assets are recorded for the first
re-valued to their fair value, a consequence of the
separately recorded in the accounts. These assets are then
assets which are capable of being individually identified and
the revaluation involves the determination of all
value of the subsidiary’s assets at the date of acquisition.
identifiable net assets acquired should be based on the fair
the notion that the acquirer’s interest in the

The revaluation of a subsidiary’s assets is consistent with

3.1.2  Revaluation of a Subsidiary’s Assets

Statement of the parent company.

matching concept, be charged to expense in the profit and loss
is in the nature of a loss on acquisition and should, under the
recent losses. However, it may be argued that the write-off

such as in the case of a business with marketable securities or
immediately upon acquisition if it has no demonstrable value.

circumstances it is proposed ‘... that goodwill be written off

58
consolidated financial statements.

users of the subsidiary’s financial statements and the accounts, those assets are consistently valued for both the subsidiary, whose assets are revealed in the subsidiary’s financial statements, but the relevance of such values to the acquisition would remain unaltered in the subsidiary’s book values of the subsidiary’s assets at the time of consolidation financial statements. This means that the acquisition assets would only be shown at their fair values in the consolidation adjustment. In the latter case, the subsidiary’s within the accounting records of the subsidiary or as a result of this study.

However, the discussion of this issue is outside the scope of this study. However, the discussion of this issue is outside the scope of this study. However, the discussion of this issue is outside the scope of this study. However, the discussion of this issue is outside the scope of this study. However, the discussion of this issue is outside the scope of this study. However, the discussion of this issue is outside the scope of this study. However, the discussion of this issue is outside the scope of this study. However, the discussion of this issue is outside the scope of this study. However, the discussion of this issue is outside the scope of this study. However, the discussion of this issue is outside the scope of this study. However, the discussion of this issue is outside the scope of this study.
the parent (alone). Consolidated financial reports are always larger than for

9. For United States companies not guaranteeing debt, France's

measured against total assets, as the overall level of assets,

Goodwill will not immediately impact upon a group's leverage

amortization. Any revaluation to eliminate consolidated

future profits of the revalued assets are subject to

Goodwill, higher depreciation charges will be made against

revaluation may remove all or part of the consolidated

the use or sale of these assets in the future. Although the

indicative of the expected future benefits to be derived from

Financial statements as fair value is likely to be more

more relevant valuation of these assets in the consolidated

The revaluation of a subsidiary's assets should lead to a

date of acquisition.

depending upon the leverage position of the subsidiary at the

a group of companies. However, the increase may be offset

have the initial effect of increasing the level of leverage in

reduced by the write-down. Furthermore, the writes down will

Neither current period nor future consolidated profits are

undistributed profits has an impact upon consolidated reserves.

account in the parent's accounts against reserves or

Financial statements. The write-off down of the investment

Goodwill are relevant to the interpretation of consolidated

The two major practices which affect the amount of recorded

Acquisition

Financial Statement Implications of Adjustments Upon
Evidence of the importance of such a measure of leverage is

Alternatively, adjustments against consolidated reserves are
drawn down distributions or transfers to other reserves.

Any not reflected profits to balance date after deducting
period, as a corollary, the retained profits statement would
and losses to be included in the determination of profit for a
This approach requires all income and expenses and all expenses
the , all-income, approach to the determination of profit.
Alternatively against consolidated profit are consistent with
off may either be above the line, or below the line,
(amounting understructured profit). In other words, the write
against either consolidated profit or consolidated reserves
least partially controlled, involve write offs of goodwill
description of the directors, these practices, which are at
 systematic (perturbed) write off and write off of the
major practices of this type, before the lump sum write off, the
of a controlling interest in a subsidiary, there are three
consolidated financial statements subsequent to the acquisition
Goodwill in consolidated statement can also be addressed in the

3.2 Adjustments subsequent to acquisition

Immediately reduce the measure of leverage.

Leverage is measured against tangible assets, the revelation
impact on leverage is not immediate but gradual. However, where
group’s leverage position would be affected. By its nature, the
made in subsequent years and profits are affected, then the
remains the same. However, as higher depreciation charges are
II. A discussion of the implications of these two profit

may be concluded that there may be no future benefits
accounting for internally generated goodwill. In

occurred to ensure consistency with the procedures used in
incurred, the second conclusion is that the write-off has
achieves the best matching of benefits with the cost
benefits involved. Therefore, it may be assumed that the write-
uncertainties as to the amount and timing of the future

any other write-off would be too arbitrary due to the
as to why this has occurred. Firstly, it may be concluded that
consolidated profit, these different conclusions may be drawn
transactions statements. where the lump sum write-off is against
of the amount of goodwill on consolidation in the consolidated

Lump sum write-off

non-operating or extraordinary items and prior period

expenditures, expenses and losses for the current period are included
project, under this approach only normal operating income,
consistent with the current operating approach to determining
The parent company being regarded as an economic unit, its asset reserves or undistributed profits are not consolidated with the parent’s accounts. In the parent’s accounts, the cost investment account is the written-down amount of the goodwill at the time it is acquired. However, it could be argued that the written-down amount of the goodwill is not an asset at all. It is, however, based upon the matching principle. As noted by Leo (1984), "If the written-off amount is an asset and systematically amortised..."

3.2.2. Capitalised as an asset and systematically amortised.

The initial write-off in different sets of accounts.

A parent reserves relate to their timing and the occurrence of differences between these two practices involving write-offs of company’s reserves or undistributed profits. The main section 3.2.1 to justify the write down against the parent off has occurred are the same as those reasons discussed in consolidated reserves, the likely reasons as to why the write-off of the cost incurred... the immediate charge to expense associated with the goodwill involved, in which case the..."
In the value of purchased goodwill, material items falling into account the diminution is unlikely to be material and, in any event, would be less in the year that any matching is made. (1976, p. 91) and Stewart (1976, p. 60) draw the analogy to accounting practice for depreciation (1976, p. 60), those who argue for amortizing goodwill to income that goodwill eventually disappears, as observed by the FASB selection of an arbitrary period is consistent with the notion of expenses and incomes. However, it is argued that the expenses of a mis-matching of circumstances there is a prospect of a mis-matching of life usage with any degree of accuracy necessary to establish an arbitrary useful life where the establishment of the useful life of goodwill will be overstated to this extent.

Costs are not matched with these benefits, then profits are to participate in enhanced future earnings. Therefore, if these which have limited useful lives. The consistent with the treatment of all other depreciable assets as reported, a regular amortization policy for goodwill is realized, goodwill should "... be written off against income over the amortization period for different reasons when he stated that constructive goodwill. Walker (1953, p. 213) also argued for the cost of the benefits derived from the unidentifiable assets on the basis of the amortization is that of matching the p. 212).
Charge with the corresponding income. Ensures there is a matching of the depreciation or amortization matching concept to be amortized against income. This asset with limited useful lives have been required under the However, the adjustment has virtually no theoretical support and project’s of the current and subsequent accounting periods. Despite to estimate any disruptive effects on the consolidated are made against consolidated reserves there is an apparent where systematic write offs of Goodwill on consolidation for the replaced Goodwill. Separate matter and should not be confused with the accounting view, accounting for internally generated Goodwill is a Goodwill has a limited life (FASB 1976, p. 60). Under this support amortization in view of its impairment that purchased Goodwill is 18 process of replacement is used to long as it continues to be maintained or replaced by internally the view that purchased Goodwill does not lose its value as these proportions of amortizing Goodwill to income reduce determined. Are absorbed in operations over periods that are not accurately expense, bad debt expense, warranty expense and the like which
where a write-off occurs against consolidated reserves, no
income of the period affected by the write-off down. Alternatively,
if consumption of goodwill on consolidation is matched with the
profit or loss is not consolidated, the directors, in the circumstances
where a write-off of consolidated profit or loss should be
charged to other consolidated profits or losses, should
periodically to determine if any portion of the cost should be
this approach goodwill on consolidation should be retained.
reduced by an amount deemed appropriate by the directors. Under
the approach that goodwill is not being maintained or
indicated that goodwill is not being maintained or
the normal operations of the business. However, if there is any
of the business. In other words goodwill is not consumed in
continuously maintained or represented via the normal operations
approach is that goodwill does not discriminate in value as it is
equivalent statements. The main argument in favor of this
approach to the impairment in value is recorded in the consolidated
value as apparent to the directors, then a write-off equivalent
in its value becomes evident, where a permanent diminution in
as an asset without amortization unless a permanent diminution
approach involving the maintainence of goodwill on consolidation
The directors' discretion, practice is, ad hoc,

Discretion of the Directors

Capitalized as an Asset and Written off at the
The main argument against the directors' discretion is that, in the circumstances, the presumed matching is achieved. In these circumstances, the presumed

...
position of a group of components is not immediately affected by
upon the consolidated profits of any period. The leverage
systematic write-offs to consolidated reserves do not impact
smoother income series than do lump sum write-offs. However,
spread the charges over a number of periods and hence lead to a
item affected. Systematic write-offs to consolidated profits
consolidation also varies depending upon the proprietaryship
the impact of systematic write-offs of Goodwill on
the parent’s investment account.

consolidated Goodwill is eliminated by restating the balance in
practices, but in the same manner as described by these
leverage position of a group is also affected by these
parent company asset reserves or undistributed profits. The
by restating the balance of the investment account of the
which occurs if all the consolidated Goodwill is written down
consolidated reserves, then the impact is the same as that
affected. Alternatively, if the write-off is asset
profile, then only the current period’s consolidated profit is
consolidated reserves. If the write-off is asset consolidated
immediate impact upon other consolidated profit or
sum write-off of Goodwill on consolidation will have an
relevant to the interpretation of these statements. The lump
on consolidation in the consolidated financial statements are
the major practices involving the writing-off of Goodwill

Subsequent to acquisition

Prudential Statement Implications of Adjustments

89
conducted some nine years apart. their overall conclusions were
Australia's accounting profession. Although the studies were
in the period prior to the regulation of this issue by the
for Goodwill on consolidation. Both of these studies occurred
the accounting practices adopted by listed Australian companies.
There have been two major research studies conducted into
Practices in Australia Prior to Regulation

3.3 Major Research Studies into Goodwill on Consolidation

Directors consider a write-off to be necessary. In subsequent periods, leverage would only be affected when the
subsidiary's leverage position is unlikely to be affected.
impact upon leverage will be the same. Upon acquisition of a
however, no matter which proportion of the consolidation, any
period nor future consolidated profits would be affected,
occur as goodwill consolidated reserves, then neither the current
is recorded as an expense, alternatively, if any write-off
when an impairment in value is observed and the write-off
affected. However, future consolidated profits will be affected
consolidated profits of the current period are unlikely to be
 diminution in value of the goodwill invoiced, then the
of the directors. If there is no evidence of any permanent
of the reduction of goodwill on consolidation at the discretion
the proportionality item involved will also vary the impact
affected.

Subsequent periods, the leverage position of a group is
these practices. However, as the systematic changes are made in

69
Down the investment account in the parent company's books.

Majority of these companies adopted the practice of withholding adjustment upon acquisition to Goodwill on consolidation, the authors found that 90 of these 196 (46 per cent) companies made some type of modifier to adjustments upon acquisition, the authors suggested that:

"... the practice of withholding adjustment upon acquisition of a company applied at the time of their study into two broad categories: adjustments immediately upon acquisition of a company and procedures classified as the accounting practices...

That corporate financial statements were prepared, 277 companies responded (55 per cent) of which 196 indicated they met the Metropolitan Stock Exchange as of November 1974. A total of 252 companies, approximately 76 percent of the total population of 252 companies, proceeded (1975, p. 167)." Their study, unlike the previous studies of Gibson and Frances (1975), failed to produce: "... an excellent opportunity to study the development of accounting policies by Australian companies of Goodwill on consolidation..." By Gibson and Frances (1975), the authors believed the first major Australian study of accounting practices according to Goodwill on consolidation, similar in establishing that there was a lack of any common
Group of companies, the companies included in the study were
analysts of the published financial statements of a sector
to that adopted by Gibson and Francisc, as it involved an
Goodwin (1989).

The authors research approach was descriptive
Goodwill on consolidated accounting practices was conducted by
The second major Australian study which investigated

3.3.2

Gibson and Francisc (1975, p.70).

"found is at least as bad as any arbitrary rule could be" a
arbitrary one, our judgment is that the consulting
drafting any accounting standard is worse than having an
that "even if the study has not proved conclusively that not
directly asset consolidated reserves. The authors concluded
Goodwill asset consolidated profit and so made the adjustment
the proportion of the italicised as 98 companies wrote off
dischreformatory-type practices. There was also no consistency in

support for the systematic (periodic) and directives.
the most popular was the large sum write-off, although there was
adjustments, of the different accounting practices implemented.
companies preparing consolidated financial statements made such
Gibson and Francisc found that 88 of the 196 (45 per cent)
acceptable. In relation to adjustments subsequent to acquisition,
followed the practice of revealing the assets of subsidiaries
all or a portion of the goodwill, majority of companies
asset reserves or undistributed profits in order to eliminate
outside the scope of the present study.

treatment was not investigated by Gibson and Franses and is
discussed treatment. The extent of the use of this disclosure
methodology study investigated the use of the different
effects policies adopted. In addition, it is noted that
financial statements analyses approach of ascertaining the
relates to the usual difficulties experienced under the
account in the parent companies’ accounts. The third reason
extent to which these write-offs were debited to the investment
offset against reserves. It is not possible to ascertain the
 adopted. Secondly, from Gibson’s evidence of lump sum write
largely due to the limitations of the research approach
substitutes ascribed was not investigated by Gibson, because
reasons. Firstly the practice of recording the assets of
are not comparable with those of Gibson and Franses for these
acquisition. However, the findings of this specific analysis
into adjustments upon acquisition and adjustments subsequent to
practices ascertained from their analyses of financial statements
Gibson also endeavoured to classify the accounting

and 22 from the mining and oil class.

the remaining 133 companies. III were from the industrial list
acquired any subsidiaries during the period of the survey. Of
157 companies indentified, 74 were eliminated as they had not
takeover offer during the time period here indentified, of the
exchanges at 31 December 1983, and which had made a formal
1980-1983. Those companies listed on the Australian Stock
published in the Australian Financial Review during the years
selected from the lists of current takeover offers which were
sec. 266 to include consolidated financial statements of the company. The group accounts are presented under sec. 266(3) and require a "true and fair" view of the financial statements of the company. The financial statements must be prepared under either AS 1 or IAS 1. This standard is required by statute or otherwise to present all "true and fair" view of the financial statements of those entities. Statements of accounting standards are necessary for presentation. Additional processing rules were added to the AS and the IAS. The mandatory for members of the AS and the IAS. The

22. Compliance with statements of accounting standards is

22. Studies on accounting as evidenced by the earlier research

22. Mandatory diversity in accounting practice for goodwill on

22. Releasing AS 168, the Australian profession was committed to

22. For accounting periods ending on or after 1st March 1985. In

22. Operating in respect to the financial statements of entities

22. (PAVS) was issued by the AS and the IAS in March 1984. It was

22. Statement of accounting standards "Accounting for Goodwill" (PAVS)

22. Bodies on accounting for goodwill on consolidation (PAVS)

3.4. Requirements of the Australian Profession for Accounting

Over all, the methods required in PAVS were not widely used.

Overall, the methods required in PAVS were not generally used. The survey period was apparent in some areas but not in others. The influence of the exposure draft towards the end of the

1983, she observed:

Foundation (1988) on "Accounting for Goodwill" in May

Foundation (1988) on "Accounting for Goodwill" in May

the exposure draft issued by the Australian Accounting Research

However, the author did comment on the possible effect of

The conclusion of the study read: Goodwin (1989, p. 20) to

The conclusion of the study read: Goodwin (1989, p. 20) to
acquisition of a subsidiary, the identifiable assets and

In measuring the amount of goodwill involved in the

paragraph 6, and the extent to which they generate future

be capable of reliable measurement (paragraph 6) and

beats of this cost value in exchange transactions, then only this

as only purchased goodwill can be objectively measured on the

whether it has been purchased or internally generated. However,

The concept of goodwill adopted is the same irrespective of

certain intangible resources concept in determining goodwill.

that the Australian accounting profession has adopted the

coprophile and internees (paragraph 4). It is therefore evident

specifically recorded, as may be the case with patents,

assets are able to be both individually identified and

intangible assets are to be excluded from goodwill, as these

advertising and marketing programmes, any identifiable

local employees, capable and skilled management and effective

understandable assets normally include market penetration,

These goodwill on consolidation, represents „... the future benefits

The view adopted in AASB is that goodwill, including

3.4.1 Requirements of AASB

74
The requirement of AS13 to amortize Goodwill on

Accounting Requirements

AS13 and Other Related Australian Professional

evaluated (paragraph 42).

written down if any permanent diminution in the value is

purchased Goodwill should be restated at each balance date and

years (paragraph 40). However, the unamortized amount of

life. The maximum amortization period prescribed is twenty

amortized by systematic charges against income over the useful

accounts as a non-current asset (paragraph 39) and to be

AS13 requires purchased Goodwill to be recognized in the

books of account (paragraph 44).

adjustment and not in the subsidiary's or parent company's

Goodwill on consolidation should be recorded as a consolidation

paragraph 42). The amount of

the profit and loss account (paragraph 47). The amount of

consolidated Goodwill, if it should be written off immediately in

However, to the extent that the amount of this excess does not

value of the identifiable net assets acquired (paragraph 38).

purchase consideration plus intangible expenses over the fair

on consolidation is then calculated as the excess of the

by the parent company (paragraph 2) (\(x\)). The amount of Goodwill

involved is to be stated at the fair value of what is given up

values (paragraph 37). In addition, the purchase consideration

liabilities of that subsidiary should be measured at their fair
Although not an accounting requirement, the AAR (1985) has been operative since July 1979.

Issued an accounting guidance release, "Accounting for

charging depreciation expense to income was relevant in

paragraph (1), it may be argued that the spirit of

paragraph (2) has no application in accounting for

imputation in AASB to apply this method. Furthermore,

for business combinations. It therefore matters that the

the implication of the purchase or cost method of accounting

paragraph (1), as mentioned previously, AASB prescribes

accounting for the acquisition of assets (through business

paragraph (2) is statement of accounting standards

Another professional accounting standard which has a

of certified public accountants Inc (1966)."

the United States AASB option no. 24 (American Institute

was influenced by the adoption of the all inclusive approach in

from 1st December 1974, D3.2 was the predecessor to AASB and

accounting recognition approach was permitted by the

profit approach is not permitted to be adopted. However, the

paragraph (12), the alternative current operating

profit and loss statements" (AASB) 23
26. For companies adopting this practice in their 1996

published financial statements, see note 25. Page 38.

Consolidation should be accounted for in accordance with AS 18
p. 17. The exposure draft proposes that goodwill on
with their operation as a single economic unit (APB 1979).
activities of a group of related reporting entities consistent
position, performance and the financial and investment
consolidated financial statements to reflect the financial
sought to be... set standards for the preparation of
statements. In issuing the exposure draft, the APB (1987b)
standard was issued on the topic "Consolidated Financial
In June 1987 an exposure draft of a proposed accounting
amortization against income over their useful lives.

stressed the requirement of ASA 4. For such assets to be
only when any permanent diminution in value is evident. ASA
values of such assets to be assessed annually and written
down presence of either one of these characteristics enables the
either intangible or indeterminate useful lives. They believe the
adoption this practice usually state that these assets have
major trademarks, brand names and business names. The companies
useful lives. 26 These assets include trademarks, licenses,
provides for the amortization of these assets over their
recording intangible identifiable intangible assets at cost, but not
AGP was in response to the development of the practice of
Accounting Standards, AS 18, Accounting for Goodwill (AGP).
Intangible assets recognized in accordance with Statement of
28. American Institute of Certified Public Accountants Inc.

27. For a discussion of the objectives and operating procedures of the ASACG, refer to International Accounting Standards Board

August 1970 and was operative in accounting for international

APB Opinion No. 17, "International Assets" was issued in

3.5.1 United States (APB Opinion No. 17)

considered.

of a relevant New Zealand proposed accounting standard shall be

standards committee (IASG) 27. In addition, the requirements

Kingdom, New Zealand and those of the International Accounting

requirements issued in the United States, Canada, United

examination will cover those proposed accounting

of these requirements with those prescribed in AASB. The

are examined in order to determine the extent of compatibility

accounting procedures in respect to Goodwill on consolidation

The present accounting requirements of the major overseas

requirements on Goodwill on consolidation

3.5 Requirements of the Major Overseas Professional Accounting

consolidation.

present Australian requirements in accounting for Goodwill on

accounting standard on this topic is unlikely to alter the

(paragraphs 35 and 65). Therefore, the proposed issue of an
However, under Opinion No.17, internalized net assets acquired (Paragraph 25) amount to be calculated by reference to the fair value of the Goodwill is to be recorded at cost (Paragraph 24), with the

in the profit and loss statement.

Therefore, the costs of developing Goodwill and other

Paragraph 24)

should be deducted from income when incurred.

Goodwill is specifically and separately identifiable assets which are not specifically identifiable, hence costs of developing, maintaining or restoring internally generated Goodwill are as follows:

The requirements of APB Opinion No. 17 in regard to

described, it is apparent that the certain intangible resources

conditions which may contribute to Goodwill have not been

Furthermore, as the underlying advantageous factors and

not considered to be the only intangible identifiable asset.

Therefore, it is evident that Goodwill is

Paragraph 1). Paragraph I also

excess of the cost of an acquired company over the sum of

seems to be the estoppel concept, where Goodwill is "...

1970, the concept of Goodwill adopted in APB Opinion No.17

assets, including Goodwill, accreted after the 31st October

9
Proponents of the FASB project for establishing accounting standards for long-term contracts in construction and services developed a conceptual framework focusing on the nature of the revenue recognition process. The FASB issued the standard in 1979, but the project was deferred in 1981 pending development of the relevant areas in accounting for business combinations.

The FASB issued a discussion memorandum on FASB (1976) 31, which is a preface to the exposure draft, "Accounting for Construction of Impressions of Property, Plant, and Equipment." The report was issued to address concerns expressed by interested parties in the occurrence of income-related transactions in value assets. However, the practice of not recording the fair value of an asset on an asset that is not yet recorded in the financial statements is controversial. The concept is further discussed in the exposure draft, which states that the fair value of an asset is measured on what is obtained, not what is given up. The fair value of what is given up on the fair value of what is obtained should be measured by either the purchase price consideration to be measured by either the

Paragraph 6.1 and is to be amortized to income by the entity. Goods held to be shown in the balance sheet as an asset under the cost of the purchase of the acquiring company. Where the fair value of the net assets acquired should be considered to be not clearly evident, the acquirer’s statement that in those cases where the fair value of the net assets acquired (paragraph 29) or the fair value of the identifiable net assets (paragraph 44) and the fair value of the identifiable net assets calculated by reference to the fair values of the identifiable assets and liabilities is the amount attributed to Goodwill is between cost and the acquirer’s interest in the business combination Goodwill is represented by the difference internally generated Goodwill. Paragraph 54 states that in a consolidation for purchased Goodwill but is present in regard to CICA Section 1580 prescribed requirements in relation to CICA Section 1580 prescribed requirements in relation to paragraphs 54. Therefore, the concept of Goodwill which contributes to or accompanying earnings capacity of a factor which cannot be identified individually is not a composite of all Goodwill is commonly considered to be a composite of all combinations since 1973. In CICA Section 1580 issued in December 1973 and has been applicable to businesses

CICA Section 1580, "Business Combinations," was issued

3.5.2 CICA (CICA Section 1580)
32. Institute of Chartered Accountants in England and Wales

32. Institute of Chartered Accountants in England and Wales

Goodwill adopted is not clearly evident.

Interim reporting resource. Consensusently, the partnership concept of
Therefore, it seems that Goodwill may represent certain
Factors which may contribute to Goodwill cannot be valued.
Characteristics of Goodwill is that ""... individual assets of the
been adopted. However, Paragraph 2 states that one of the
definition implies that the residual concept of Goodwill has
value of its separable net assets" (Paragraph 2). This
difference between the value of a business as a whole and the
January 1985. In SSAP22, Goodwill is defined as ""... the
relating to accounting periods beginning on or after that
Goodwill" has been operative in financial statements
Issued in December 1984, SSAP22 "'Accounting for

3.5.3

United Kingdom (SSAP22)

Revalued on a regular basis.

Presumption that the unamortised balance of Goodwill should be
Important in value (Paragraph 62). Consensusently, there is a
income where it becomes apparent there has been a permanent
unamortised amount of Goodwill should be written down (Paragraph 60). The
paragraph 58). Goodwill is not permissible to be written off in
the period of amortisation is not to exceed forty years.

28
Paragraphs 10 and 32.) Where Goodwill is amortized on consolidation, the purchase method is the preferred treatment to be adopted in accounts to write off Goodwill, the immediate write-off against reserves 34(a). Although it is possible to use the systematic approach against income to the estimated recoverable amount (paragraph however, where there is evidence of a permanent diminution in income, no maximum amortization period is applicable.

Paragraph 34.) In cases where Goodwill is amortized against systematic charges against income over the useful economic life provided for where purchased Goodwill may be amortized by reserves" (paragraph 32). However, an alternative treatment is estimated from the accounts immediately on acquisition against sheet as an asset (paragraph 31) and "... Should normally be purchased Goodwill is not to be carried in the balance Goodwill involved (paragraph 30).

Paragraph 29.) The value of any separate intangibles is not to be included in the calculation of the amount of purchased Goodwill, the fair value of the separate net assets acquired and the fair value of the consideration given. The difference between the fair value of the consideration given and the amount attributable to purchased Goodwill should be the Goodwill (paragraph 28). The amount attributable to purchased Goodwill referred to as "non-purchased" Goodwill in the accounts but does not permit the recognition of internally

SSAP22 requires the recognition of purchased Goodwill in
cost of the purchase to the acquiring company (paragraph 5.2(a)). However, where the fair value of the consideration given is not clearly evident, the fair value of the identifiable net assets acquired (paragraph 5.2(d)) and the fair value of the consideration given value of the identifiable net assets acquired (paragraph consolidation is to be calculated by reference to the fair generated goodwill. The amount attributed to goodwill on the accounts, there is no reference in SSAPs to internally although goodwill on consolidation is to be recognised in

Restatement concept in SSAPs.

be assumed that the New Zealand profession has adopted the

value as stated...” (paragraph 5.2(d)). Therefore, if may

the acquiring company’s portion of the aggregate of the fair

statements as “... the excess of the cost of the purchase over

goodwill should be accounted for in the consolidated financial

there is no definition of goodwill provided in SSAPs. However,

August 1976 and has been applicable since the 31st March 1979.

SSAPs “Consolidated Financial Statements” was issued in

3.5.4 New Zealand (SSAPs and ED38)

company (paragraph 18). Adjustment should not occur in the accounts of the parent

arises and the immediate jump sum with interest occurs, the
consolidation should be shown as an asset, paragraph 5.25. Although it may be assumed that "goodwill" on reference to the fair values as required in Stage (paragraph 4.49), the amount attributed to "goodwill" should be calculated by exceeding the fair value of the net assets..." (paragraph 4.49).

Where "goodwill" arises where the cost (of the investment) goodwill arises in BD-38 seems to be the restatement concept. The concept of accounting for "goodwill" is more specific in relation to generated goodwill. Although BD-38 does not address the subject of internally accounting for "goodwill" on consolidation in New Zealand, 1996.38 provides an indication of possible future changes in for consolidations and investments in associates in November.

The release of exposure draft no. 38 (BD-38), "accounting period." should be applied, nor any reference to a maximum amortisation of the property segment item excess which "goodwill" write offs specific requirement involved. Importantly, there is no mention of the requirement to amortise "goodwill" on a systematic basis, but no implication to amortise "goodwill" as a tangible asset, where there has been a permanent impairment in value of the unamortised portion of paragraph 5.2(f) which states, "where there has been a not been amortised or written down (paragraph 5.2(e)), the only other reference to the subsequent treatment of "goodwill" is required to be shown in the balance sheet as an intangible asset, to the extent that it has been shown as an asset, paragraph 5.25.
36. International Accounting Standards Committee (1983),

However, internally generated goodwill is not explicitly accounted for long as it is supported by future income (paragraph 4). However, the recognition of purchased goodwill in the concept of goodwill adopted by the IASB is the residual concept. Furthermore, as the underlying factors which generate such future income have not been identified, it seems that the representation of an asset in the consolidated financial statements below that at the value at which the business enterprise is purchased (paragraph 14), in addition, paragraph 20 states that: 1985. In IAS 22, goodwill is any excess of the cost of the equipment over the fair value of the net identifiable assets. Issued in November 1983, IAS 22 Account for Business Combinations, paragraph 4.5.

Value is evident (paragraph 4.5).

Written down asset is income where a permanent diminution in amount of goodwill is to be recognized. The amount should not exceed twenty years (paragraph 5.4). The unamortized period of expected benefit from the investment. This period should be amortized against income on a systematic basis over the extent to which it has not been amortized. However, goodwill is to be merely stated that. IAS 22 should be shown separately to the
the United Kingdom.

IASG, although this is not the preferred treatment in
in AASB is supported by the other countries and the
The recording of Goodwill on consolidation as an asset

Following comparisons may be drawn:

consolidation are summarised in Table 3.1. From the Table, the
major overseas professional accounting bodies for Goodwill
on the current accounting requirements of the Australian and

3.6 Comparison of the Australian and Overseas Requirements

Income to the extent deemed necessary (paragraph 4.1)
supported by future income, it should be written down against
at any time it is evident that purchased Goodwill is not
there is no maximum amortisation period specified. However, if
income on a systematic basis over the expected useful life,
consolidated financial statements and is to be amortised to
purchased Goodwill is to be recognised as an asset in the

(paragraph 16)

Interest in the fair value of that subsidiary’s net assets
consolidation may be valued on the basis of the proportionate
value of the consolidated entity is not clearly evident, the
fair value of the consolidated entity, however, where the fair
the fair value of the identical identifiable net assets acquired and the
the fair value of the consolidated entity to be calculated by reference to
treatment impliedly recognises Goodwill on the basis that this
the non-amortised portion of Goodwill on the basis that this

Although paragraph 22 argues against
<table>
<thead>
<tr>
<th>Country</th>
<th>To Reserve Write-off</th>
<th>To Pay (Yrs)</th>
<th>Max Amortization Period</th>
<th>Asset to Be Amortized and Recorded</th>
</tr>
</thead>
<tbody>
<tr>
<td>International</td>
<td>x</td>
<td>x</td>
<td></td>
<td>x</td>
</tr>
<tr>
<td>SSA28 New Zealand</td>
<td>x</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>SSA22 United Kingdom</td>
<td>x</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(AICPA Section 1580) Canada</td>
<td>x</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(APB Opinion No. 17) United States</td>
<td>x</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(AASB) Australia</td>
<td>x</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**For Goodwill on Consolidation**

**Major Professional Accounting Requirements**

**Table 3.1**

Goodwill and write-down against income where necessary.

IASC requires a regular review of the unamortized

AVAS is consistent with the other countries and the

previously described in the United States and Canada, requiring maximum periods of amortization, although the United Kingdom, New Zealand and IASC requirements which do not

there is an inconsistency in the treatment of goodwill and amortization period in AASB.

In the United Kingdom, this is not the preferred treatment in the United States and the other countries. However, the requirement of AASB to amortize goodwill on

88
accounting policy adopted, as a consequence of the diversity of
with particular practices which may have an impact upon the
addition, there are financial statement implications involved
consulting arguments to support a several of practices. In
consolidation has revealed that there are a number of
The investment into accounting practices for Goodwill on

3.7 Conclusions

Australia

accounting for Goodwill on consolidation is not permitted in
course to the United Kingdom where the preferred treatment of
major overseas processing accounting bodies. The exception of
are generally consistent with the practices prescribed by the
In summary, it is evident that the requirements of AASB
the consolidated financial statements.
not be construed to be an endorsement for the recognition in
practise for Internally Generated Goodwill, this assertion should
the subject. Therefore, in view of consolidation accounting
The Canadian, New Zealand and IASC requirements are aligned on
the requirements in the United States and the United Kingdom.
Generated Goodwill in financial statements is consistent with
The requirement of AASB to not recognize internally

68
Chapter 5.

The findings and a discussion of these findings is contained in the section of the following chapter, details of the research and related results possible, the methodology of the research and the effective manner so as to obtain the most relevant section 1.2. It was necessary to conduct qualitative research in In order to achieve the objectives of the study, as detailed in the section of International companies for goodwill or consolidation. Consideration of the study’s research into accounting policies the frame of reference provided in this chapter permits the requirements consistent with the United States, Canada, New Zealand and IASC.

United Kingdom, the Australian requirements are generally goodwill on consolidation, apart from the requirements in the 
upon acquisition and systematic write off assessment assets issued AS1506 relating to the revelation of a subdisclary’s assets and goodwill studies, the Australian accounting practice in Australia, as evidenced by the Gibson and Prancis
In practice since 1974 can be investigated. Furthermore, as
still pertinent, therefore, the likely reasons for any changes
whether the position outlined by Ohlson and Franks and Goodwin
application of AS8 (2) that producing the ability to assess
accounting policies adopted by these companies prior to the
The entity required the secretariat of the relevant
by listed Australian companies for Goodwill on consolidation.
this new standard's impact upon the accounting policies adopted
The advent of AS8 provided a motivation to explore into

4.1 Motivation of Research

on consolidation was unexplored
studies also occurred when the issue of accounting for Goodwill
Goodwin's case, used different methodologies. These earlier
have endeavoured to achieve different objectives and, in
researchers in Australia have studied this issue, their studies
in Australia and overseas to regulate the practice. Although other
adopted together with the attempts by the accounting profession
Goodwill on consolidation and detailed the major practices
evidenced the adoption of different accounting policies for
previous chapters described the Goodwill controversy. The
Australian companies for Goodwill on consolidation. The
adapted in the present study of accounting policies of listed
The purpose of this chapter is to describe the methodology.

CHAPTER 4

METODOLOGY OF THE RESEARCH

16
The accounting practices subject to investigation are those accounted in the parent company's books against reserves or assets, and (2) writing down the investment. The accounting policies adopted for accounting and justification presented in the annual report is insufficient, and this is even more so in the absence of policies in the latter approach has the inherent difficulty of accounting the accounting policies. This approach is that of accounting the retained by Goodwin, is that of accounting the retained by Goodwin and Francais. An alternative approach, as studied by Francais, the accounting approach was also the information required to satisfy the objectives of the accounting approach. The accounting approach was adopted to account for Goodwin on consolidation presented in the application of such views and the accounting policies adopted for which views provided the scope to determine the extent to which conceptual issues involved. This identification studies by identifying the views of listed companies in respect of these earlier research studies only analyzed the accounting.
acquisition investigated are: 1) lump sum write off; 2) systematic (periodic) write off, and 3) write offs at the discretion of the directors. In indicating their adopted policies, companies were instructed to ignore any adjustments under the transitional provisions of AAS18 (paragraphs 46 and 47). ¹

In contrasting the study's findings with those of the two other research studies, there is a concentration upon the comparison with the Gibson and Francis results. There are four reasons for this particular emphasis. Firstly, the practices investigated in the present research are identical to those investigated by Gibson and Francis. Secondly, the published financial statement analysis approach adopted by Goodwin did not permit the relevant accounting policies for goodwill on consolidation to be determined, on average, for 26 per cent of companies in the population. ² The third reason is due to Goodwin's inability to identify the companies adopting a directors' discretion approach where no write off of recorded goodwill was noted in the financial statements investigated.

¹ These transitional provisions provided, under certain circumstances, for the writing off against reserves of any goodwill in existence as at the date of the application of the standard.

² This percentage is consistent with that indicated by Carnegie (1987), in a separate study of goodwill accounting policies for the AARF. Carnegie adopted the published financial statement approach for a sample of 75 of the largest 150 listed Australian companies. Of the 75 Annual Reports analysed, the policies for 18 companies (24 per cent) could not be determined because of inadequate disclosure. It is noted that this study was not confined to an investigation of accounting policies for goodwill on consolidation.
The questionnaires were forwarded to all companies involved in the pilot market as of January 1986 on the 7th January 1986. A pilot market of forms 3.

1986 similarly subject to AASLB. Therefore, the timing of preliminary/financial reports with the stock exchanges by January dates would have looked one year's interim and AASLB. Most of them, especially those with 30th June balance report with the stock exchanges by January 1986 subject to companies surveyed would have at least looked at interim report for accounting periods ending on or after 31st March 1985, all survey was conducted on January 1986, as AASLB was operative a Australian companies before and after the advent of AASLB, a available to investigate the accounting policies of listed In order to take full advantage of the opportunity

4.3 Timing

views/policies is conducted.

Influence the accounting policies adopted, a cross-sectional study determining the extent to which the views held by companies specific questions concerning internally generated goodwill. In their views of goodwill on consolidation and to respond to some concentrating upon requesting the companies surveyed to indicate their research into some of the conceptual issues involved related topics, such as AASLB on profit and loss statements. impact of other Australian professional accounting standards on present research provides an opportunity to identify the likely

Finally, the time period between the Gibson and Francs and the
can readily identify the responsible persons involved in the accounting policy formulation process or who were identified in the survey correspondence was addressed to the

following a close examination of the minutes and all other documents.

(incorporating the Australian Stock Exchange Journal). The 16 companies selected from the minutes and all other documents are from the December 1985 issue of Personal Investment

the names of the companies included in the study were

of such parameters does not depend on statistical inference that the results are population parameters. The interpretation of such parameters does not depend on statistical inference.

accounting practices used in the study deal with an aspect of company operations. As the study deals with an aspect of company operations, the minutes and all other documents have associated manufacturing

are on the industrial list. While the other 16 were companies on the manufacturing list, six hundred and five hundred and three companies were minority of manufacturing companies. Six hundred and five manufacturing the companies the shares of which are publicly traded excluding the companies that represent effectively the total population of Queensland and Victoria. (In the Queensland Assessment form and covering letter) refer to Appendix II for a copy of the

A total of 619 Australian public companies listed on the

4.4 Population

pollutes in light of the new situation.

To formulate their policy on consolidation accounting, the study provided the opportunity for those companies involved in

59
5. The most executive use by Australian public companies of

comprehensive reporting and KPIs are

attributed directly to the significant increased

attraction of the present survey compared to

the lower response rate of the present survey compared to

surveys.

In order to attract more responses, there was no follow up correspondence with any of the companies, due to the perceived satisfactory level of responses received.

Parent companies prepared consolidated financial statements.

These particular questions of the 158 companies, 160 were
generated. Therefore, a total of 158 respondents answered
issues, four respondents chose not to answer this part of the
annual report. In relation to the questions upon consolidation
consolidated financial statements were not included in the
were parent companies and only one of these indicated that
population. Of the 158 usable responses, 156 indicated they
the usable responses represented 30.5 per cent of the
reporty while the remainder were inadequate completed forms.
were companies in litigation, three indicated a policy not to
indicate the company did not have any complaints recorded, three
from 22 companies but 49 responses were not usable. Therefore
from the total population surveyed, responses were received.

4.5 Responses
determined the extent of the
issue of AASB's. Issuance was aimed at determining the extent of
the investigation into accounting practices existing at the

After the 31st March, 1985,

5.1 Goodwill on Consolidation of Accounting Policies Before and
Following the application of AASB,

consolidation influence the accounting policies adopted
extent to which the prevailing views of Goodwill on
issues are detailed. This section includes an analysis of the
principle, the views of companies in relation to some conceptual
before regulation would be made with those of the Goodwin study.
the third section, a restated comparison of the results
investigates the likely reasons for any changes in practice. In
AASB with those of the Gibson and Friend study and
the results obtained for the period prior to the application of
any changes observed in practice. The second section compares
companies before and after the advent of AASB and identifies
investigation into the accounting policies adopted by these
sections. The first section outlines the results of the
for Goodwill on consolidation. The chapter consists of four
the study of accounting practices of listed Australian companies.

The purpose of this chapter is to present the findings of

RESEARCH FINDINGS AND DISCUSSION

CHAPTER 5

7
Considered in Section 5.2.

The differences and trends noted throughout this study. The results will be

1. The 1974 column in these tables refers to the results of

105 parent companies which had a determined policy. Of these

Therefore, the majority of these adjustments must rely on the

acquired any controlling interest (or acquisition) and the resulting

retention to adjustments upon acquisition, as they had not

statements adjusted they had not yet determined a policy.

of the parent companies preparing consolidated financial

of such adjustments after the first March 1985. Nearly a third

the available information introduced in determining the extent

the consolidated goodwill. However, there were a number of

the investment in a subsidiary. Adjustments were made affecting

percent of companies indicated that at the time of acquisition.

Table 5.1 shows that before the application of ANSTB 48

Changes in Practice.

Discussion of findings follows a description of the observed

Table 5.3. The results in column "d" of these tables refer to the

column "b" of these tables. The results in column "d" of the

period prior to the application of ANSTB 48 are compared to

contaminated in Tables 5.1 to 5.5. These results refer to the

determined, the results relating to this part of the study are

of practice at this time, the initial impact of ANSTB can be

accounting requirements on the issue. In establishing the state
### TABLE 5.1

**ADJUSTMENTS UPON ACQUISITION AFFECTING GOODWILL ON CONSOLIDATION**

<table>
<thead>
<tr>
<th></th>
<th>Some type of adjustments upon acquisition made in all or some cases</th>
<th>No adjustments upon acquisition</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of companies</td>
<td>90 76 58</td>
<td>106 81 47</td>
<td>196 157 105c</td>
</tr>
<tr>
<td>As a percentage of total</td>
<td>45.9% 48.4% 55.2%</td>
<td>54.1% 51.6% 44.8%</td>
<td>100% 100% 100%</td>
</tr>
<tr>
<td>companies responding and</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>preparing consolidated</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>financial statements</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

---

a Historical data from survey.

b Indicated policy from survey.

c Excludes 59 companies which had not determined policy as no controlling interests had been acquired since 31st March 1985.
applied after the 31st March 1985.

revaluation on the accounts and as a consolidation adjustment
or some circumstances. Effectively, the same division between
companies revealed within the accounts of the subsidiaries in all
that prior to the application of AS18, 87 per cent of the
subsidiary or a consolidation adjustment. Table 5.3 shows
whether this was done within the accounting records of the
companies at the time of acquisition were asked to identify
those companies which revealed the assets of subsidiaries

offs to be made against reserves.

as failing to comply with AS18 which does not permit such write
off. Writing down the investment fails to comply with AS18 as well
1985. It is important to note that the indicative position of
cent of companies favouring this practice after the 31st March
account wrote down practice diminished markedly, with 38 per
cent of companies wrote down practice diminishing markedly to
adopt this practice. The propensity to use the investment
subsidiary’s assets, with 88 per cent of companies intending to
there was a greater emphasis upon the revaluation of a
understated asset position. In the period after 31st March 1985,
account in the parent’s accounts against reserves or
then applied the practice of writing down the investment
practice of revaluing a subsidiary’s assets and 45 per cent of
the application of AS18, 72 per cent of companies adopted the
Table 5.2 shows the nature of these adjustments. Prior to
cent in comparison with the position prior to revaluation.
This represents a material increase of 7 per
companies, 55 per cent indicated a policy of making adjustments

110
### TABLE 5.2

**NATURE OF ADJUSTMENTS UPON ACQUISITION**

<table>
<thead>
<tr>
<th>Type of adjustments</th>
<th>Number of companies in 1974</th>
<th>Number of companies in 1985a</th>
<th>Number of companies in 1985b</th>
<th>Percentage of companies in 1974</th>
<th>Percentage of companies in 1985a</th>
<th>Percentage of companies in 1985b</th>
</tr>
</thead>
<tbody>
<tr>
<td>A. Revaluation of subsidiary assets</td>
<td>21</td>
<td>35(i)</td>
<td>35(v)</td>
<td>23.3%</td>
<td>46.1%</td>
<td>60.4%</td>
</tr>
<tr>
<td>B. Writing down of the investment in parent accounts against reserves or undistributed profits</td>
<td>58</td>
<td>14(ii)</td>
<td>6(vi)</td>
<td>64.5%</td>
<td>18.4%</td>
<td>10.3%</td>
</tr>
<tr>
<td>C. Both A and B</td>
<td>11</td>
<td>20(iii)</td>
<td>16(vii)</td>
<td>12.2%</td>
<td>26.3%</td>
<td>27.6%</td>
</tr>
<tr>
<td>D. Other</td>
<td>NA</td>
<td>7(iv)</td>
<td>1</td>
<td>NA</td>
<td>9.2%</td>
<td>1.7%</td>
</tr>
<tr>
<td><strong>Total companies</strong></td>
<td>90</td>
<td>76</td>
<td>58</td>
<td>100.0%</td>
<td>100.0%</td>
<td>100.0%</td>
</tr>
</tbody>
</table>

(i) Included were 7 companies which only revalued assets in some instances.  
(ii) Included were 3 companies which only wrote down the investment account in some instances.  
(iii) Included were 9 companies which only performed such adjustments in some instances.  
(iv) Not offered as an option in the 1974 survey. Some respondents selecting this option appeared to confuse initial adjustments with subsequent adjustments.  
(v) Included were 4 companies which only revalued assets in some circumstances.  
(vi) Included were 2 companies which only wrote down the investment account in some circumstances.  
(vii) Included were 7 companies which only performed such adjustments in some instances.

a  Historical data from survey.  
b  Indicated policy from survey.
companies intended to make jump sum write offs decreased

and (ii) using both alternatives (i) each separate subsidiary, specifically circumstances for

relevance, depending upon the

(relevance as consolidation) (ii) records of the subsidiaries

(relevance in the accounting

Type of adjustments

<table>
<thead>
<tr>
<th>Percentage of Companies</th>
<th>Number of Adjustments</th>
</tr>
</thead>
<tbody>
<tr>
<td>1985A 1985B</td>
<td>35 35</td>
</tr>
<tr>
<td>69.7%</td>
<td>7 5</td>
</tr>
<tr>
<td>12.7%</td>
<td>13 11</td>
</tr>
<tr>
<td>21.5%</td>
<td>100.0%</td>
</tr>
<tr>
<td>100.0%</td>
<td>100.0%</td>
</tr>
</tbody>
</table>

Table 5.3 sets out the numbers of companies adjusting that

that

b) Indicated policy from survey.

c) Historical data from survey.

Table 5.2

Nature of Revaluation Adjustments Upon Acquisition

Table 5.3
<table>
<thead>
<tr>
<th></th>
<th>Some type of subsequent adjustments made in all or some cases</th>
<th>No subsequent adjustments were made</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of companies</td>
<td>88    56  105</td>
<td>108  101  59</td>
<td>196  157  164</td>
</tr>
<tr>
<td>As a percentage of total companies responding and preparing consolidated financial statements</td>
<td>44.9%  35.7%  64%</td>
<td>55.1%  64.3%  36%</td>
<td>100%  100%  100%</td>
</tr>
</tbody>
</table>

a  Historical data from survey.

b  Indicated policy from survey.
<table>
<thead>
<tr>
<th>Type of write-off adjustment used by companies.(^{(i)})</th>
<th>Written off against.(^{(ii)})</th>
<th>Total Number</th>
<th>Total Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Consolidated profit</td>
<td>1974 1985a</td>
<td>1985b</td>
</tr>
<tr>
<td></td>
<td>Consolidated reserves</td>
<td>1974 1985a</td>
<td>1985b</td>
</tr>
<tr>
<td></td>
<td>(undistributed profits)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Lump sum</td>
<td>16 15 15</td>
<td>33 15 14</td>
<td>49 30 29</td>
</tr>
<tr>
<td>Systematic (periodic)</td>
<td>14 15 52</td>
<td>8 3 10</td>
<td>22 18 62</td>
</tr>
<tr>
<td>Directors' discretion</td>
<td>8 11 23</td>
<td>9 8 17</td>
<td>17 19 40</td>
</tr>
<tr>
<td>Total</td>
<td>38 41 90</td>
<td>50 26 41</td>
<td>88 67 131</td>
</tr>
<tr>
<td>Percentage</td>
<td>43.2% 61.2% 68.7%</td>
<td>56.8% 38.8% 31.3%</td>
<td>100% 100% 100%</td>
</tr>
</tbody>
</table>

\(^{(i)}\) This table summarises the write off of goodwill before March 1985 for 56 companies. Five companies used more than one adjustment type to write off goodwill. For the indicated policies after March 1985, this table summarises the write off of goodwill for 105 companies. Thirteen companies used more than one type of adjustment to write off goodwill.

\(^{(ii)}\) Before March 1985, five companies (including 1 of the 5 referred to in (i) above) used a combination of accounts (consolidated profit and consolidated reserves) to write off goodwill. For the indicated policies after March 1985, ten companies (including 2 of the 13 referred to in (i) above) used a combination of accounts (consolidated profit and consolidated reserves) to write off goodwill.

- a Historical data from survey
- b Indicated policy from survey
The median period calculated was 20 years.

The period was calculated at 20 years.

Period was calculated in the calculations of this period, the median period were not calculated or adopted a textbook the period were not consolidated or adopted a textbook the period were not.

Those companies which immediately wrote off goodwill

2. Those companies which immediately wrote off goodwill were not
direction where systematic amortisation policies were not
total of 26 companies favouring adoptions at the directors'.
profit and consolidated reserves. In addition, there was a
subsequent adoptions against a combination of consolidated
reserves. A further 10 were making their
all their subsequent adoptions directly against consolidated
of AS18. Twenty-seven companies indicated that they were making
per cent of these companies do not comply with the provisions
Goodwill. The responses indicated that the policies of 46
companies indicated they used more than one policy to write off
practices reported rather than integrated companies, as some
responses are summarised in Table 5.5 which is based on
policy of making adoptions subsequent to acquisition. These
derived from the responses of the 105 companies which have a
a further indicator of the initial impact of AS18, was
consolidated profits increased marginally to 69 per cent.
proportion of companies indicating to write off against
increased to 17.46 years. a Table 5.5 also shows that the
the advent of AS18 the proposed average write off period
the application of AS18 was 15.63 years. However, following
period for those companies using systematic write offs prior to
from an examination of the responses, the average write off
those proposals to make systematic write offs to 47 per cent.
to 22 per cent, this was largely balanced by the increase in

105
of AASB to systematically amortise goodwill in the
to be stated at fair values. Furthermore, given the requirement
with AASB which requires the identifiable net assets acquired
assets of the subsidiary at acquisition, this is consistent
nearby 90 per cent of companies now follow a revelation of the
the requirements of AASB. It has already been noted that
the adoption of accounting policies which are consistent with
in the period after 31st March 1985 there is a trend towards

an accounting treatment for goodwill that can be applied
necessary in view of the profession’s desire to prescribe the
introduction of accounting requirements on the issue was
the adoption of policies contrary to AASB. Therefore, the
to the advent of AASB. In addition, there is evidence of the
evidence of widespread diversity of practice immediately prior
the results for the period before 31st March 1985 provided

5.1.3 Discussion of Findings

A purely discretionary basis,

It proposes to write off goodwill at consolidated profit on
Goodwill at consolidated reserves and a further
will fail to comply with AASB because 37 propose to write off
consolidated reserves. Consequently, a total of 48 companies
further 6 aggregate the consolidation of consolidated profit and
consolidated profit, 9 aggregate consolidated reserves and a
being adopted. Of these, 67 apply the write-off aggregate
The maximum write-off period in AASB 18 has increased to the period of a
advent of AASB 18. It is possible that the speculations on a
offers increased by 1.35 years over that applicable prior to the
period for those companies indicating to make systematic write-
off at the expected recoverability. The proposed average write-off
of future benefits were highly uncertain.

Benefits from goodwill or considered to be the lifetime and amount
against consolidated profit and loss accounts were no future
identifiable as a proposition to continue with lump sum write-offs
future benefits are expected. Presumably the 9 companies
which match the amortization of goodwill over the period during which
made an adjacent consolidated profit and loss accounts disposed of they are
specificationally proposed lump sum write-offs provided they are
requirements of AASB. Interestingly although AASB does not
acquisition into account to adopt practices consistent with the
per cent (proposed to make adjustments subsequent to
will fail to comply with AASB. In addition, 48 companies (43
per cent) proposed to make adjustments upon acquisition
as noted previously, the evidence indicates that 22 companies
many companies to continue practices contrary to the standard.
In conformity with AASB, there is evidence of the intention of
notwithstanding the increased propensity to adopt practices
making the adjustments against consolidated profit.

Supports a move in this direction together with a trend to
subsequent to acquisition, as noted previously, the evidence
policy of making adjustments to goodwill on consolidation
20 years, it is not surprising that companies should indicate a
consolidated profit and loss statement over a maximum period of

107
6. The Gibson and Francis study and the present study were
sufficiently similar in scope to justify this comparison.

5. The period median was also 20 years.

Companies of 75 per cent or less (14 companies) were
considered over a maximum period of 20 years (44
years in all) and a period of writing grief over 20 years.

An interesting point to note is that all of the companies
immediately prior to regulation with that prevalent in 1974,

Table 5.1 shows that upon comparing the position

5.2.1 Advantages Upon Acquisition

observed changes in practice.

The survey results outlined for the period procedure the

application of AASB showed a continuation of the diversity

The survey results outlined for the period procedure the

5.2.2 Comparison with Findings of Gibson and Francis

immediately prior to the application of the standard.

Then the average number of years indicated as used by companies
responding was 21.38 years, which is almost 6 years longer
a period exceeding twenty years. The overall average for those
enquiry favoured a textbook figure. Twenty companies suggested
a maximum writing period. Eight of the 70 respondents to this
companies as to the time period the standard should require as
adopted by companies. The survey sought a response from the
increased from 43 per cent to 61 per cent. Companies making the write-off against consolidated profit directors, directors' retirement write-off. In addition, the proportion of the write-off increased from 19 per cent to 28 per cent in those applying the advance of AS18. This decrease was largely balanced by the sum write-offs fell from 26 per cent to 45 per cent. Previous to acquisition between 1974 and 1985, the proportionality to make lump sum adjustments to the results in Table 5.5 there were changes in the methods used to make the adjustments subsequent to prior to the application of AS18. 

acquisitions reduced from 45 per cent to 36 per cent immediately

percentage of companies making adjustments subsequent to

Table 5.4 indicates that between 1974 and 1985 the

5.2.2 Adjustments subsequent to acquisition

1974 survey.

question as to where the revelation occurs was not raised in a comparison of results is not possible in Table 5.3 as the

prior to the application of AS18.

investments account was adopted by only a minority of companies

approach in 1974 of restating the balance in the parent's

subsidiary's assets. As Table 5.2 indicates, the dominant

adjustments at the time of acquisition by a revelation of a

there is, however, evidence of an increased preference for

to make adjustments upon acquisition.

there is no evidence of any effective change in the proportionality
publication of their research, takeroover activity in Australia in the two years prior to
the two years prior to study on takeroovers noted that there was a high level of
Mcdougall and Bound (1986), p.5) in conducting a research

Paragraph 45 required the trustee-white-creed to be a systematic
embodied in AAS1 (PARAGP (1983), PARAGRAPH 45). However, although
loss statement, thus supporting the all-inclusive approach
white-creed to be incorporated in the profit and
paragraph adopted in AAS1. The Exposure Draft also required
approach adopted in AAS1, the Exposure Draft also required
attributed to a greater acceptance of the all-inclusive
acquisition agreement consolidated project can also be largely
to increased propensity to make adjustments subsequent to

need device to deter takeroover bids.

(1981), pp. 65-66), the revelation of assets is a frequently
may have contributed to this trend. As indicated by Troughton
addition, the impact of increased takeroover activity since 1984
assets acquired to be stated at fair values (paragraph 45). In
1983 (AAR (1983)), the Exposure Draft required clarification
release of the Exposure Draft, accounting for goodwill in May,

have altered their accounting policies as a result of the
explanation for this trend could be that some companies may
consistent application in recent time of AAS1. A further
introduced about the time of the 1974 survey and a more
perception of the implications of all inclusive income concept

The trend toward the revelation of a subject corporation's assets

Discussion of Results

110
in comparison with the position identified by Gibson and components marking lump sum adjustments between 1980–83 decreased.

Goodwin's evidence also indicated that the percentage of 1983, the increase is not considered to be significant. The proportion of components making such write offs between 1974 and evidence in the present study of a slight increase in the proportion of a movement toward systematic write offs of Goodwin.

However, based on her sample, Goodwin did provide limited detailed results in the same manner as occurred in Section 5.2. Reasons identified in Section 4.2, to compare Goodwin's and Goodwin studies are consistent, it is not possible, for the evidence of a movement toward systematic write offs of Goodwin.

Although the overall conclusions of the Gibson and Francis

Although the overall conclusions of the Gibson and Francis

5.3 Comparison with Findings of Goodwin

is consistent with this observation.

directors' discretion approach immediately prior to regulation consolidated product. The increased propensity to adopt the but to avoid any disruptive effects of lump sum changes to attributable to the desire of some companies to comply with AASB percentage of components marking lump sum write offs may be systematic except for Goodwin. Furthermore, the reduction in the significant except in the early adoption of systematic

seems that the exposure draft did not contribute to any systematic write offs between 1974 and 1983. Therefore, at basis, there was no effective change in the incidence of
Results obtained. 

Consolidation is an asset. Table 5.6 contains details of the asset. Each of these views implied that Goodwill on consolidation. Five possible views were provided as responses. 

The respondents answered the question: what of the following best describes your company's view of Goodwill on consolidation? 

5.4.1 Company Views of Goodwill on Consolidation 

A discussion of the overall findings obtained. Internally generated Goodwill are then reported. These follow the application of AASB 16. The responses to the questions concerning and the accounting policies adopted in the period after the consolidation, a detailed analysis is made reflecting these views of Goodwill on a description of the survey's internally generated Goodwill. Following a questionnaire concerning internally generated Goodwill, respondents commented on their views in relation to some specific determination of the surveyed companies' views of Goodwill on the investigation into conceptual issues involved the 

5.4 Analysis of Conceptual Issues 

Consistent with these findings, the evidence produced in the present study is...
practices presently applied by the 160 respondents.

relationships evident between the views expressed and the

response was made to determine whether there were any
due to the spread of views obtained, a further analysis of

Influence of Views Held Upon Present Practice

5.4.2

Although AS189 assumes goodwill on consolidation is a

Although AS189 assumes goodwill on consolidation is a

<table>
<thead>
<tr>
<th>%</th>
<th>185</th>
<th>Total companies</th>
</tr>
</thead>
<tbody>
<tr>
<td>18.4%</td>
<td>34</td>
<td>34</td>
</tr>
<tr>
<td>27.4%</td>
<td>51</td>
<td>1</td>
</tr>
<tr>
<td>15.4%</td>
<td>30</td>
<td>2</td>
</tr>
<tr>
<td>15.9%</td>
<td>28</td>
<td>1</td>
</tr>
<tr>
<td>22.7%</td>
<td>42</td>
<td>2</td>
</tr>
</tbody>
</table>

Percentages of companies

<table>
<thead>
<tr>
<th>Companies Percentage of</th>
<th>Number of</th>
</tr>
</thead>
<tbody>
<tr>
<td>Not a wasting asset</td>
<td></td>
</tr>
<tr>
<td>of internally generated</td>
<td></td>
</tr>
<tr>
<td>goodwill which is</td>
<td></td>
</tr>
<tr>
<td>effectively replaced to</td>
<td></td>
</tr>
<tr>
<td>the wasting asset in</td>
<td></td>
</tr>
<tr>
<td>some circumstances but</td>
<td></td>
</tr>
<tr>
<td>within the company</td>
<td></td>
</tr>
<tr>
<td>of wasting asset in</td>
<td></td>
</tr>
<tr>
<td>wasting asset in all</td>
<td></td>
</tr>
<tr>
<td>circumstances, only a</td>
<td></td>
</tr>
<tr>
<td>minority of 72 or 39</td>
<td></td>
</tr>
</tbody>
</table>

TABLE 5.6

113
These results reveal consistency in thought and practice. Then those companies which believe it is not a wasting asset, is a wasting asset in some circumstances make such adjustments to consolidate revenue. Furthermore, a greater percentage of companies which believe board preparation on consolidation views, the evidence in Table 5.7 categorizes companies in terms of their view of this table indicates a greater percentage of companies which statements make adjustments upon acquisition than those believe board preparation on consolidation is a wasting asset in all circumstances. The evidence in Table 5.7 categorizes companies in terms of their view of board preparation consolidating financial statements.

1. Based on their general compatibility of views, these companies are grouped into three categories. These categories are:

(1) Those companies which prepare consolidated financial statements.
Frequently than those companies believe it is not a wasting asset in some circumstances follow this practice. Moreover, those companies which believe goodwill on consolidation is a wasting asset than the companies holding other views. Furthermore, accounts of written down the investment account in the parent's consolidated balance sheet. It is evident that those companies which indicated a policy of marking adjustments to the extent of all or some of the investment asset on consolidation.

Table 5.7 contains evidence of the practice adopted by companies in 1985. The table shows the extent of adjustments upon acquisition.

<table>
<thead>
<tr>
<th>Case</th>
<th>Parent companies marking adjustments in all or some asset</th>
<th>Not a parent company</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Parent companies marking adjustments in all or some asset</td>
<td></td>
</tr>
<tr>
<td></td>
<td>No. asset (97 companies) in some cases</td>
<td>No. asset (72 companies) in all cases</td>
</tr>
<tr>
<td></td>
<td>28.8</td>
<td>19</td>
</tr>
<tr>
<td>27</td>
<td>16.1</td>
<td>5</td>
</tr>
<tr>
<td>42.8</td>
<td>23</td>
<td>19</td>
</tr>
<tr>
<td>34.9</td>
<td>27</td>
<td>19</td>
</tr>
<tr>
<td>100.0</td>
<td>38</td>
<td>19</td>
</tr>
<tr>
<td>9.7</td>
<td>34</td>
<td>19</td>
</tr>
<tr>
<td>16.1</td>
<td>5</td>
<td>19</td>
</tr>
<tr>
<td>18</td>
<td>18</td>
<td>19</td>
</tr>
<tr>
<td>36.4</td>
<td>19</td>
<td>19</td>
</tr>
</tbody>
</table>

**EXPLANATION**

*Present Policy*

115
mortality make such adjustments.

Goodwill on consolidation is not a wasting asset, only a
circumstance. However, for the other companies which believe
companies believing it to be a wasting asset in some
circumstances, the same majority result is observed for those
adjustments subsequent to acquisition in all or some
consolidation to be a wasting asset in all circumstances make
the majority of companies which believe goodwill on
acquisition. The evidence as summarized by the Table indicates
compatibility of views, make adjustments subsequent to
these 160 parent companies, as categorized by their

Table 5.9 contains the details as to the extent to which

<table>
<thead>
<tr>
<th></th>
<th>12.5%</th>
<th>34.8%</th>
<th>37.0%</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td>of total (as a percentage)</td>
</tr>
</tbody>
</table>
|          |       |       | parent's accounts at asset
|          |       |       | account of investment in
|          |       |       | Asset Involved in the Write
|          |       |       | Off balance sheet
|          |       |       | Other
|          |       |       | sometimes both
|          |       |       | sometimes write down
|          |       |       | sometimes reveal issues
|          |       |       | both
|          |       |       | reserves or undistributed
|          |       |       | parent's accounts at asset
|          |       |       | Write down the Investment in
|          |       |       | the subsidiary's assets
|          |       |       | Revalue the Subsidiary's Assets
|          |       |       | Present Policy

Nature of Adjustments upon Acquisition

Table 5.8

II6
### Extent of Adjustments Subsequent to Acquisition

**Table 5.9**

<table>
<thead>
<tr>
<th></th>
<th>100.0</th>
<th>100.0</th>
<th>55.0</th>
<th>55.0</th>
<th>100.0</th>
<th>100.0</th>
<th>72</th>
<th>3</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>12</td>
<td>12</td>
<td>12</td>
<td>12</td>
<td>12</td>
<td>12</td>
<td>12</td>
<td>12</td>
</tr>
<tr>
<td></td>
<td>3.0</td>
<td>3.0</td>
<td>3.0</td>
<td>3.0</td>
<td>3.0</td>
<td>3.0</td>
<td>3.0</td>
<td>3.0</td>
</tr>
<tr>
<td></td>
<td>1.0</td>
<td>1.0</td>
<td>1.0</td>
<td>1.0</td>
<td>1.0</td>
<td>1.0</td>
<td>1.0</td>
<td>1.0</td>
</tr>
<tr>
<td></td>
<td>0.8</td>
<td>0.8</td>
<td>0.8</td>
<td>0.8</td>
<td>0.8</td>
<td>0.8</td>
<td>0.8</td>
<td>0.8</td>
</tr>
<tr>
<td></td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
</tr>
<tr>
<td></td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
</tr>
<tr>
<td></td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
</tr>
<tr>
<td></td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
</tr>
</tbody>
</table>

Write off Goodwill

A total of thirteen companies indicated they used more than one policy to

### Nature of Adjustments Subsequent to Acquisition

**Table 5.10**

Write off Goodwill

Some companies indicated they used more than one policy to

Table 5.10 contains evidence of the practices adopted by

### Extent of Adjustments Subsequent to Acquisition

**Table 5.9**
Per cent indicates that AS18 should allow for internally generated goodwill to be brought to account as an asset in financial statements. Of the 151 companies, 32 or 21 per cent indicated that AS18 should allow for internally generated goodwill to be brought to account as an asset in financial statements. However, the similarity in the results to the question in the survey: does your company believe AS18 should allow for internally generated goodwill, this result could be affected by the fact that goodwill is effectively replaced to varying degrees by all or some circumstances, 81 or 54 per cent believe that goodwill on consolidation is a wasting asset in which belief is stronger. The results in Table 5.6 indicate that of the 151 companies

5.4.3. Company views - Internally Generated Goodwill

and practice, that there is further evidence of consistency between thought which may be made from the results in Tables 5.9 and 5.10. As one half agreed for the lump sum write-off, the observation which belief to goodwill on consolidation is not a wasting asset, frequently and lump sum and systematic write-offs less frequently than those companies believing it to be a wasting asset in some circumstances make discretionary write-offs more frequent. The results in Table 5.10 indicate that those companies
Companies did not indicate how they would alter their policies, would follow the requirements of the standard. The other 7 companies indicated they would alter their policies, twelve of those respondents or 73 per cent indicated Goodwill to be brought to account as an asset, (if so, please consolidation, if AASB allowed for internally generated Goodwill on company after the current policy in relation to Goodwill on the 125 respondents answered the final question: would your

non-purchased Goodwill?

this question would capitalise and monitor the value of companies or 20 per cent of the 125 companies responding to asset would also engage in this activity. Therefore, 60 companies holding the view that Goodwill is not a wasting value of internally generated Goodwill, in addition, 80 of the 125 companies indicated that they would record and monitor the internally generated Goodwill. Of the above 125 companies, 28 would your company record and monitor on an on-balance sheet, for internally generated Goodwill to be brought to account, internally generated Goodwill: if AASB was amended to allow the respondents answered an additional question concerning internally generated Goodwill is acceptable? Goodwill, 24 companies believe that AASB is treatment of adopting a policy of marking discretionary write-off of Goodwill. However, it should be noted that upon should be amended to permit the capitalisation of such the 125 companies responding to the question believed AASB held the same view. Therefore, 40 companies or 29 per cent of
the diversity of thought demonstrated, this diversity of thought and practice, however, this consistency does not contribute to the comparability of financial statements due to the non-recognition of internally generated Goodwill in investment accounts in the parent's accounts and the results in Table 5.8 support for the write down of the investable nature of Goodwill in consolidation. Although the results for cocoa may need to be tempered somewhat in view of the results for cocoa may need to be tempered somewhat in view of contemporary accounting practice, however, it is evident that the companies involved apply such practices for their benefit and to the detriment of the shareholders. Therefore, the implications of the use of consolidation does not qualify as a house asset, this finding is consistent with the view advocated in cocoa, that Goodwill on prevalence in relation to AS18’s view that Goodwill on assets in all circumstances. In addition, the evidence in Table 5.6 provides no support for
Future research could be focused on recommendations and the avenues available for constructing for the Australasian accounting profession and study. Chapter 6 also considers the implications of these theoretical chapter on the implications of this study. They responded differently in the survey.

The recognition of Internally Generated Goodwill is often based on the recognition of the company’s internal goodwill. Therefore, they effectively support the recognition of goodwill in the accounts. In monitoring the company, it is argued that these companies are already implicitly recognizing Internally Generated Goodwill. It is argued that particularly to those 24 companies which adopt a policy of level of support for such a practice, this observation relates to the overall sheet. However, these responses may understate the overall Internally Generated Goodwill in the consolidated balance sheet. Internally Generated Goodwill indicates that a majority of respondents believe AS18 should allow for the recognition of Internally Generated Goodwill. The views obtained from surveyed companies in relation to the nature, recognition, and measurement of Internally Generated Goodwill is consistent with the discussion in Chapter 2 of the thesis.
merge.

Marginal increases in property to make write-offs of goodwill reflect
this notion. In addition, the evidence indicates a
write-offs and the revelation of a substantial's assets
for Goodwill on consolidation. The moves toward systematic
statement has had some impact upon the accounting practices adopted
for consolidation. This primary conclusion, it is evident that
non-compliance with AS18's requirements,
which spread non-compliance with AS18's requirements.
not comply with AS18. These findings provide evidence of
intending to make adjustments subsequent to acquisition
make adjustments upon acquisition and 46 per cent of components
evidence indicates that 38 per cent of components proposed to
are contrary to the requirements of AS18. Specifically, the
accounting practices by many listed Australian companies which
Goodwill. This conclusion is supported by the adoption of
views as to the nature, recognition and measurement of
consolidation in Australia continues to reflect a diversity of
notwithstanding the advent of AS18, accounting for Goodwill on
the primary conclusion of this study is that.

6.1 Major Findings

CONCLUSIONS

CHAPTER 6

122
the likelihood factors contributing to the difference is identified.

However, it is difficult to measure the precise impact of all acceptance of the asset-in-place approach adopted in VASB.

Regarding to these differences, it is attributed to a greater
of the alternatives adopted. The major contributing factor in
within the diversity there were differences in the frequencies
of VASB due to the diversity in practice, although
It is evident that in the decade prior to the application

"Substantially's financial statements.

to provide relevant information to the users of the
should be shown at valuation in a substantial's books in order
for this treatment is consistent with the view that assets
periods both before and after the advent of VASB. The support
extent of this preference was effectively the same in the
be the preferred method of conducting such revelations. The
Substantially's financial statements is indicated by this study to
the revelation of a substantial's assets in the

or extended beyond 20 years.

companies if the average write-off period is shorter unexpected
It seems that the systematic approach may be more acceptable to
period in VASB has increased the period adopted by companies,
possible that the expectation of a maximum write-off
by companies for a longer average write-off period. Although it
advantage of VASB. Furthermore, there is evidence of a preference
increase in the average write-off period adopted following the
for those companies using a systematic write-off indications on
the evidence in relation to the average write-off period

123
contrary to AASB indicating a high level of non-compliance with

The evidence of the adoption of accounting policies

6.2 Implications for the Australian Accounting Profession

Hughes (1982, p. 65) "the jury is still out..."

In the words of accounting standards review board (ASRB), in the words of the ASRB, the issues such as the need for the approval of AASB by the

...contented that 

Further evidence of diversity of views is therefore generated. In the consolidated balance sheet prepared some

and the standard to permit the recognition of internally generated

AASB. In addition, the level of moral support for amendment appears to be an unacceptable high level of non-compliance with

thought demonstrate provides some insight as to why these

In contrast to thought and practice, the diversity of

whether asset in all circumstances. Although there is evidence

the adopted view in AASB that Goodwill on consolidation is a

Goodwill under COGAD, consensus does not prevail in respect to

The results of this study also indicate that whilst there

124
accounting standards for legal recognition in Australia. The
justification for this approach is made to the process of applying
principles. The study's findings provide some evidence to
support of AS126 in the business community.
However, the adoption of this approach and may have contributed to greater
discussion paper on the issue would have overcome this
theoretical support for the adopted approach. The issuance of a
for over 100 years, the profession did not attempt to provide
although the problem has been shrouded in controversy
issuing a discussion paper on the issue for public exposure.
for some of the non-compliance is attributed to non-
The Australian profession may also be partly responsible
with these standards.
procession provides an excuse, at least, for non-compliance
implied conceptual approach adopted by the Australian
However, the issuance of standards without knowledge of the
as AS126, such criticisms may not always be fully justified.
is likely to encourage criticisms of specific standards, such
and to present criteria for their recognition and measurement
Austera's, the profession's inability to formally define assets
completed conceptual framework for financial reporting in
identified with AS126 is attributable to the absence of a
It is conceivable that some of the non-compliance
is claimed to have met its objective in issuing the standard.
unintentionally in this area. Consequently, the profession is unable
non-compliance must hamper the profession's move toward greater
the profession's requirements. This high level of
maximum period be prescribed?

Consolidation be extended beyond twenty years or should no

4. Should the maximum writing-off period for Goodwill on

some or all circumstances?

always occur if it is not regarded as a wasting asset in

3. Should systematic write-off of Goodwill on consolidation

sheet?

Interimly Generated Goodwill in the consolidated balance

2. Do any acceptable bases exist for the recognition of

consolidated balance sheet?

1. Should Interimly Generated Goodwill be capitalized in the

Follow up questions:

this review, the profession should specifically address the

information useful for economic decision making. In conducting

requirements of AASB to ensure the application will produce

Australian accounting profession to immediately review the

The findings of this study indicate a need for the

6.3 Recommendations

Successful Regulatory Framework

Accounting for Goodwill on consolidation is not reflective of a

companies surveyed, the evidence of continued disparity in

ability to force the adoption of the standard by all

application by members of the ASA and ICA, has shown an

Australian profession, in issuing AASB for mandatory

126
Research into the issue of accounting for goodwill on future statements seems to be at least three options for future statements. Financial statements.

Assets and set the criteria for the recognition of assets in the statement should at least provide a comprehensive definition of assets and improve the concept of asset recognition and measurement. In particular, the profession is committed to the development of a conceptual framework for financial reporting. It is recommended that the profession should increase its commitment to the development of a conceptual framework which is useful to economic decision-makers.

The relative and relatedity in producing accounting information is the importance of the two primary decision-specific qualities of the proposed monograph should address the issue of the relative relationship to questions 1 and 2. As a matter of necessity, this requires the generation of discussion and debate. In the context of the topic, the results of the writing on accounting profession should also consider the impact on accounting instances of non-compliance by listed Australian companies. The conduct appropriate investigations into the reasons for each instance of non-compliance with AS128 and in the consolidated financial statements.

In order to address the above questions, should the revelation of a subsidiary's assets occur only
the available evidence and to determine if any acceptable
for Internally Generated Goodwill in order to expand upon

(1) Conduct specific research into the issue of accounting

AASB to reflect International Practice.

contribute and identify whether changes should be made to
an analysis of any similar problem in other
compliance with these requirements where possible. Such
accounting bodies and ascertain through the levels of
practices prescribed by all the Anglo-American profession

on a global basis by investigating the accounting

(1) To investigate accounting for Goodwill on consolidation

determined.

these views and the practices adopted could then be
relevant concept of Goodwill. Any relationships between
surveyed companies' views as to the most compliantly
adoption of non-complying practices and analyse the
The research would also investigate the reasons for the
be significant to a settling-in period for the standard.
By selecting a three year time period, this research would
any changes in the level of compliance with the standard.
the application of AASB and to identify the extent of
Australian companies over a period of three years from

(1) To investigate the accounting policies of listed

consolidation. These options are briefly detailed as follows:

128
Recommendation to conduct its own research into this topic.

Australian accounting profession does not adopt the study’s

The third option is presented on the basis that the

Information which is useful to economic decision-makers

of relevance and reliability in producing accounting

importance of the two primary decision-specific quantities

topic would need to attempt to ascertain the relative

basis for its recognition exists. Any research into this

129
130.

Repayable Government Regulation
12.

Strategic location
11.

Uncontrollable developments in operations of a competitor
10.

By a company's officers

charitable activities and participation in civic activities
9.

High standing in a community through contributions to

Top-flight training program for employees
8.

Revenue (interest rates)

equity ownership through more than ordinary participation at

outstanding credit rating resulting from established reputation
7.

Good labor relations
6.

Secrecy and confidentiality process
5.

Effective advertising
4.

Weakness in the management of a competitor
3.

Outstanding sales manager or organization
2.

Superior management team
1.

Could live fuse to excess earning power:

Some of the possible advantageous factors and conditions which
called upon (1968, pp. 17-19; detailed the following as

APPENDIX D

REPRESENTING GOODWILL

CHRONICLES OF ADVANTAGEOUS FACTORS AND CONDITIONS

APPENDIX I
I think you will have any difficulty in answering the questions, we are confident that you will cooperate with this exercise. We do not consider good will has been established.

The interests of subscribers in the consistent application of financial statements, the amount of investment in the company, and the initial operation of financial accounts, are not in the nature of subscribers. Good will may be defined as an asset which affects the amount of subscribers' equity. For the purposes of the study, initial subscriber's equity is defined as good will. The study contains questions in relation to both initial and subsequent adjustments and realities.

The introduction of AS 18 are in line with proceeded commercial some conceptual issues in respect to Good will which aim to determine the diversity of accounting practice which existed prior to the introduction of AS 18. This study aims to determine the impact of this standard on accounting policies in relation to Good will on consolidation. This study attempts to determine the impact of this standard "on Good will" which precludes the accounting treatment for Good will on consolidation.

There is now an accounting standard on the subject, AS 18 "Accounting for consolidated entities adopt a standard on this subject. A study conducted by Dr. R.J. Gibson and J.R. Francis in 1974 established AAS 20 "Interests of Subscribers" which in the absence of an accounting standard on Good will on consolidation has a greater deal of diversity in accounting practice than the standard that has been determined in Australia.

Dear Secretary,

13 January, 1986.
Which of the following describes the intangible assets made by your company?

1. Write down the investment in parent accounts and assets.
2. Reserves or undistributed profits.
3. Sometimes perform (T) or otherwise no intangible assets.
4. Sometimes perform (T) or otherwise no intangible assets.
5. Sometimes perform (T) or otherwise no intangible assets.
6. Sometimes perform (T) or otherwise no intangible assets.

When a controlling interest in a subsidiary was first achieved:

What date did your company do?

Initial Adjustments to Goodwill on Consolidation

Initial adjustments are to be made in the consolidated financial statements (intangible assets and subsequent adjustments to goodwill) on consolidation, (initial and subsequent adjustments to goodwill). Consider the intangible assets and goodwill on consolidation prior to 31 March, 1985. These adjustments to goodwill are then included in the annual report of your company for the year ended before the date of the last financial year ended before the date of your company's annual report.

Your assistance in responding to the following questions would be greatly appreciated.

Victoria, 2017
Deakin University
School of Management

Research Study - Accounting for Goodwill on Consolidation

Deakin University

132
II. Is it policy to include consolidated financial statements in the annual report of your company? ( ) Yes ( ) No. Go to Q1.

III. Is your company currently a holding company or a group of companies?

( ) Yes ( ) No. Go to Q1.

10. In March 1982, a maximum write-off period in years adopted by your company prior to the systematic (periodic) adjustments was 10 years. What property or item was the adjustment (s) made against?

( ) Combination of ( ) and ( )

9. ( ) Consolidated Reserves (Undistributed Profits)

( ) Consolidated Profit

8. What property or item was the adjustment (s) made against?

( ) Systematic (Periodic)

7. Which of the following best describes the adjustment?

( ) In some circumstances

( ) Yes

( ) No. Go to Q10.

6. Did your company follow the practice of making some type of adjustment in a subsequent report to conform to its consolidation in the consolidated financial statements? ( ) Yes

5. If your company revealed the assets of subsidiary companies at

4. ( ) Reveal in the accounting records of the subsidiaries.
II. Which of the following best describes the additional provision (if any) in some circumstances: 

(a) Yes
(b) No. Go to Q.2.

15. Does your company follow the practice of making some type of subsequent adjustments to goodwill on consolidation in the consolidated financial statements? 

16. Your company accepts both alternatives (a) and (b) in recording the initial adjustments for each subsidiary when making such initial adjustments:

(a) Sometimes performs (c) otherwise no initial adjustment.
(b) Always performs (d) otherwise no initial adjustment.
(c) Performs both (c) and (d).
(d) Write down the investment in parent's account against reserves or restricted profits.
(e) Revalue the subsidiary's assets (f).

17. What is your company's policy when making such initial adjustments:

(a) Recode goodwill on consolidation only in some circumstances.
(b) Make initial adjustments which affect the amount of goodwill.
(c) Make initial adjustments which affect the amount of retained earnings.

13. When a controlling interest in a subsidiary is first acquired, what is the current policy of your company in relation to goodwill:

(a) Recode goodwill on consolidation. Go to Q.15.
(b) At this stage the company's policy has not been transferred.
(c) No longer make any initial adjustments.

18. In all cases:

(a) Recode goodwill on consolidation. Go to Q.15.
(b) Recode goodwill on consolidation only in some circumstances.
(c) Record goodwill on consolidation in all cases.

ADDITIONAL INFORMATION TO GOODWILL ON CONSOLIDATION

POLICIES AFTER MARCH 1985

Consider initial and subsequent adjustments to goodwill and subsequent adjustments to goodwill on consolidation. These questions separate company in relation to goodwill on consolidation. Questions 12 to 20 relate to the current accounting policies adopted by your company.
25. Any other comments you may desire to offer in relation to the issues.

---

24. Would your company alter its current policy in relation to Goodwill?

- Yes
- No

 bastante, Internally Generated Goodwill will not be brought to account as an asset in financial statements.

22. Does your company belief that ADS 18 should apply for Internally Generated Goodwill?

- Yes
- No

23. If ADS 18 was amended to allow for Internally Generated Goodwill to be brought to account as an asset in financial statements?

- Yes
- No

---

GENERAL ISSUES

20. What number of years would you prefer ADS to allow the write-off?

- 10 years
- 20 years
- The expected benefits will be fully eroded in exactly 20 years.

19. Why has the 20 year write-off period been selected?

- If the answer is 40 years or 20 years, then go to 42.

---

18. If systematic (periodic) adjustments are made, what is the maximum

- (1)
- (II)
- (III)
- (IV)
- (V)

17. What proportion of the asset is the adjustment(s) made against?

- (II)
- (III)
- (IV)
- (V)


Accounting Review, April, p. 31-32.


Accounting Review, April, p. 280-281.


Accounting Review, April, p. 31-32.


Accounting Review, April, p. 31-32.


Accounting Review, April, p. 31-32.


Accounting Review, April, p. 31-32.
Accountancy, May, pp. 119-121.

The Chartered Accountant In Australia, July, 1968, pp. 36-45.
Consolidation, Share Premia and Amortisation of Goodwill.
Wood, R. W. and Hutton, A. D., (1968), "Goodwill on
Chartered Accountant, October, pp. 255-259.
Woll, M. (1967), Accounting for Intangible, Canadian
Chartered Accountant, December, pp. 72-75.
Ware, R. M., (1986), "Payable a Premium for Control?" GA
Colley, P. and Dunstan, B. (1985), "Cash Flow: the Key to
Newspapers"
December

Accounting Standards Agenda, "Depreciation of Non-Current Assets,\" Chartered Accountants in Australia, 1974.

Statement of
Chartered Accountants in Australia, 1979.
Statement of
Chartered Accountants in Australia, 1979.
Statement of
Chartered Accountants in Australia, 1979.
Statement of
Chartered Accountants in Australia, 1979.
Statement of
Chartered Accountants in Australia, 1979.
Statement of
Chartered Accountants in Australia, 1979.
Statement of
Chartered Accountants in Australia, 1979.
Statement of
Chartered Accountants in Australia, 1979.
Statement of
Chartered Accountants in Australia, 1979.
Statement of
Chartered Accountants in Australia, 1979.
Statement of
Chartered Accountants in Australia, 1979.
Statement of
Chartered Accountants in Australia, 1979.
Statement of
Chartered Accountants in Australia, 1979.
Statement of
Chartered Accountants in Australia, 1979.
Statement of
Chartered Accountants in Australia, 1979.
Statement of
Chartered Accountants in Australia, 1979.
Statement of
Chartered Accountants in Australia, 1979.
Statement of
Chartered Accountants in Australia, 1979.
Statement of
Chartered Accountants in Australia, 1979.
Statement of
Chartered Accountants in Australia, 1979.
Statement of
Chartered Accountants in Australia, 1979.
Statement of
Chartered Accountants in Australia, 1979.
Statement of
Chartered Accountants in Australia, 1979.
Statement of
Chartered Accountants in Australia, 1979.
Statement of
Chartered Accountants in Australia, 1979.
Statement of
Chartered Accountants in Australia, 1979.
Statement of
Chartered Accountants in Australia, 1979.
Statement of
Chartered Accountants in Australia, 1979.
Statement of
Chartered Accountants in Australia, 1979.
Statement of
Chartered Accountants in Australia, 1979.
Statement of
Chartered Accountants in Australia, 1979.
Statement of
Chartered Accountants in Australia, 1979.
Statement of
Chartered Accountants in Australia, 1979.
Statement of
Chartered Accountants in Australia, 1979.
Statement of
Chartered Accountants in Australia, 1979.
Statement of
Chartered Accountants in Australia, 1979.
Statement of
Chartered Accountants in Australia, 1979.
Statement of
Chartered Accountants in Australia, 1979.
Statement of
Chartered Accountants in Australia, 1979.
Statement of
Chartered Accountants in Australia, 1979.
Statement of
Chartered Accountants in Australia, 1979.
Statement of
Chartered Accountants in Australia, 1979.
Statement of
Chartered Accountants in Australia, 1979.
Statement of
Chartered Accountants in Australia, 1979.
Statement of
Chartered Accountants in Australia, 1979.
Statement of
Chartered Accountants in Australia, 1979.
Statement of
Chartered Accountants in Australia, 1979.
Statement of
Chartered Accountants in Australia, 1979.
Statement of
Chartered Accountants in Australia, 1979.
Statement of
Chartered Accountants in Australia, 1979.
Statement of
Chartered Accountants in Australia, 1979.
Statement of
Chartered Accountants in Australia, 1979.
Statement of
Chartered Accountants in Australia, 1979.
Statement of
Chartered Accountants in Australia, 1979.
Statement of
Chartered Accountants in Australia, 1979.
Statement of
Chartered Accountants in Australia, 1979.
Statement of
Chartered Accountants in Australia, 1979.
Statement of
Chartered Accountants in Australia, 1979.
Statement of
Chartered Accountants in Australia, 1979.
Statement of
Chartered Accountants in Australia, 1979.
Statement of
Chartered Accountants in Australia, 1979.
Statement of
Chartered Accountants in Australia, 1979.
Statement of
Chartered Accountants in Australia, 1979.
Statement of
Chartered Accountants in Australia, 1979.
Statement of
Chartered Accountants in Australia, 1979.
Statement of
Chartered Accountants in Australia, 1979.
Statement of
Chartered Accountants in Australia, 1979.
Statement of
Chartered Accountants in Australia, 1979.
Statement of
Chartered Accountants in Australia, 1979.
Statement of
Chartered Accountants in Australia, 1979.
Statement of
Chartered Accountants in Australia, 1979.
Statement of
Chartered Accountants in Australia, 1979.
Statement of
Chartered Accountants in Australia, 1979.
Statement of
Chartered Accountants in Australia, 1979.
Statement of
Chartered Accountants in Australia, 1979.
Statement of
Chartered Accountants in Australia, 1979.
Statement of
Chartered Accountants in Australia, 1979.
Statement of
Chartered Accountants in Australia, 1979.
Statement of
Chartered Accountants in Australia, 1979.
Statement of
Chartered Accountants in Australia, 1979.
Statement of
Chartered Accountants in Australia, 1979.
Statement of
Chartered Accountants in Australia, 1979.
Statement of
Chartered Accountants in Australia, 1979.
Statement of
Chartered Accountants in Australia, 1979.
Statement of
Chartered Accountants in Australia, 1979.
Statement of
Chartered Accountants in Australia, 1979.
Statement of
Chartered Accountants in Australia, 1979.
Statement of
Chartered Accountants in Australia, 1979.
Statement of
Chartered Accountants in Australia, 1979.
London, P. 164.
Institute of Chartered Accountants in England and Wales.

  Trustees, L.C.L. and Stewart, L.C.L. (eds), (1984), Professional
  Accountancy Theory Monograph No. 5, Aberdeen.

- Stewart, R.B. (1980), Accounting for Goodwill, Research

London, P. 130.
  Trustees, L.C.L. and Stewart, L.C.L. (eds), (1986), Professional
  Accountancy Theory Monograph No. 6, Aberdeen.

- Research STL, No. 7, Aberdeen.


- Accounting, American Institute of
  Professional Accountants, American Institute of
  Certified Public Accountants, December 1994.

- Lea, K.J. (1994), Accounting for Goodwill, Research

- Accounting for Goodwill, Research

- Stewart, R.B. (1980), Accounting for Goodwill, Research