Journal of Accounting, Auditing & Finance

Impact Factor: **1.3**
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Abstract

This paper examines w ... effectively predict goodwill impairment, a ... hment of goodwill amortization. In predic ... uisition performance of the operating segme ... as to the characteristics of the acquisition. We find that available disclosures do not provide financial statement users with information to adequately predict future write-offs of goodwill. In fact, the characteristics of the original acquisitions are more powerful predictors of eventual goodwill write-offs than those based on segment disclosures of the acquired entities' performance. We also find that goodwill write-offs lag behind the economic impairment of goodwill by an average of three to four years. For one-third of the companies examined, the delay can extend up to ten years. Although most of our analyses are conducted on goodwill generated before the introduction of Statement of Financial Accounting Standards No. 142 (SFAS 142), certain features of the sample and the analysis suggest that the results are generalizable to the current reporting regime. Sensitivity tests on a smaller sample of goodwill write-offs made upon the adoption of SFAS 142 confirm this expectation.

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