Advertisement

Australian Accounting Review / Volume 11, Issue 24 / pp. 39-48

The Relevance to Firm Valuation of Capitalising Intangible Assets in Total and by Category

Jayne Godfrey, Ping-Sheng Koh

First published: 31 December 2008

https://doi.org/10.1111/j.1835-2561.2001.tb00186.x

PDF

Abstract

Debate about the appropriate treatment of intangible assets can benefit from knowledge about the relevance of their financial statement capitalisation to valuation of firms. With rules permitting or requiring intangible asset capitalisation, Australia provides an ideal setting to obtain this evidence. This paper reports findings that indicate that capitalisation of intangibles is value-relevant for Australia's largest firms. Results indicate that investors place greater value on capitalised goodwill than on other categories of capitalised balance sheet items. Similarly, capitalisation of identifiable intangible assets adds value to large firms. However, research and development capitalisation does not affect the value of firms in our study.

REFERENCES

Aboody, D., and B. Lev, 1998, "The value relevance of intangibles: The case of software capitalization", *Journal of Accounting Research*, **Vol 36**, Supplement: 161–91.

Web of Science® | Google Scholar

This website utilizes technologies such as cookies to enable essential site functionality, as well as for analytics, personalization, and targeted advertising. You may change your settings at any time or accept the default settings. You may close this banner to continue with only essential cookies. Privacy Policy

Manage Preferences

Accept All

Reject Non-Essential

Google Scholar

Australian Accounting Research Foundation (AARF), 1989, Exposure Draft 49 *Accounting for Identifiable Intangible Assets*, AARF, Melbourne.

Google Scholar

Australian Accounting Research Foundation (AARF), 1990, Statement of Accounting Concepts, SAC 2 *Objective of General Purpose Financial Reporting*, AARF, Melbourne.

Google Scholar

Australian Accounting Research Foundation (AARF), 1990, Statement of Accounting Concepts, SAC 3 *Qualitative Characteristics of Financial Information*, AARF, Melbourne.

Google Scholar

Australian Accounting Standards Board (AASB), 1987, AASB 1011 *Accounting for Research and Development Costs*, AASB, Melbourne.

Google Scholar

Australian Accounting Standards Board (AASB), 1988, AASB 1013 *Accounting for Goodwill*, AASB, Melbourne.

Google Scholar

Barth, M. E., 2000, "Valuation-based accounting research: Implications for financial reporting and opportunities for future research", *Accounting and Finance*, Vol. **40**, No. 1: 7–31.

Google Scholar

Barth, M. E., W. H. Beaver and W. R. Landsman, 2000, " The relevance of the value relevance literature for financial accounting standard setting: Another view", working paper, Stanford University and University of North Carolina at Chapel Hill.

This website utilizes technologies such as cookies to enable essential site functionality, as well as for analytics, personalization, and targeted advertising. You may change your settings at any time or accept the default settings. You may close this banner to continue with only essential cookies. Privacy Policy

Manage Preferences

Accept All

Reject Non-Essential

Chan, L. K. C., J. Lakonishok and T. Sougiannis, 2000, " The stock market valuation of research and development expenditures", *Journal of Finance*, forthcoming.

Google Scholar

Collins, D. W., and W. T. Dent, 1979, "The proposed elimination of full cost accounting in the extractive petroleum industry: An empirical assessment of the market consequences", *Journal of Accounting & Economics*, **Vol 1**: 3–44.

Google Scholar

Daley, L. A., and R. L. Vigeland, 1983, "The effect of debt covenants and political costs on the choice of accounting methods: The case of accounting for R&D costs", *Journal of Accounting & Economics*, **Vol 5**: 195–211.

Web of Science® Google Scholar

Day, R., and N. Hartnett, 1999, "An investigation of the significance of mandated changes in goodwill amortisation policy in Australia", *Pacific Accounting Review*, Vol. **22**, No. 2: 193–218.

Web of Science® Google Scholar

Godfrey, J. M., and P. S. Koh, 1999, "The explanatory power of alternative accruals models", *Accounting Research Journal*, Vol. **12**, No. 2: 178–99.

Google Scholar

Holthausen, R. W., and R. L. Watts, 2000, " The relevance of the value relevance literature for financial accounting standard setting", working paper, University of Rochester.

Google Scholar

Lev, B., and T. Sougiannis, 1996, "The capitalisation, amortization, and value relevance of R&D", *Journal of Accounting and Economics*, **Vol 21**: 661–87.

This website utilizes technologies such as cookies to enable essential site functionality, as well as for analytics, personalization, and targeted advertising. You may change your settings at any time or accept the default settings. You may close this banner to continue with only essential cookies. Privacy Policy

Manage Preferences

Accept All

Reject Non-Essential

Google Scholar

Smith, D. T., M. Percy, and G. D. Richardson, 2001, " Discretionary capitalisation of R&D: Evidence on the usefulness in an Australian and Canadian context", *Advances in International Accounting*, forthcoming.

Google Scholar

Tabachnick, B. G., and L. S. Fidell, 1989, *Using Multivariate Statistics*, 2nd ed., HarperCollins Publishers.

Google Scholar

Wines, G., and C. Ferguson, 1993, "An empirical investigation of accounting methods for goodwill and identifiable intangible assets: 1985 to 1989", *Abacus*, Vol. **29**, No. 1: 90–105.

Google Scholar

Citing Literature

Download PDF

ABOUT WILEY ONLINE LIBRARY

Privacy Policy
Terms of Use
About Cookies
Manage Cookies
Accessibility
Wiley Research DE&I Statement and Publishing Policies

HELP & SUPPORT

Contact Us

This website utilizes technologies such as cookies to enable essential site functionality, as well as for analytics, personalization, and targeted advertising. You may change your settings at any time or accept the default settings. You may close this banner to continue with only essential cookies. Privacy Policy

Manage Preferences
Accept All
Reject Non-Essential

Copyright © 1999-2026 John Wiley & Sons, Inc or related companies. All rights reserved, including rights for text and data mining and training of artificial intelligence technologies or similar technologies.

WILEY

This website utilizes technologies such as cookies to enable essential site functionality, as well as for analytics, personalization, and targeted advertising. You may change your settings at any time or accept the default settings. You may close this banner to continue with only essential cookies. Privacy Policy

Manage Preferences

Accept All

Reject Non-Essential