

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

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## 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.

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