

Adoption of International Financial Reporting Standards: Impact on the Value Relevance of Intangible Assets

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Abstract

We examine whether the value relevance of reported intangibles differs between financial reporting regimes pre- and post-adoption of Australian Equivalents to International Financial Reporting Standards (AIFRS) and Australian Accounting Standards (AGAAP) respectively. Using AIFRS and AGAAP measures of goodwill and identifiable intangible assets for the same financial year and testing their association with share prices, we find evidence that AIFRS generally convey incremental useful information for investors about goodwill. For aggregated identifiable intangible assets there is no evidence that AIFRS conveys information beyond that in AGAAP. In contrast, we find evidence that AGAAP provides incremental information for investors in relation to identifiable intangibles, but not goodwill.

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