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## The Value Relevance of Goodwill Impairments: UK Evidence

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### Abstract

Using a sample of 528 firm-year observations, drawn from the top 500 UK listed firms for 2005 and 2006, this study employs a multivariate ordinary least squares regression to assess the value relevance of goodwill impairment losses following the adoption of IFRS No. 3 "Business Combinations." Empirical results reveal a significant negative association between reported goodwill impairment losses and market value, suggesting that these impairments are perceived by investors to reliably measure a decline in the value of goodwill and incorporated in their firm valuation assessments. The study provides evidence consistent with IASB's objectives in developing the impairment-only standard and reinforces the argument that, through IFRS 3, managers are more likely to use their accounting discretion to convey privately held information about the underlying performance of the firms.

**Keywords:** Goodwill accounting, Impairment, International Financial Reporting Standards, Value

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