



# Fair value accounting and intangible assets: Goodwill impairment and managerial choice

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**Abstract**

References

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Supplementary Data

**Purpose** - Advocates of greater intangible asset reporting frequently make the criticism that the published financial statements of companies do not adequately reflect the value of intangible assets and hence provide potentially misleading information to the users of the financial statements. The purpose of this paper is to evaluate whether since the introduction of "fair value accounting," particularly in respect of the treatment of acquired "goodwill" shown on consolidated balance sheets, these criticisms retain any validity. The paper investigates the extent to which it can be confidently asserted that the recognition of acquired goodwill and the post-acquisition rules for recognizing any goodwill "impairment" has materially improved the information available to the users of financial statements and/or whether these developments have resulted largely in providing self-interested managers with greater opportunities to engage in earnings and balance sheet manipulations that are of doubtful value to users. **Design/methodology/approach** - The paper critically reviews the rules and the intentions of accounting policy makers in relation to fair value acquisition accounting and evaluates the empirical evidence relating to corporate behavior in this area. **Findings** - Despite the presumed benefits associated with fair value accounting, it is shown that in practice managerial self-interests and earnings management concerns appear to motivate many goodwill impairment decisions. However, as investors and analysts have always had the option to adjust, or indeed totally ignore, reported accounting numbers it is far less certain whether this reporting behavior actually misleads users or significantly reduces the information content (reliability and relevance) of the financial statements. **Originality/value** - The paper provides an overview of the accounting treatment and reporting consequences associated with the introduction of fair value accounting in respect of acquired goodwill.

**Keywords:** Accounting; Fair value; Goodwill accounting; Intangible assets; Managerialism; Strategic choices

**Document Type:** Research Article

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