

1. Record Nr.	UNINA9910297043303321
Autore	Sellhorn Thorsten
Titolo	Goodwill impairment : an empirical investigation of write-offs under SFAS 142 ; mit deutscher Zusammenfassung // Thorsten Sellhorn
Pubbl/distr/stampa	Bern, : Peter Lang International Academic Publishing Group, 2018 Frankfurt am Main, Germany : , : Peter Lang, , [2004] Frankfurt am Main, Germany : , : Peter Lang, , [2018] ©2004
ISBN	3-631-75498-1
Edizione	[1st ed.]
Descrizione fisica	1 online resource (XXVII, 323 pages) : illustrations, charts; digital, PDF file(s)
Collana	Bochumer Beiträge zur Unternehmungsführung und Unternehmensforschung ; ; Band 70
Soggetti	Goodwill (Commerce) - United States Write-offs Accounting - United States
Lingua di pubblicazione	Inglese
Formato	Materiale a stampa
Livello bibliografico	Monografia
Note generali	Also published as the author's doctoral thesis Bochum, 2004.
Nota di bibliografia	Includes bibliographical references.
Nota di contenuto	Cover -- List of abbreviations -- List of symbols -- List of figures -- List of tables -- 1 Introduction -- 1.1 Problem -- 1.2 Research question and contribution -- 1.3 Outline -- 2 The goodwill debate -- 2.1 Chapter overview -- 2.2 The concept of goodwill -- 2.3 Main issues -- 2.3.1 Pooling and purchase methods illustrated -- 2.3.2 Arguments raised in the discussion -- 2.3.2.1 Conceptual issues -- 2.3.2.2 Status quo of accounting rules -- 2.3.2.2.1 United States -- 2.3.2.2.2 International Accounting Standards -- 2.3.2.2.3 Germany -- 2.3.2.3 Practical issues -- 2.3.3 Theoretical analysis of arguments raised -- 2.4 Empirical evidence relevant to the goodwill debate -- 2.4.1 Overview -- 2.4.2 Research questions -- 2.4.3 Direct evidence -- 2.4.3.1 Survey evidence -- 2.4.3.2 Determinants of goodwill write-offs -- 2.4.3.3 Determinants of other goodwill-related financial reporting decisions -- 2.4.3.3.1 Influence of goodwill accounting rules on acquisition premiums -- 2.4.3.3.2 Determinants of purchase price allocation decisions -- 2.4.3.3.3 Determinants of amortization parameters -- 2.4.3.4 Determinants of the purchase/pooling choice --

2.4.3.4.1 Factors influencing the purchase/pooling choice -- 2.4.3.4.2 Managers' willingness to "purchase" the pooling method -- 2.4.3.5 Managers' lobbying for goodwill-related accounting rules -- 2.4.4 Indirect evidence -- 2.4.4.1 Experimental evidence -- 2.4.4.2 Information content of goodwill write-offs -- 2.4.4.3 Value relevance of goodwill book value and amortization -- 2.4.4.3.1 Balance sheet approach -- 2.4.4.3.2 Combined balance sheet and income statement approaches -- 2.4.4.3.3 Income statement approach -- 2.4.4.3.4 International comparison studies -- 2.4.4.4 Market reactions to the purchase/pooling decision -- 2.4.4.5 Market reactions to mandated changes in accounting rules for business combinations.

2.5 Summary and implications -- 3 Empirical research on discretionary asset write-offs -- 3.1 Chapter overview -- 3.2 Discretionary asset write-offs as a subject of accounting research -- 3.3 Determinants of write-off behavior -- 3.3.1 Earnings management as an explanatory factor -- 3.3.1.1 Earnings management defined -- 3.3.1.2 Overview of the earnings management literature -- 3.3.1.3 Discretionary asset write-offs and earnings management -- 3.3.2 Theory, hypotheses, and main findings -- 3.3.2.1 Overview -- 3.3.2.2 Economic factors -- 3.3.2.3 Economic-consequences incentives -- 3.3.2.3.1 Intellectual roots: Positive accounting theory -- 3.3.2.3.2 Application to financial reporting decisions -- 3.3.2.3.3 Accounting earnings-based compensation schemes -- 3.3.2.3.4 Accounting-based debt covenants in lending agreements -- 3.3.2.3.5 Political costs -- 3.3.2.3.6 Discriminating between competing hypotheses -- 3.3.2.4 Capital market-related incentives -- 3.3.2.4.1 Theoretical fundamentals -- 3.3.2.4.2 Management's interest in the firm's stock price -- 3.3.2.4.3 Maximizing earnings -- 3.3.2.4.4 Income smoothing -- 3.3.2.4.5 Target accounting -- 3.3.2.4.5.1 Prevalence of target accounting -- 3.3.2.4.5.2 Importance of earnings targets -- 3.3.2.4.5.3 Cross-sectional differences in target-accounting behavior -- 3.3.2.4.5.4 Market reactions to target accounting -- 3.3.2.4.6 Big bath -- 3.3.2.4.7 Rating -- 3.3.2.4.8 Specific considerations regarding accounting changes and other transitory earnings components -- 3.3.2.5 Factors restricting management discretion -- 3.4 Financial statement users' view of discretionary asset write-offs -- 3.4.1 Information perspective of financial reporting -- 3.4.2 Research approaches -- 3.4.3 Main findings -- 3.4.3.1 Information content studies -- 3.4.3.2 Association studies -- 3.5 Summary and implications.

4 Discretionary properties of the impairment-only approach -- 4.1 Chapter overview -- 4.2 Main provisions of SFAS 141 and 142 -- 4.3 Frequency -- 4.3.1 Annual testing -- 4.3.1.1 Rule -- 4.3.1.2 Exception -- 4.3.2 Unscheduled testing when circumstances warrant -- 4.4 Level of aggregation -- 4.5 Existence -- 4.5.1 Reporting unit fair value -- 4.5.1.1 Quoted market prices -- 4.5.1.2 Present value techniques -- 4.5.1.2.1 Measuring fair value as the objective -- 4.5.1.2.2 Measurement techniques -- 4.5.1.3 Multiples -- 4.5.1.4 Preliminary conclusion -- 4.5.2 Carrying value of reporting unit net assets -- 4.5.2.1 Allocating assets and liabilities -- 4.5.2.2 Allocating goodwill -- 4.5.3 Disposal -- 4.6 Measurement -- 4.6.1 Fair value of reporting unit net assets -- 4.6.1.1 Fictitious purchase price allocation -- 4.6.1.2 Recognition -- 4.6.1.3 Measurement -- 4.6.2 Inclusion of estimates -- 4.7 Transition -- 4.7.1 Effective date and initial application -- 4.7.2 Transitional impairment test -- 4.7.3 Transitional presentation and disclosures -- 4.7.4 Reclassification of goodwill and intangible assets -- 4.8 Intermediate results -- 5 Empirical investigation of write-off determinants -- 5.1 Chapter overview -- 5.2 Hypothesis development -- 5.2.1 Overview -- 5.2.2 Economic factors -- 5.2.3 Financial

reporting incentives -- 5.2.3.1 Economic-consequences incentives -- 5.2.3.1.1 Compensation -- 5.2.3.1.2 Debt covenants -- 5.2.3.1.3 Political costs -- 5.2.3.2 Capital market-related incentives -- 5.2.3.2.1 Target accounting -- 5.2.3.2.1.1 General decision model -- 5.2.3.2.1.2 Firms exceeding earnings targets -- 5.2.3.2.1.3 Firms falling short of earnings targets -- 5.2.3.2.2 Rating -- 5.2.4 Control variables -- 5.3 Research design and descriptive information -- 5.3.1 Variable definition -- 5.3.2 Sample selection -- 5.3.3 Descriptive statistics and comparative analyses.

5.4 Regression analysis -- 5.4.1 Methods employed in studies of write-off determinants -- 5.4.1.1 Qualitative dependent variables: The write-off decision -- 5.4.1.2 Limited dependent variables: The write-off amount -- 5.4.2 Summary of hypotheses -- 5.4.3 Analysis of the write-off decision -- 5.4.3.1 Full-sample test -- 5.4.3.2 Tests for robustness -- 5.4.3.3 Sub-sample tests -- 5.4.4 Analysis of the write-off amount -- 5.4.4.1 Full-sample test -- 5.4.4.2 Tests for robustness -- 5.4.4.3 Sub-sample tests -- 5.5 Inferences -- 5.5.1 Summary of findings -- 5.5.2 Limitations -- 6 Conclusion -- Appendix -- List of references -- List of accounting pronouncements and legal provisions.

Sommario/riassunto

In 2001, goodwill amortization in the US was eliminated in favor of an impairment-only approach, which, according to critics, gives managers vast discretion and opportunities for earnings management. Prior research suggests that discretionary asset write-offs are associated with economic factors and managers' financial reporting objectives. Based on a systematic literature review, this study investigates for a comprehensive sample of US firms the determinants of goodwill write-off behavior. Regression analysis shows that write-off behavior is significantly explained by firms' economic properties. Only in large, high-profile firms, incentives appear to be significant determinants. These findings suggest that the impairment-only approach does capture goodwill impairment at least to some extent.
