

The value relevance and reliability of reported goodwill and identifiable intangible assets

- Firas N. Dahmash,
- Robert B. Durand,
- John Watson

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Abstract

We examine the value relevance and reliability of reported goodwill and identifiable intangible assets under Australian GAAP from 1994 to 2003; a period characterised by relatively restrictive accounting treatment for goodwill and relatively flexible accounting treatment for identifiable intangible assets. Our findings, using an adaptation of Feltham and Ohlson (1995), suggest that for the average Australian company the information presented with respect to both goodwill and identifiable intangible assets is value relevant but not reliable. In particular, goodwill tends to be reported conservatively while identifiable intangible assets are reported aggressively.

Keywords:

Value relevance;

Reliability;

Reported goodwill;

Identifiable intangible assets