

## Intangibles full of holes in practice

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Companies are not following the IFRS 3 business combinations standards to the letter and may be paying over the odds when buying other corporates as a result.

A study conducted by experts from brand consultancy Intangible Business showed that five years after the inception of SFAS 41, the US equivalent of IFRS 3, companies that were following the standard were accounting for large chunks of a deal's value as goodwill, when they should instead have been accounting for the components as intangibles such as brand value and other assets.

The vague accounting treatment means that companies may not know how much the companies they are buying are really worth.

Intangible Business director Thayne Forbes said: 'The overstatement of goodwill and the under-reporting of intangible assets is a

common theme between IFRS 3 and SFAS 141.

'Sadly, there has been no improvement after five years of SFAS 141's implementation, which does not bode well for IFRS 3.'

IFRS 3 is built on the premise that a company makes acquisitions based on fair values and that, in many cases, book value may not be equal to fair value.

Further, the standard also recognises and assigns values to assets and liabilities which may not be reflected on the balance sheet of the company being acquired.



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Gods	AIM	178.00	1.42
<b>TRAINING</b>			
BPP	FTSE ALL SHARE	613.00	-0.33
<b>RECRUITMENT</b>			
Michael Page	FTSE 250	443.25	-1.01
Robert Walters	FTSE ALL SHARE	277.75	0.63
<b>BUSINESS RECOVERY</b>			
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Hays	AIM	137.00	-2.14

Key indicators I/\$ 2.03 E/€ 1.43 Base rate 5.75%

All figures sourced on 9 October \*on previous day's trading

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