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Companies in goodwill hole

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Companies are continuing to bury the worth of acquisitions in goodwill, depriving investors of vital information as the global financial crisis rages on.

Research showed that, despite the introduction of IFRS3, the business combinations standard, three years ago, 500 of the world's biggest companies reporting under international standards outside the UK racked up a £105bn worth of goodwill in their acquisitions, 47% of the total deal value.

Brand valuation experts Intangible Business found that 53% of this goodwill, £57bn, was not described at all in its IFRS3 study, even though the standard requires it.

Thayne Forbes, joint managing director of Intangible Business, said: 'Spending £105bn of shareholders' money on acquisitions without sufficiently explaining what it's for is totally irresponsible. The whole purpose of IFRS3 is to provide transparency on acquisitions for investors. This is still not happening.'



'Irresponsible': Thayne Forbes

Unlike US GAAP, which will be changing when SFAS141R comes into force in 2009, companies reporting under IFRS are required to disclose the nature of the intangible assets which comprise goodwill and explain why they cannot be valued separately.

A large part of goodwill can be

chalked up to future earnings, but Intangible Business reported that the key factors such as brand value and customer relationships were still not adequately being accounted for.

Questions have been raised in the past as to whether some companies have paid over the odds.

The \$1.2bn (£690m) price tag on Google's purchase of Youtube was one major deal that saw \$1.1bn of goodwill balanced out by \$0.2bn of intangible assets, even though the Youtube brand name was widely thought to be the driver for the deal.

Forbes added: 'The only way these regulations are going to make a significant impact on company reporting is if regulatory authorities police them.'

'With over £200bn being allocated to goodwill across the world each year from IFRS reporting countries alone, I can only hope that this report serves as a catalyst for improvements next year.'



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