



**Economia Aziendale Online**  
**Business and Management Sciences**  
**International Quarterly Review**

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Intangible Assets in the Italian Stock Exchange*

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Pavia, March 2011

N. 1/2011

[www.ea2000.it](http://www.ea2000.it)

[www.economiaaziendale.it](http://www.economiaaziendale.it)



PaviaUniversityPress

Electronic ISSN 2038-5498

Reg. Trib. Pavia n. 685/2007 R.S.P.



# Measurement and Impairment of Intangible Assets in the Italian Stock Exchange

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## Abstract

The current economic and financial crisis has had a very relevant impact upon companies worldwide. This paper aims at investigating effects produced upon the financial statements of a sample of 90 Italian listed companies with specific reference to the intangible assets and goodwill, which are in many cases crucial for listed companies' performance and evaluation. Specifically, goodwill should reflect the forecast on future trends and be, if necessary, written-off.

This paper examines the trend exposed in the analysed 2007-2009 annual and half-yearly financial statements. Under a technical point of view, International Financial Reporting Standards (IFRS) should represent an appropriate basis to evaluate whether the mentioned crisis has been "converted" into accounting data, as they are naturally destined to satisfy investors' information needs and should support decision makers to express their judgement on companies' future profitability.

This circumstance provides the chance to propose some considerations concerning the adoption of IFRS in listed companies.

**Keywords:** Financial Crisis, Goodwill, Intangible Assets, IFRS.

## 1 –Introduction

The current financial crisis has produced bankruptcies and insolvencies for many companies. Some observers affirmed at the beginning of this crunch that the trend might be attributed to financial markets, and more precisely to financial instruments. During the subsequent months, it has become clear that the crisis has been determined by a set of deeper reasons and is more complex than originally thought.

Financial statements of listed companies should provide a picture of the companies' health to support

economic decisions of investors; in order to do this, accounting requirements should be able to provide users with a sufficient level of information to support them in understanding the actual performance of companies and the future scenario. In this perspective, international accounting standards have been initially indicated as one of the main factors for this financial and economic collapse and then paradoxically as one of the possible solutions.

The International Financial Reporting Standards (thereinafter "IFRS") enacted by the International Accounting Standards Board (thereinafter "IASB") should "[...] provide information about the financial position, performance and changes in financial posi-

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Even if this paper represents the joint work of the three authors, paragraphs 1, 2 and 6 are to be attributed to Matteo Pozzoli, paragraph 4 to Rossella Romano, and paragraphs 3 and 5 to Alberto Romolini

tion of an entity that is useful to a wide range of users in making economic decisions” (Framework: §12).

The IFRS often require professional judgement to determine accounting data. In many circumstances their measurement is discretionary and this can create an high level of volatility of financial statement items. This could be the case of intangible assets and goodwill, which usually represent a crucial resource of companies listing their securities in public markets.

This requires companies to provide an effective communication plan and particular attention to the related disclosures.

Moreover, the systematic and periodic recognition of the current and potential value of intangible assets and goodwill, the search for appropriate measurement instruments, and the investigation of the related risks are fundamental elements of management systems.

According to this reasoning, IFRS provide an effective communication plan and pay particular attention to the related disclosure concerning intangibles.

In extreme general terms, it is to be specified that Regulation 1606/2002/EC requires listed companies operating in the European Union to draw up and present their consolidated financial statements in compliance with the IFRS.

Italian decree 38/2005 extended this provision to the regulated sectors, that is listed and public companies monitored by the Commissione Nazionale per le Società e la Borsa (CONSOB), financial institutions monitored by Banca d'Italia, and – in some cases – insurance enterprises monitored by the Istituto per la vigilanza sulle assicurazioni private e di interesse collettivo (ISVAP).

It is essential to observe that IFRS are applied for the preparation of annual accounts, affecting the determination of the distributable profit and the measurement of income tax.

The implementation of IFRS has been progressive, as the mandatory adoption for the 2005 accounts was limited to the consolidated financial statements.

IFRS can be applied – in place of local accounting requirements - from unlisted companies, which belong to a group, independently of whether the company is public or private.

Only “small” companies – as they are defined by art. 2435bis of the Civil Code – cannot adopt *IFRS 3 Business Combinations*. The above Table 1 summarizes the illustrated regulatory framework.

The mentioned pronouncements take in account recognition (and derecognition) initial measurement, subsequent measurement (and the relative depreciation and impairment), and the disclosures regarding intangibles.

These documents, without further investigation of the Board’s analysis, provide principles based on the requirements and, where necessary, include additional technical rules, such as in the case of service

concession arrangements and intangible web site costs.

Italian regulators (Banca d'Italia, Commissione Nazionale per le Società e la Borsa, Istituto per la Vigilanza sulle Assicurazioni Private e di Interesse Collettivo) have recently released a joint communication inviting listed companies to satisfy the International Accounting Standards Board’s provisions, as they realised that local regulated companies do not apply them in a consistent way (Tavolo di coordinamento, 2009 and 2010).

The Organismo Italiano della Contabilità (OIC, 2009), the Italian standard setter, opted to publish a set of “Guide applicative” (“Application Guidance”) finalized to implement the principles based on IFRS’ rules into the economic and jurisdictional local scenario, providing users with application material and best practices. As far as the intangible assets are concerned, the OIC enacted the document *Applicazione OIC n.2 - Impairment e avviamento*.

This paper aims at understanding the accounting behaviour of a sample of 90 Italian companies listed in the Italian Stock Exchange – a number that represents approximately one-third of the total listed companies – in relation to their representation of intangible assets in the period 2007-2009.

This period should in theory present a write-off of intangible assets and goodwill, especially those ones at indefinite life, as their value is related in many circumstances to the future company’s profitability.

This research is focused upon intangibles, as they should particularly reflect, on the one hand, the companies’ capacity to invest in the future and, on the other, the perception to realize future profits and be competitive in the market. According to this, they should in theory be penalised by financial negative perspectives and forecasts.

Paragraph 2 is dedicated to a brief résumé of the prior related literature. Paragraph 3 identifies the methodology applied to the research illustrated in the paper, including the exposure of the sample and the composition of the adopted financial ratios. Paragraph 4 e 5 illustrate the results arising from the analysis, highlighting the main differences and the most relevant information. Paragraph 6 is comprised of a summary of the most meaningful observations regarding the trend of intangible assets and goodwill in the examined Italian financial statements, the current outcome of the research and the future continuation of the investigation. Specifically, it is crucial to comprehend whether the financial crisis has produced effects, in general, upon the recognition of intangible assets and, in particular, upon the recognition of goodwill.

At the end, it should be possible to express some considerations on the ability of IFRS to reflect the current financial and economic crisis and the level of Italian listed companies’ compliance with the IASB’s requirements.

## 2 – Prior Literature

The Academia have been debating over the last years whether IFRS have improved the informative content in the European Union, even if the same concepts of “intangible assets” appear sometimes to be uncertain and difficult to measure (Zambon, 2003).

Some authors concluded that IFRS have significantly enhanced financial statements comparability (Schipper, 2005).

Many papers have investigated the quantitative and qualitative effect on accounting data emerging from the transition to IFRS for European companies (Bartov, Goldberg and Kim, 2005). This opinion has

been affirmed even with reference to the improvement of accounting information quality of intangible assets (Busacca and Maccarone, 2007).

Intangible resources represent a crucial factor in the development of listed companies, often involved in research and development projects and their accounting determination and representation is crucial to express an opinion upon companies’ health and performance.

Accounting for intangible assets and goodwill has been subject to a wide process of international harmonization and standardization over the last decades (Pozzoli, 2001; Stollowy and Jeny-Cazavan, 2001).

Table 1 - *Companies Applying IFRS in the Italian legislation*

<i>Listed and public companies monitored by CONSOB Banks and financial institutions monitored by Banca d'Italia</i>		<i>Assurance companies (listed and unlisted)</i>		<i>Companies consolidated from companies up to apply IFRS for the preparation of their consolidated financial statements Companies drawing up their consolidated financial statements and their controlled companies</i>		<i>Unlisted companies not preparing consolidated financial statements and small companies</i>	
2005	2006	2005	2006	2005	2006	2005	2006
Mandatory financial statements	Mandatory financial statements	Mandatory financial statements	Mandatory financial statements	Annual financial statements on a discretionary basis		Financial statements compliant with local requirements	
Annual financial statements on a discretionary basis	Mandatory annual financial statements	Annual Financial Statements compliant with local requirements	Mandatory annual financial statements if listed and not obliged to adopt consolidated financial statements	Annual financial statements on a discretionary basis			

In this context, the *IAS 38 Intangible Assets* and the *IFRS 3* seem to be at today the most authoritative technical requirements. However, the mentioned IASB’s provisions have been sometimes criticised as appearing ambiguous, and they leave out options and some discretionary choices (Lev, 2008). In relation to the evidence that intangible assets and goodwill are significant financial statement items and that quantitative data need to be explained in an exhaustive manner, IFRS require a detailed – and sometimes complex (Gu and Wang, 2005) – set of disclosures.

This paper pays particular attention the accounting for goodwill and more specifically the reaction of

the impairment test in this crunch period. This attention is due to a set of factors, such as: the specific origin of goodwill rather than other intangible assets; the *ad hoc* accounting for impairment; the discretion required to determine the related value; the relevance of goodwill.

Some scholars have examined the effect of the impairment test on goodwill after the implementation of *ASC 350-20 Intangibles - Goodwill and Other* (formerly *SFAS 142 Goodwill and Other Intangible Assets*), and *IFRS 3* (Davis, 2005).

In relation to the informative relevance of goodwill, Liberatore and Mazzi (2009) showed that there is

an association between the impairment of goodwill and the market quotation. In other terms, Godfrey-Koh demonstrated that the adoption of the goodwill impairment test in the United States reflects companies' economic attributes (2009).

This analysis appears crucial to determine the credibility of accounting for goodwill and, more generally, of IFRS. Goodwill can be carried out in the case that future cash or economic flows can justify its current book value. It is undeniable that the goodwill impairment test is based upon discretionary analyses and this increases the discernment of the related accounting data (Bini and Della Bella, 2007; Wines and Dagwell and Windsor, 2007).

Jarva (2009), for example, has affirmed that some American firms, even if showed indications that goodwill was impaired, did avoid impairments, while some others affirm that it is possible to manage the impairment of goodwill (Seetharaman et al, 2005).

At the same time, it is unavoidable that fair value accounting is based upon estimates, which appear in many cases not easily verifiable (Watts, 2003a and b).

The research tries – thanks to the analysis of the cited sample – to comprehend the ability of IFRS to take a faithful picture of companies' economic value.

### 3 – Research Method

Intangible resources are determining variables for increasing the value of an enterprise; nevertheless, we should examine under what conditions and in what terms are these resources represented in the financial statements (Lev, 2001; Guatri and Bini, 2003; Hand and Lev, 2003; Pozza, 2004; Teodori, 2006).

It appears that the term “intangible assets” is not synonymous with the more generic term “intangible resources”. Only intangible assets reproduce meaningful conditions for expressing and measuring assets; the other intangible resources, like intellectual capital (Edvinsson and Malone, 1997), lead either to particular relations established between the firm and the outside environment or to the processes of internal construction which may turn into future economic advantages for competition.

As we said above, this paper aims at analysing through an empirical study the measurement criteria used to determine intangible assets and goodwill, their variations in a context characterized by great variability and by a worldwide crisis.

The study method in this paper is therefore empirical. Indeed, we conducted our study based on a sample of 90 companies listed on the regulated market of the Italian Stock Exchange.

The analysis of each company was achieved considering the consolidated financial statements as of 31 December 2007, the half-yearly financial report as of 30 June 2008, the consolidated financial statements as of 31 December 2008, the half-yearly financial report

as of 30 June 2009, and the consolidated financial statements as of 31 December 2009.

This period was chosen with the aim of analysing the accounting methods and the variations of intangible assets and goodwill in a historical series that highlights the effects of the recent global economic crisis. The 2009 annual consolidated financial statements was the last report available while doing this research.

For each company we made a chart in order to analyse the intangibles included in the non current assets. The resulting data are as follows:

- composition and value of intangible assets and goodwill carried out in the consolidated financial statements;
- ratios of intangible assets and goodwill;
- ratios of any impairment of intangible assets and goodwill.

In particular, the applied ratios are:

$$\frac{\text{Intangible Assets and Goodwill}}{\text{Total Assets}}$$

$$\frac{\text{Goodwill}}{\text{Intangible Assets and Goodwill}}$$

$$\frac{\text{Goodwill}}{\text{Total Assets}}$$

The second part of the analysis takes into account increases and decreases (impairment) of intangible assets and goodwill. Subsequently, the research adopted the following ratios:

$$\frac{\text{Impairment Losses}}{\text{Intangible Assets}}$$

$$\frac{\text{Goodwill Impairment}}{\text{Goodwill}}$$

Once the data were gathered, they were given a comprehensive analysis and a related exposure.

### 4 – Measurement of Intangible Assets and Goodwill

This paragraph presents an empirical analysis of the above mentioned ratios concerning the weight of intangible assets and goodwill on total assets and, then, of goodwill on total assets.

The sample research includes, as previously mentioned, 90 companies listed on the Italian regulated market. The choice of each of these companies was not influenced by any variable or specific particularity; they were chosen randomly. In every case, we

aimed to create an homogenous internal and external cluster.

More precisely, in order to achieve a better comparison between the considered periods, the percentages illustrated in each period, for each ratio, are in 'median value', meant as the value of ratios for each company divided by the total number of the same.

The first consideration concerns the applied measurement criterion: the entire sample used the cost criterion for the measurement of intangible assets with a definite life.

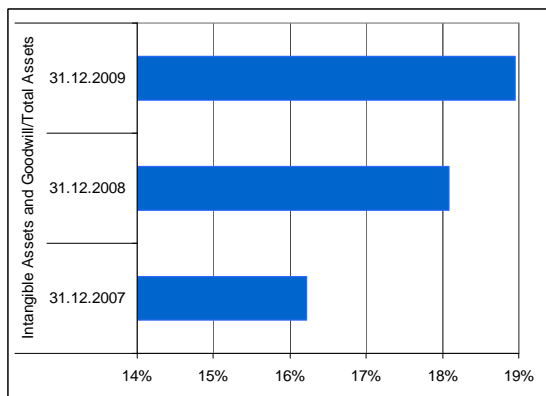
The starting point of this study was the *Intangible Assets and Goodwill/Total Assets* analysis relationship determined using the consolidated balance sheets of the years 2007, 2008 and 2009. This ratio allowed us to obtain useful information regarding the level of impact of intangibles (Guatri 1997; Lev, 2003) on the entire enterprise's value.

As stated the above, the ratio in the consolidated annual balance sheets assumes a value equal to:

- 16.22% as of 31.12.2007;
- 18.09% as of 31.12.2008;
- 18.95% as of 31.12.2009.

It emerges that the analysed ratio progressively increases in the period 2007-2009 (18.75%), with a more significant rise in 2008 (Table 2).

Table 2 -- *Average Ratio of Intangible Assets and Goodwill /Total Assets Yearly Trends*



The ratio of the half-yearly reports as of 30.06.2008 (16.68%) and as of 30.06.2009 (18.19%), confirms (Table 3) a continuous rising variation (+9.05%).

Concerning the goodwill analysis, the yearly average ratio *Goodwill/Intangible Assets and Goodwill*, is equal to:

- 57.79% as of 31.12.2007;
- 58.78% as of 31.12.2008;
- 58.80% as of 31.12.2009.

As far as the above percentages, it is clear that the ratio grows slightly during the considered period (+1.74%); this means that the relevance of goodwill

on total intangible assets (intangible assets and goodwill) has increased during this period of crisis (Table 4).

Table 3 – *Average Ratio of Intangible Assets and Goodwill/Total Assets Temporal Trends*

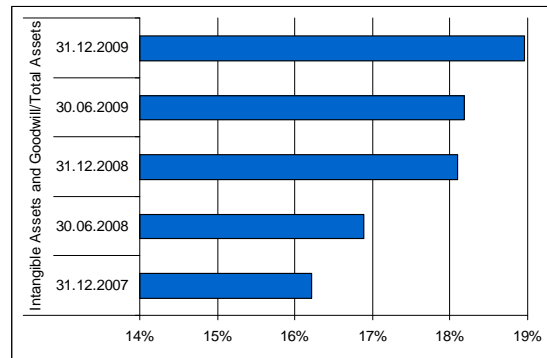
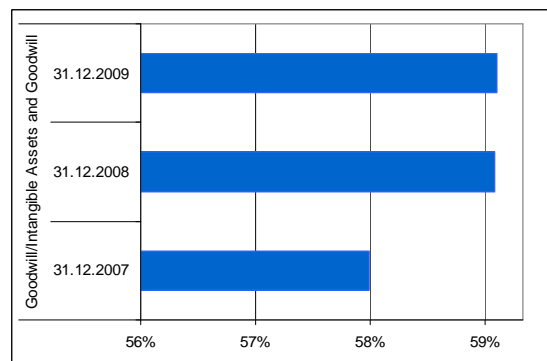


Table 4 – *Average Ratio Goodwill/Intangible Assets and Goodwill Yearly Trends*



It is important to underline that the half yearly reports highlight that goodwill is higher as of June 30 (59.15% for the 2008 and 60.82% for the 2009) than as of December 31.

At this end, it should be addressed that *IAS 36 Impairment of Assets* requires to apply the impairment test at least annually and that the *IFRIC Interpretation 10 Interim Financial Reporting and Impairment* affirms that "an entity shall not reverse an impairment loss recognised in a previous interim period in respect of goodwill" (IFRIC 10, §8).

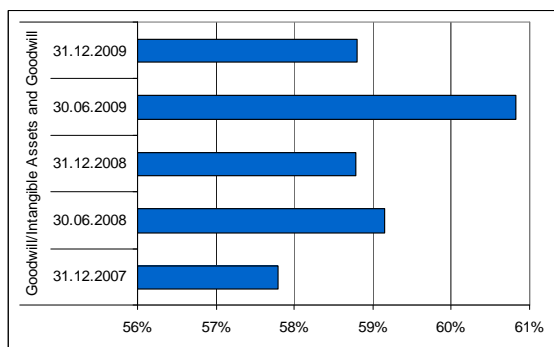
In this context, it is clear that companies are used to applying impairment test requirements at the preparation of annual financial statements (see §5).

The following table compares the ratio in the single analysed periods.

Analysing the average *Goodwill/Total Assets* yearly ratio (Table 6), the study carried out the following results:

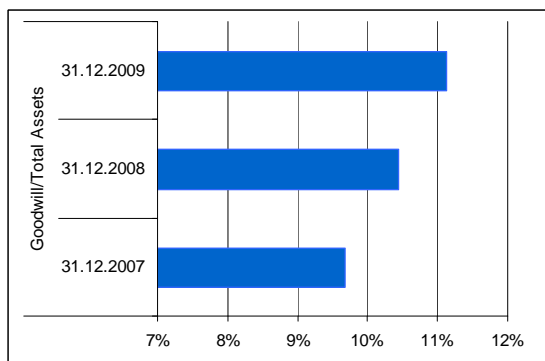
- 9.68% as of 31.12.2007;
- 10.43% as of 31.12.2008;
- 11.13% as of 31.12.2009.

Table 5 – Average Ratio of Goodwill /Intangible Assets and Goodwill Temporal Trends



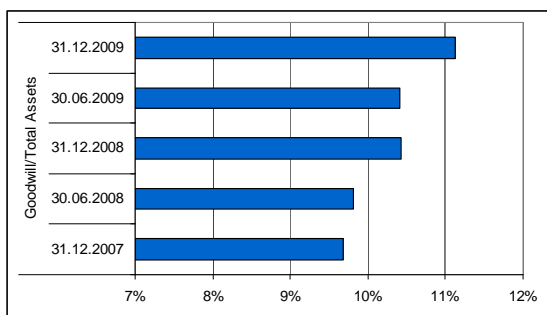
The relevance of goodwill on total assets is higher in 2009, with an increase of 7,7% from 2007 to 2008 and an increase of 6,7% from 2008-2009. Goodwill has risen on total assets in the investigated lass of time of around 15% (Table 6).

Table 6 – Average Ratio of Goodwill/Total Assets Yearly Trends



Examining the half-yearly reports, it appears that the ratio assumes a value equal to 9.81% as of 30.06.2008 and a value equal to 10.41% as of 30.06.2009; therefore the ratio increases progressively during the time.

Table 7 – Average Ratio Goodwill/Total Assets Temporal Trends



The achieved results are homogenous not only with the yearly trend but also with the preceding half-yearly average ratio. (Table 7).

## 5 – Impairment of Intangible Assets and Goodwill

The IAS 38 indicates restrictive conditions for capitalizing intangible assets: it must be clearly identifiable and distinguish from goodwill and companies must define its future economic benefits.

As far as the goodwill measurement, the IAS 36, *Impairment of Assets*, adopts the impairment test procedure, to apply at least annually.

This provides the fair value determination of goodwill as subjected to the impairment test with a subsequent impairment in the case that the recoverable value is less than the carrying amount.

The impairment test application raises some questions about the effects produced and the derived report (Davis, 2005) that, in particular cases, can lead to distortion of balance sheet information (Watts, 2003a).

The change in value of goodwill can affect the stock rate in regulated markets. In literature, there are contrasting positions regarding this subject. Some authors assert that the increase of the goodwill value drives the profitability level of market titles down (Jennings et. al. 1996) while others maintain opposing positions.

As mentioned before, the Italian regulators requested a better report in relation to the impairment test application to the financial statements closed on December 31, 2009 (Tavolo di coordinamento, 2010).

The related information should in fact illustrate a representation of the risks which a company faces, the available property, and the capacity to produce a profit in a clear, complete and timely manner.

In particular, for intangible assets and goodwill, the IAS 36 should be respected, both referencing the impairment test application and regarding the provided financial statement information.

The emerging criticisms coming from reading of companies' financial statements listed on the Italian Stock Exchange are numerous: many companies adopt general rules to determine the value of the goodwill without the availability of a long-term plan, using only data from the 2009 budget.

In the absence of long-term plans and in a context characterized by great uncertainty, it is fundamental that administrative bodies approve the impairment test procedure.

Once again, it is extremely important to carefully evaluate the impairment results with respect to incidental related signs that could foresee a probable loss of the goodwill, thus giving notice in the balance sheets through the use of ratios.



Finally, the requirement to improve financial statement information regards in greater detail the definition of Cash Generation Units (CGU); the goodwill allocation of single CGU; the appraisal criteria of the recoverable value when this is based on the value in use and the fair value; the sensitive analysis description of the impairment test result with respect to the variation of the base assumptions.

In this paragraph we provide an analysis of the general rules regarding the impairment test applications to intangible assets and goodwill by the investigated listed companies

To this end, we addressed the impairment of intangible assets and goodwill during the period examined by our study.

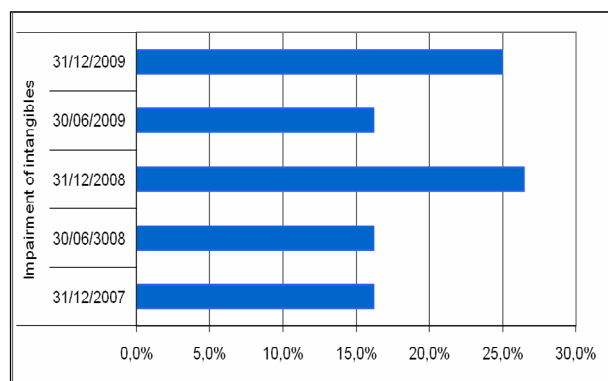
In general, the impairment of intangible assets and of goodwill involved more than half of the sample companies (60%).

There was a progressive reduction of value of the intangible assets carried out in the balance sheets that should be considered in relation to the financial crisis under way and with the instable environment.

As far as intangible assets are concerned, the impairment interests 40% of the sample; this signifies that during the related time period 60% of the analysed companies did not affect any impairment.

For a more detailed analysis (Table 8), a larger number of value decreases were affected in the yearly financial statements in comparison to the half-yearly reports.

*Table 8 – Impairment of Intangible Assets Carried Out in the Examined Reports*



In percentages, the impairment are distributed as follows:

- 16.2 % as of 31.12.2007;
- 16.2 % as of 30.06.2008;
- 26.5% as of 31.12.2008;
- 16.1 % as of 30.06.2009;
- 25.0% as of 31.12.2009.

In the temporal distribution, the value decreases following the impairment tests appear to be more frequent in the annual financial statements of 2008 to

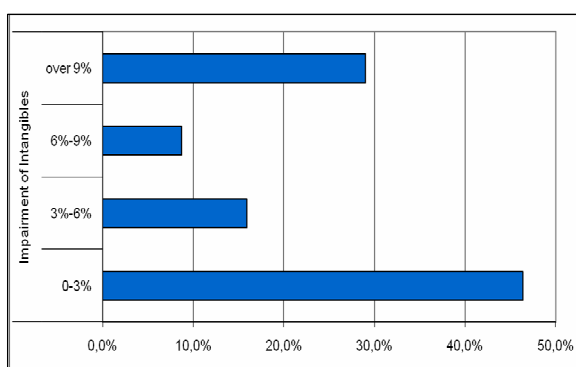
2009; that is, they represent the effects of recent international economic difficulties regarding the evaluations of intangible assets in the balance sheet.

The impairment of intangible assets must be evaluated using the quantitative parameters that represent the actual decrease of the financial statement value.

Herein, we measured the impairments implemented by the companies following the impairment tests using the relationship, in percentages, between the impairment of intangible assets and their related value on the financial statements.

We then subdivided the impairment implemented in the annual and half-yearly reports in four dimensional sectors: total impairment between 0% and 3%; impairment between 3% and 6%; impairments between 6% and 9%; impairment beyond 9% (see Table 9).

*Table 9 – Quantitative Range of Intangible Assets Impairment*



The majority of the impairment (46.4%) is concentrated in the value sector between 0%-3%; however, several relevant impairment losses are noticeable (29%) that can be placed beyond the 9% of the financial statements intangible assets.

In general terms, we can assert that despite the impairment may interest more than half of the sample in value termination the decrease in value of intangible assets remains contained more than can be reasonably expected given the current financial crisis over the past few months.

Our research focused, then, on the goodwill impairment test.

Of the sample total, 34.4% of the analysed companies decreased goodwill during the analysed time.

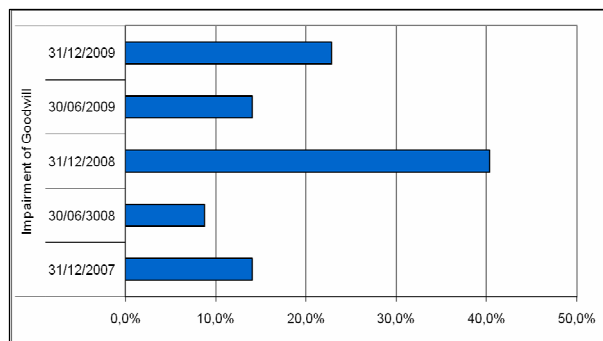
Goodwill impairment confirms the trend of other financial statement intangible assets.

In the majority of the cases, the companies' implemented impairment regarded both the intangible assets and goodwill.

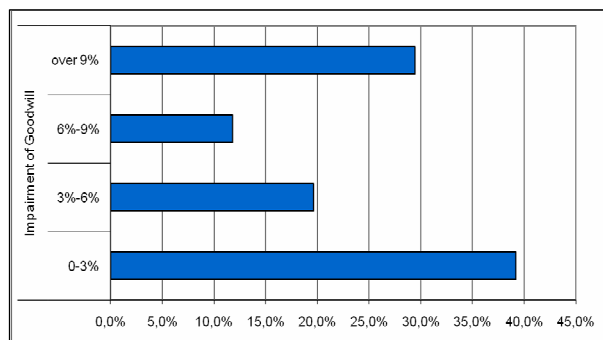
The impairment test temporal distribution analysis is as follows: (Table 10):

- 14.0 % as of 31.12.2007;
- 8.8 % as of 30.06.2008;
- 40.4% as of 31.12.2008;
- 14.0 % as of 30.06.2009;
- 22.8% as of 31.12.2009.

Table 10 – *Goodwill Impairment Implemented in the Examined Reports.*



In relation to the goodwill analysis, we see a large concentration of financial statement impairment (40.4%) closing as of 31.12.2008: it is possible to hypothesize that goodwill was impacted more severely by the financial crisis and that the companies, taking into consideration the uncertainty of the future, might have prepared a more prudent evaluation of goodwill written in the financial statements. This took place although with a lower impact on value even in the



following exercise.

We sought to represent the impairment loss for goodwill even after the impairment test. In this case, we used a ratio, that in percentages, compares the impairment after the goodwill impairment test with the goodwill value carried out in the financial statement.

The results, summarized in the following Table, confirm the observations in the case of intangible assets.

Table 11 – *The Quantitative Range of Impairment of Goodwill.*

The greatest impairment (39.2%) is concentrated in the sector of values from 0%-3% with a relevant presence of cases beyond 9% (29.4% of the sample).

Even for goodwill, the majority of the cases of declining value are relatively modest amount, subordinate to the effects expected from the general crisis of financial statement goodwill.

## 6 – Conclusions

The preparation of this paper provides some useful information about the Italian listed companies “reaction” to the current crisis.

In the analysed period the weight of intangible assets and goodwill on total assets has progressively and significantly increased (from 16.22% to 18.95%).

In more detail, goodwill which represents the discounted value of future profits has significantly increased its weight with respect to the other assets (from 9.68% to 11.13%). In addition, it is meaningful to observe that the average weight of goodwill on total intangibles is extremely high (around 60%) and the value of goodwill on total assets is very relevant; in substance, the accounting for goodwill can affect financial performance and, consequently, stakeholders’ economic decisions.

This implies that financial statements risk being evaluated on intangibles, which are by nature extremely discretionary and based upon assumptions and future estimates.

The increase in value of goodwill may be determined by two concomitant factors: business combinations and lack of impairment losses.

As far as impairment of goodwill is concerned, it is possible to note that only 8% of the sample recognised impairment losses in the 2009 financial statements, less than the 14% of the 2008 financial statements. In some circumstances, this is comprehensible as goodwill value is based upon pluriannual forecasts and budgets. At the time 2008 financial statements were prepared, forecasts seem to be worse than into 2007; in the 2009 financial statements administrative bodies may have pictured a different scenario for the future. In this perspective, it might be interesting to compare the addressed companies’ profitability and the change in value of goodwill.

The analysed companies’ Return on Investment ratio (ROI) - meant as the ratio between Earnings Before Interests and Taxes (EBIT) and Net Invested Capital (NIC) - decreased approximately from 2008 to 2009 around 37,5%, moving from 8% to 5%.

In this context, 50% of the addressed companies has showed a decrease in their ROI, while 13% presented a substantially identical return. Starting from these data, the percentage of companies which impaired their goodwill in 2009 is around 8% in comparison to the 14% of the companies whose goodwill value decreased in 2008.

In addition, the high level of impairment losses carried out in the 2008 financial statements directly affects the 2009 impairment tests; if pluri-annual

budgets and forecasts are consistent, the 2008 impairment losses take in consideration the future negative trend and consequently the 2009 incurred impairment losses. The IASB's accounting model confirms its "ambiguous" nature, as it is prepared partially on past data and partially on forecasted data.

This research presents some unavoidable limits. First of all, Italian listed companies apply, especially for fiscal issues, the cost criterion as a whole to the measurement of intangible assets with a definite life; this means that decreases in value in intangible assets mix depreciation and amortization quota. Furthermore, empirical data cannot recognise meaningful qualitative disclosures, such as the ability of Italian companies to satisfy IASB's and regulators' requirements. At the end, this research will be completed by finding further tools and instruments able to discover if there are other relations between the measurement of goodwill and the enterprises' profitability.

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