

Appropriateness of Goodwill Impairment: Evidence from Australia

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Abstract

Impairment requirement of goodwill asset is one of the most controversial issues in financial reporting. This study provides empirical evidence on whether goodwill impairment has significant impact on equity values. It analyses the information content of goodwill impairment in the determination of company's market valuation by Australian Stock Exchange (ASX) listed companies that clearly reported goodwill impairment over the period from 2011 to 2018 inclusive. Evidence suggests that there is a statistically significant association between equity market values and goodwill impairment in the determination of company's market valuation, concluding that the Australian market perceives goodwill impairment as having information content when valuing companies and the use of standardized impairment requirement is appropriate.

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