PRACTICES UNDERLYING THE ACCOUNTING TREATMENT OF *Goodwill*: THE RELEVANCE OF RECOGNIZING IMPAIRMENT LOSSES AND THEIR IMPACT ON THE RESULTS

PRÁTICAS SUBJACENTES AO TRATAMENTO CONTABILISTICO DO *Goodwill:* A PERTINÊNCIA DO RECONHECIMENTO DAS PERDAS POR IMPARIDADE E O SEU IMPACTO NOS RESULTADOS

Soraia Pousa[1]; Amélia M. M. Piress[2]

Abstrat

Over the years, the accounting treatment of *goodwill* has undergone some changes, one of which being the most pertinent is the suspension of its systematic amortization, to become only the object of regular impairment tests, as its useful life was undefined. More recently, however, this accounting policy has resumed, that is, the subsequent measurement of *goodwill* considers its systematic amortization again. It is in this context that the present work is developed, whose main objective is to discuss the changes produced in the accounting treatment applicable in Portugal to *goodwill* in its subsequent recognition, essentially in terms of the relevance and sufficiency of the recognition of impairment losses and its impact on results. In order to answer it, a qualitative methodology was adopted, using content analysis applied to data collected from the 2014-2017 reports and accounts of a set of companies selected from the universe of companies in Portugal, listed and unlisted, among those in their balance sheets, under intangible assets, the *goodwill* equity element. In a complementary way, we also proposed to identify if the most recent reform introduced in the Portuguese regulations, with effect from 2016, produced significant changes. The results show that the recognition of impairment losses is low, mainly in unlisted companies, which is in line with the theory, and that the recent change in accounting standards also seems to be meaningless.

KEYWORDS: *goodwill*, measurement, impairment, earning management, earning manipulation.

Resumo

Ao longo dos anos o tratamento contabilístico do *goodwill* foi objeto de algumas alterações, sendo uma das mais pertinentes a suspensão da sua amortização sistemática, para passar a ser apenas objeto de testes de impridade regulares, por se entender que a sua vida útil era indefinida. Porém, mais recentemente assistiu-se ao retomar dessa política contabilística, ou seja, a mensuração subsequente do *goodwill* considera novamente a sua amortização

[1] mariajose_tm@sapo.pt; Faculdade de Economia da Universidade do Porto
[2] bcasais@eeg.uminho.pt; Escola de Economia e Gestão da Universidade do Minho, IPAM Porto e CiTUR

sistemática. É neste âmbito que se desenvolve o presente trabalho, que tem como principal objetivo procurar discutir as alterações produzidas ao nível do tratamento contabilístico aplicável em Portugal ao *goodwill* no seu reconhecimento posterior, essencialmente ao nível da pertinência e suficiência do reconhecimento das perdas por imparidade e do seu impato nos resultados. Para lhe dar resposta foi adotada uma metodologia qualitativa, com recurso à análise de conteúdo aplicada aos dados recolhidos dos relatórios e contas relativos ao período de 2014 a 2017 de um conjunto de empresas escolhidas do universo de empresas existentes em Portugal, cotadas e não cotadas, de entre as que possuíam nos seus balanços, no âmbito dos ativos intangíveis, o elemento patrimonial *goodwill*. De forma complementar, propusemo-nos também identificar se a mais recente reforma introduzida no normativo português, com efeitos a partir de 2016, produziu alterações significativas. Os resultados mostram que o reconhecimento de perdas por imparidade é reduzido, ainda que com maior expressão nas empresas não cotadas, resultado que se apresenta em linha com a teoria, e que a recente alteração ao normativo contabilístico, traduzida no retormar da amortização sistemática do *goodwill*, tende também a não ter expressão significativa.

PALAVRAS CHAVE: *goodwill*, perdas por imparidade, gestão de resultados, manipulação de resultados.

1. INTRODUCTION

Immaterial resources have been gaining increasing relative importance due to their relevance in creating future economic benefits and thus in determining the long-term value of companies. This importance is substantially associated with the evolution and revolution caused by technology and knowledge, which have supported and justified the growth and development that the economy has experienced over the last two decades, imposing challenges on companies that make it imperative to obtain competitive advantages supported by the search for more solid sources of value and where intangibles play a very important role. As these intangible resources are an important and valuable source of value, they have been the object of the most diverse discussions, fundamentally because they are a source of hidden value or not properly identified and valued. In this particular case, the discussion focuses primarily on the appropriateness of recognition and measurement policies applicable to intangible resources in general. In terms of *goodwill*, and although over time a number of issues have received particular attention and, in some cases, growing interest, the discussion has focused essentially on measuring them in subsequent recognition. And so much so that this issue, not being new, generated a more intense discussion following the most recent reforms undertaken in terms of its subsequent measurement, introduced in the Portuguese legislation in 2015 to take effect from January 2016. In fact, *goodwill* falls within the scope of intangible assets, as an asset that lacks physical substance (Glautier & Underdown, 2001), and corresponds to the result of the difference between the acquisition price and the respective fair value in a process of acquisition and/or concentration of companies. That is, in the context of a financial investment, when the amount paid is greater than the evaluation, at fair value, of the net assets acquired, we are in the presence of an immaterial or intangible value that corresponds to the future potential of that investment and that in accounting terms is recognized in the scope of intangible assets as *goodwill* (Antunes, 2015). Accordingly, the measurement value of *goodwill* on initial recognition does not raise major issues, as it results from the difference between the fair value and the amount paid, when the latter is higher than the first (fair value), in a business acquisition or concentration process. However, its measurement after initial recognition is generally more difficult because it is hard, if not impossible, to define its useful life with sufficient certainty. It is in this scope that the accounting standard prescribes the obligation to submit *goodwill* to impairment tests for subsequent measurement purposes because it is assumed that, based exclusively on economic and financial factors, there would be an increasing recognition by companies holding *goodwill* of a potential impairment loss. However, available empirical sources do not seem to point in that direction, highlighting, on one hand, that the recognition of impairment losses in *goodwill* tends not to be significant (Carvalho, Rodrigues & Ferreira, 2012) and, on the other hand, that the application of these tests is a sensitive issue due to the complexity and subjectivity they involve, by appealing to professional judgments and the formulation of value judgments, leading many authors to advocate, as an alternative, that *goodwill* should be subject to systematic amortization, not only because it is easier to apply but also because it allows greater reliability to be incorporated into financial statements (Antunes, 2015).

It is therefore within the scope of this discussion that the present work is developed, with the aim of seeking to discuss the changes produced in terms of the accounting treatment applicable to *goodwill* in its subsequent recognition, fundamentally in terms of the relevance and sufficiency of the recognition of impairment losses and their impact on the companies' results. In a complementary way, we will also seek to identify whether or not the most recent reform introduced in Portugal in 2015 produced significant changes at this level. We recall, in this regard, that until December 2015 *goodwill* was considered as an asset with an indefinite useful life and after January 2016 it is now considered as an intangible asset with a finite useful life, with a maximum limit of 10 years. In this sense, the relevance of this issue is related, on one hand, to the relevance of the elimination of the systematic amortization of *goodwill* and its impact on results, and, on the other hand, to the resumption of this practice as from January 2016. Let us say that the central issue is associated with the importance of reflecting on the association or not of a finite useful life to the *goodwill* acquired and its effects at the level of results in order to, based on this, seek to understand the reason for the reforms and their implications (Antunes, 2015). In order to meet this objective, the study is developed, in addition to this introduction and its conclusions, into two major components. The first comprises, as its designation suggests, the theoretical framework, developed from literature review, with the aim of holding the theoretical discussion and reflection necessary to support the second component of this research, which is presented as an empirical aspect, to be developed using a fundamentally qualitative and descriptive methodology, with recourse to content analysis, and whose main objective is to seek to contribute to enrich the available theory. For this purpose, evidence will be sought to help understand the effective application of accounting standards to the measurement of *goodwill* in its subsequent recognition. This methodology was applied to a group of companies chosen from the universe of existing companies in Portugal, both listed and unlisted, from among those that had in their balance sheets, within the scope of intangible assets, the equity element of *goodwill*. The data collected were taken from the reports and accounts of the companies in the sample and relate to the period from 2014 to 2017.

2.THEORETICAL FRAMEWORK

Over the last few decades, several changes have occurred in society that have culminated in a process of worldwide globalization, with rapid advances in production technology, information technology and telecommunications. Added to all this were the consequences of the knowledge age which, among others, changed the economic structures of the nations and, mainly, the way of valuing human capital (Antunes & Martins, 2002; Castro, 2015). The materialization of these resources and the technologies available and used to act in a globalized environment produced intangible benefits that added value to companies. This set of new benefits, called intellectual capital, has translated into the application of new strategies, a new management philosophy and new ways of evaluating the company's value capable of contemplating the knowledge resource (Antunes & Martins, 2002). In this sense, human capital has become, in some companies, the main source of wealth generation (Martins, 2001), because it is used in the development of new business skills at a lower cost than that generated by so-called "traditional" assets. We are in a period in which knowledge and information establish the basis for competitiveness and success of companies (Castro, 2015).

And it is under this influence that *goodwill* appears, whose first reference was made in 1571 but which until the end of the 19th century was limited to legal use due to the difficulty associated with its measurement (Mazzioni, Dedonatto, Biazzi, & Neto, 2003). It comes within the scope of assets that lack substance and are not identifiable and described as the sum of intangible attributes that contribute to the success of an entity, such as location, good reputation, competence of employees and managers or the relationship with creditors, suppliers and customers (Glautier & Underdown, 2001). These circumstances determine that it is not recognized as an intangible asset because *goodwill*, when generated internally, only complies with the requirements to be recognized in the balance sheet at the time of a transaction. In fact, the multiple acquisition and merger operations that have taken place, a little everywhere and in the form of vacancies or cycles, not only prove this fact but also the importance of intangible assets in general and, within them, of *goodwill* (Mazzioni, *et al*..., 2003).

Accordingly, *goodwill* represents the value of the intangible part of the business, equivalent to the heterogeneous set of intangible resources that the acquiring company recognizes and values at the time of acquisition, such as brand, customer loyalty, management and leadership skills or other elements that condition the definition of the purchase price of the participation (Rodrigues, 2003). As a result of the difference between the acquisition price and the respective fair value, in a process of acquisition and/or concentration of companies, it corresponds to the difference between the value paid (acquisition price) and the fair value of the assets and liabilities acquired. Once identified, that is, when a certain company buys interests in a business combination and pays a price higher than the net fair value of that interest, we are dealing with a *goodwill* or the equivalent to an "intangible asset" that has just been identified and valued, because it is something that can be translated into future benefits for the shareholders, and therefore should be reflected in the accounts of the acquirer as an intangible asset (Antunes, 2016; Antunes, 2015). All of this is valid by saying that only the *goodwill* acquired is qualified as an intangible asset, or that, for example, when a company internally generates a very well-known and valuable brand or when it has a competent and respected administrator who is the soul of the business, it only holds intangible resources, which cannot be reflected in its assets (Antunes, 2016) because they are not separable and because the potential economic benefits associated with them are uncertain and/or of unreliable measurement (NCRF 6, § 48; NCRF being the National Accounting and Financial Reporting Standards in Portugal). Let's say that they do not satisfy the fundamentals or do not qualify for recognition as an intangible asset.

Thus, and even though the patrimonial element *goodwill* appears referenced by the accounting doctrine as the most intangible of the intangibles, it represents a classic and controversial problem, as demonstrated by the continuous appearance of normative documents to regulate it, the variety of opinions issued and the diversity of accounting practices at an international level. For more than a century, work and research have been carried out on this matter, but no solution has been found for general pacification (Carvalho, *et al*..., 2012; Castro, 2015). Initially recognized in capital, more specifically in reserves, it began, with the publication of International Accounting Standards (IAS) 2, to be recognized as an intangible asset and amortized over a maximum period of 20 years (Marques, 2007).

In fact, the accounting treatment underlying the *goodwill* acquired has never been very peaceful. And so much so that Gray (1988) even argued that recognizing *goodwill* resulting from an acquisition process as an asset translated into a misleading and unequal way of drawing up the balance sheet, since internally generated *goodwill* was not subject to capitalization. In fact, this was always the main argument used to support the defense of the direct write-off of *goodwill* in equity as the only accounting treatment capable of ensuring an accounting consistent with that of internally generated *goodwill*, in other words, neither of the two (acquired and internally generated) should be recognized in assets (Solomons, 1989). In parallel, however, there was another trend that advocated the need to evolve in the search for more reliable recognition and measurement models capable of recognizing internally generated intangibles, which included *goodwill*. There was a need to follow a conciliatory path in order to find ways to capitalize on internally generated intangibles (Rodrigues, 2003). However, to this challenge, which is not new, accounting has not yet been able to respond.

Although over the years we have seen the emergence of various alternatives and a ceaseless search for new and better solutions for the accounting treatment of *goodwill*, in accordance with the different patterns of economic, political and social development and with the other characteristics of the environment, none of them has been able to remain free of criticism and generate sufficient consensus (Carvalho, *et al*..., 2012). The various accounting methods that were presented over time would always end up generating some controversy, fundamentally due to the difficulties in evaluating their capacity to generate future economic benefits (Santos, 2014; Carvalho, *et al*..., 2012).

However, although different practices have been used, from a historical perspective it is possible to identify two major moments regarding the accounting of *goodwill*. The first one corresponds to the period when *goodwill* was not recognized as being able to generate future economic benefits, sustaining its direct write-off in equity. This practice was seen by critics not only as incapable of ensuring a correct balance between expenses and income, but also as enabling the adulteration of reality, allowing companies to test manipulative solutions by undervaluing the respective fair values of the net assets acquired and, thus, originating a higher *goodwill* value (Santos, 2014). The second moment corresponds to the period in which the *goodwill* acquired is recognized under intangible assets. It should be noted, however, that this stage, which corresponds to the current moment, has had different nuances and all of them related to the (in)ability to define the recovery period or useful life to be assigned to this asset. In the scope of this difficulty, it was first foreseen that its recovery could take place in a period not exceeding 5 years unless a longer useful life could be justified, but not exceeding 20 years (IAS 22, IASB), in order to, following other developments, witness the suspension of its amortization (IFRS 3; SFAS 142) and, later, when resuming that practice. Accordingly, IAS 38, currently in force, recommends, for intangible assets classified as such, their capitalization and systematic amortization (Rodrigues, 2003; Santos, 2014).

In this context, it is discussed how difficult it is to define the useful life because of the uncertainty it contains. Whether it is short or long, it may not be in line with a reality that has just been identified or with the threshold of that reality, because of the difficulty in defining when it will be exhausted. In both scenarios, there is a risk of introducing uncertainty and posing reliability problems (Antunes, 2015). The definition of the useful life has always been seen as an element that introduces some arbitrariness and even raises questions of consistency. The consideration of a depreciation loss as a valuation result is highly subjective because it is based on useful life estimates (Brunovs & Kirsch, 1991) and can lead to distortions that can undermine the informational perspective (Giner & Pardo, 2015). If the value associated with *goodwill* is difficult to determine at the time of a transaction, it becomes much more difficult over time precisely because of the difficulty in defining the period of time to recover it. *Goodwill* is an asset that is not easy to fit into depreciable and/or wearable assets (Bugeja & Gallery, 2006; Rodrigues, 2003) as the useful life is a practice that may not demonstrate the true value of the loss associated with *goodwill*, leading to no accommodation between the economic value and the recognition of the loss in value (Neves & Carvalho, 2018).

This controversy has fueled and justified the most recent changes to the regulations, namely that, after the initial recognition of *goodwill*, it should only be subject to impairment tests, to be applied on a systematic basis. With the entry into force of IFRS 3, *goodwill* ceases to be amortized systematically to be subject to impairment tests. With this reform, welcomed by the EU, there was a direct impact in many countries, including Portugal (Carvalho, *et al*..., 2012). Thus, and since that moment, *goodwill* is classified as an asset with indefinite economic life and, as such, non--depreciable, as recommended by IAS 38 for intangible assets classified as such. The emergence of this new measurement model for *goodwill* is justified by the need to reduce the volatility of results

(Montiel & Lamas, 2007; Marques, 2007), as in response to various studies that have shown that it is not appropriate to amortize *goodwill* but rather submit it to impairment tests (Jennings, Le Clere, & Tompson, 2001; Moehlre, Reynolds-Moehrle & Wallace, 2001; Giner & Pardo, 2015).

However, it soon became apparent that the application of these tests was also a sensitive issue and highly discussed by the complexity and subjectivity they involve. The identification and valuation of a possible loss in the value of *goodwill* (normal or extraordinary) will always call for professional judgments and value judgments that may compromise the requirement of reliability, influencing the measure and size of the result (Antunes, 2015), making the process quite complex (Barros & Rodrigues, 2013) and sometimes susceptible to manipulation (Neves & Carvalho 2018). The introduction of this policy would eventually create a new obstacle, related with the determination of fair value and value in use for determining the recoverable amount of *goodwill* (Watts, 2003; Bens, Heltzer & Segal, 2011; Giner & Pardo, 2015; Neves & Carvalho, 2018).

In general, the method for assessing possible impairment losses on *goodwill* involves, in addition to great complexity, a large number of resources, assumptions and estimates (Hulzen, Alfonso, Georgakopoulos & Sotiropoulos, 2011). It requires a link with the past, such as competition and strategy, and its link with the economic development of the industry (Huiku, Mouritsen & Silvola, 2017), and is therefore also time-consuming and costly. In turn, the long-term growth rate to be used in impairment tests is a relevant variable, but in addition to being dependent on a set of uncontrolled variables, it may be related to information asymmetry problems between managers and the market, as the asymmetry may force the management body to adopt moral hazard behavior (Avallone & Quagli, 2015). For example, the recognition of impairment losses in *goodwill* may be related to overpayment at the time of purchase, i.e. the higher the percentage of *goodwill* over the purchase price the greater the probability of a subsequent impairment loss. On average, between the acquisition and the recognition of an impairment loss of *goodwill*, there is a period ranging from two to three years (Olante, 2013). Thus, and notwithstanding the existence of some evidence of impairment losses on *goodwill*, namely the deterioration of the business (Hayn & Hughes, 2006), performance (Verriest & Gaeremynck, 2009), as there is evidence of a positive and direct relationship between performance levels and impairment losses (Verriest & Gaeremynck, 2009; Hayn & Hughes, 2006), or the reduction in future cash flows (Li, *et al...*, 2011), it seems legitimate to question, for example, the reliability associated with measuring the deterioration in business value loss or management quality. In these terms, it seems reasonable to accept these indicators as good for disclosure purposes about the existence of possible impairment losses on *goodwill* but to question their ability to provide a reliable measurement (Carvalho, 2015; Watts 2003).

Thus, and even though there are authors who defend this practice and even consider that the assumption of an amortization quota is only relevant if followed by impairment tests, to the extent that the impairment losses are significantly related to the return of the forecasts during that period (Hamberg & Beisland, 2014), or that the impairment tests more consistently reflect the economic value, compared to the recognition of systematic amortization (Chalmers, Godfrey & Webster, 2011), sustaining, therefore, that the abandonment of the policy of systematic amortization of *goodwill* arises with the recognition of the informational poverty of this accounting practice (Disle & Janin, 2007) and with the identification that impairment losses, despite the difficulties associated with it, produce more timely and updated information than depreciation (Hulzen, *et al...* , 2011), becoming a more objective measurement policy (Neves & Carvalho, 2018), there are also many who advocate the opposite. Barbosa, *et al...*, (2014), in a study carried out in publicly traded companies in Brazil, argue that the information they provide regarding impairment tests on *goodwill* is usually incomplete, inaccurate and often eliminated from one year to the next. Also Chen, Krishnan, and Sami (2015), in a study carried out in a sample of US companies and where they sought to relate the recognition of impairment losses to the analysts' forecasts, concluded that in companies that showed the recognition of impairment losses the analysts' forecasts were less accurate and more dispersed, indicating that the recognition of impairment losses tends to confuse analysts due to the complexity in obtaining the fair value of *goodwill* (Chen, Krishnan, & Sami, 2015).

The application of impairment tests is an issue that has emerged in the accounting literature over the years and continues to feed the discussion, both regarding its recognition and its impact on the quality of financial information. The identification of circumstances about the existence of a potential loss in *goodwill* and its reliable measurement may be so subjective that this amount may not be independently verifiable (Carvalho, *et al...*, 2012), and it is, therefore, a complex process, involved in subjective estimates and interpretations, to determine them, and very conducive to the manipulation of the companies' results (Santos, 2013; Carvalho, *et al...*, 2012).

One of the first critics to refer to the practice of manipulation of results was Schiper (1989), which defined it as the intersection in the process of preparing financial information in order to obtain own gain, that is, used when administrators use normative arbitrariness and the bias inherent to their position to prepare financial statements for the purpose of safeguarding personal interests (Healy & Wahlen, 1999). In this circumstance, the management of results within the scope of *goodwill* happens from the moment of its initial recognition, since there are limitations imposed by the residual nature of *goodwill* and by the lack of precision in the estimation of discount rates and required rates of return, i.e., there is, from the outset, a great difficulty in identifying impairment losses given the difficulty of making forecasts (Herz, *et al...*, 2001). In fact, the empirical sources consulted, namely Carvalho, *et al...*, (2012) and Amy, (2017), present conclusions that point to the fact that companies with a lower *goodwill* value and with negative results are those with a higher tendency to recognize more impairment losses. On the contrary, companies with a larger size and higher turnover, namely those that are part of the Portuguese Stock Index (PSI) 20, are those that present a lower value of impairment losses on *goodwill*, and it is believed that these practices are highly motivated and/or may be associated with management interests, that is, that these companies tend to reduce the recognition of losses due to the fact that they feel very pressured to present good results.

In turn, there are a number of difficulties and weaknesses that have been pointed out to the methodologies underlying impairment testing which, because they are surrounded by expectations, subjective elements and difficult to audit (Watts, 2003; Ramanna & Watts, 2012), lead to these procedures being of low reliability, subject to opportunistic management (Hamberg & Beisland, 2014) and not being used systematically (Li & Sloan, 2014). Thus, although the recognition of impairment losses should be the result of a process based on the "common sense" of the company and the accounting standards offer recommendations that indicate which factors should be taken into account for the recognition of impairment losses, in reality it is up to managers to make the decision on how to do it and, not infrequently, this decision is based on their own interests (Sapkauskiene, Leitoniene, & Vainiusiene, 2016).

These circumstances have been conditioning the use of this practice, particularly in Portugal, where impairment testing on *goodwill* has been classified as a difficult procedure to implement since, in general, companies do not have the size to bear the administrative burden or to deal with the complexity of the calculation associated with it (Carrapiço, 2017). The results of applying the policy that is based on the definition of a useful life translated into the recognition of a systematic amortization expense, seems to be the most relevant when compared with the one based exclusively on the recognition of impairment losses, to the extent that investors consider the amortization more useful for their share price valuations and, therefore, also for their decision making (Cunha, 2015). The circumstances involving impairment tests make it more sensible to adopt the accounting policy of *goodwill* amortization (Castro, 2015).

In view of this reality and the need to reduce the costs associated with the preparation of financial information in smaller companies and/or companies with fewer resources, the legislator decided to introduce changes that took effect in Portugal from 2016 onwards. Thus, and without abandoning the application of impairment tests whenever there is some indication that *goodwill* may be impaired, the accounting treatment to be applied to *goodwill* in subsequent measurement is once again simplified with the recovery of the accounting policy that foresees its amortization (Carrapiço, 2017). The systematic amortization of *goodwill* would thus be resumed by the Community legislation, meanwhile transposed to national accounting law, with the publication of Decree-Law No. 98/2015 of June 2. The *goodwill* starts to be amortized during its useful life, with a maximum period of 10 years, when this cannot be reliably estimated (NCRF 14, §46), that is, as the useful life cannot, as a rule, be reliably estimated, as we have already had the opportunity to discuss throughout this article, the normative defines that the amortization is made in a maximum period of 10 years (Antunes, 2015).

We recall, however, that the resumption of this policy recovers the controversy surrounding the definition of useful life which, in the context of intangibles, is not exempt from criticism and difficulties. As an estimate, it may also cause distortions in financial information (Brunovs & Kirsch, 1991). The solution now adopted for the accounting treatment of *goodwill* is not consensual because there are no alternatives exempt from criticism. Both favorable and unfavorable judgments remain for both measurement models because both incorporate subjectivity and make it possible to manipulate results. The exclusive recognition of impairment losses decreases the discretion of the financial statements, but does not eliminate it. The policy of systematic amortization is questionable because it is very difficult to define the useful life, i.e. it is a practice that may not demonstrate the true value of the loss associated with *goodwill* over time, leading to no accommodation between the economic value and the recognition of the loss in value (Neves & Carvalho, 2018).

3. METHODOLOGY

We recall that the central objective of this work is to discuss the changes in the accounting treatment applicable to *goodwill* in its subsequent recognition, mainly in terms of the relevance and sufficiency of the recognition of impairment losses and their impact on company results and, in a complementary manner, to seek to identify whether or not the most recent reform introduced in the Portuguese accounting standards in 2015 produced significant changes at this level. In order to answer this question, the research follows a methodology fundamentally of a qualitative and descriptive nature, using content analysis (Hannifa & Cooke, 2005), applied to the collection and interpretation of a set of data with the objective of understanding, in a global way, the actions and their impacts (Bodgan & Biklen, 1994) on financial statements. This methodology privileges the material context, as a direct source of the data, and has in the researcher the main element of collection, as an observer of what he wants to investigate (Carmo & Ferreira, 1998). Contrary to quantitative methodology, it considers that social systems cannot be treated as natural phenomena but rather as socially constructed phenomena, providing researchers with rich, detailed and contextualized information that quantitative research is generally unable to provide (Major & Vieira, 2009). It is therefore one of the most widely used in the field of social sciences and humanities (Guba & Lincoln, 1994; Denzin & Lincoln, 2005). It should also be noted that qualitative information is, contrary to quantitative, of a subjective nature (Sarmento, 2013), although both have advantages and gaps when applied individually (Carvalho, 2015). Thus, and notwithstanding the differences that may exist between the different methodologies and that, to a certain extent, sustain the advantages and disadvantages that may be associated to each one, the truth is that, from a methodological point of view, there is no contradiction between quantitative and qualitative research. They are different but from an epistemological point of view none is more scientific than the other (Minayo & Sanches, 1993; Guba & Lincoln, 1994; Denzin & Lincoln, 2005). And so much so that, if previously experimental statistics predominated, over time content analyses, more or less textual or interviews, began to coexist, emphasizing social change and deepening the knowledge of the relationship between researcher and research (Aires, 2015). However, and despite this, the limitations that guided the development of this research, namely with regard to the definition of the sample and, fundamentally, the availability of data, did not allow the exercise of the option through the use of a quantitative methodology.

The sample is made up of 47 *Euronext* Lisbon listed companies and a number of unlisted companies, drawn from a sample made up of the 500 largest companies, according to the classification of Exame magazine ([s.a.], 2014), for the period from 2014 to 2017 inclusive. The sample is thus formed by two subsets, the listed and the unlisted companies. For each of these two universes, the balance sheets and respective annexes for the period of observation (from 2014 to 2017) were first analyzed in order to identify the existence or not of the patrimonial element *goodwill*.

It should also be noted in this regard that for listed companies the individual reports and accounts have been used, and for unlisted companies the consolidated reports and accounts as they are the only ones publicly available. Moreover, most of these companies do not make their reports available on their websites, so it was very difficult to find this information and this is the main condition for carrying out this study.

In order to carry out this analysis, it was considered, cumulatively, the availability of the respective information (individual or consolidated report and accounts) for the entire period under analysis (from 2014 to 2017, inclusive). In other words, companies were excluded from each of the subsets for which no information was available or for which the equity element *goodwill* recognized in their balance sheets was not presented.

The results of this analysis led to the conclusion that, of the 47 listed companies, only 10 present the patrimonial element of *goodwill*, extracted from their individual reports and accounts, and that of the universe of the 500 largest companies (Exame magazine's classification) this patrimonial element was identified in only 11, according to information contained in their consolidated reports and accounts.

The results are, considering the universe, very low, although not surprising. As *goodwill* corresponds to the result of the difference between the acquisition price and the respective fair value in an acquisition and/or concentration process (Antunes, 2015) and that, accordingly, the acquiring company recognizes this differential as *goodwill* (IAS 38; NCRF 14), as the identification of this potential future value of the investment made (*goodwill*) was not verified, that is, it is not present in the assets of these companies, it can only be concluded that they were not the object of business concentration throughout the period under analysis (years 2014 to 2017, inclusive).

On one hand, and if those that are the main characteristics of the Portuguese business fabric are considered, the sample can be considered a true insignificance, in relative terms, but expressive, since the stock market has only 47 companies and most of the business universe is, according to Santos, Pires, and Fernandes (2018), dominated by privately held or family owned companies that, at the same time, are constituted in the form of Small and Medium-Sized Enterprises (SMEs). Let's say that in Portugal small enterprises predominate, which contrasts with the probability of there being business concentration processes that generate *goodwill*. In fact, according to data from INE (Portugal's National Statistics Institute) (2018), 99.6% of the companies incorporated in Portugal are SMEs and, within these, the overwhelming majority are micro and small entities (96%). It can be seen that the very small size is one of the main characteristics of the business fabric in Portugal. Considering that the process of business concentration is, by nature, complex and has direct implications on the entrepreneurial and organisational culture, one can quickly perceive, even if not prove, that the characteristics of the entrepreneurial fabric in Portugal are not at all favourable to the process of business concentration. In turn, and even if at a national level there are no sources to support these results, international literature has pointed to the existence of major difficulties in business concentration processes within smaller and privately held companies, due to their structural limitations (Tàpies, Gallo, Estapé & Romances, 2004), reflected in the fear of loss of control by the family and/or of not being able to obtain compensating results (Shim & Okamuro, 2010) or, also, by the lower tendency that these companies have to invest and grow (Caprio, Croci, & Del Giudice, 2011) which probably help to justify the dominant scenario and, in this particular, the size of the sample. Thus, although several attempts have been made to increase their size, in particular for unlisted companies, all of them have failed. The final sample is thus very small in size compared to initial expectations, and therefore represents in itself a major limitation of this investigation.

In order to better understand some of the main characteristics of the observation elements (sample) regarding the object of study, tables 1 and 2 are presented below, for the subset of listed and unlisted companies, respectively, with the results obtained for the main measurement and location indicators of a descriptive nature (descriptive statistics).

Table 1: Brief characterization of the subset of the sample formed by listed companies

	Average (€)	**Median (€) Deviation (€)**	**Standard**	**Máx. (€)**	**Min. (€)**
Total Assets	929.677.310 €	474.468.890 €	1.183.695.940 €	4.479.076.000 €	3.734.338 €
Total Intangible A.	2.012.052,05 €	138.500 €	4.360.355 €	19.789.332 €	0 €
Goodwill	27.581.915 €	3.208.000 €	59.248.133 €	237.577.174 €	0 €
Net Profit	39.936.578 €	11.308.500 €	55.019.610,7 €	235.960.575 €	-36.988.548 €
Equity	325.077.217 €	134.830.573 €	382.776.858 €	1.418.936.000 €	2.374 €

Source: Own elaboration.

Table 2: Brief characterization of the subset of the sample formed by unlisted companies

	Average (€)	**Median (€)**	**Standard Deviation (€)**	**Max. (€)**	**Min. (€)**
Total Assets	3.719.570.374 €	1.363.987.000 €	5.647.455.720 €	18.286.302.507 €	24.636.977 €
Total Intangible A.	484.799.138 €	19.255.078 €	1.159.800.061 €	4.044.923.000 €	19.915 €
Goodwill	91.394.409 €	32.694.266 €	119.448.278 €	416.796.941 €	0 €
Net Profit	62.514.045 €	21.111.576 €	149.984.049 €	721.646.000 €	-367.176.000 €
Equity	788.248.045 €	322.132.557 €	1.416.606.084 €	5.615.310.000 €	-530.315.000 €

Source: Own elaboration.

We recall that tables 1 and 2 were fundamentally prepared with the objective of identifying the relevance of the equity element *goodwill* for each of the subsets, listed and unlisted companies. Analysing the results (tables 1 and 2), we can see that the weight of *goodwill* is low, even lower in listed companies, where a greater number of cases are identified where the value of *goodwill* is zero, and that the standard deviation is quite high, for all items in both subsets, which allows us to conclude that the subsets are quite heterogeneous and diffuse, so it is not possible to extrapolate or intuit a "standard" profile of listed and unlisted companies with the equity element *goodwill*.

4. RESULTS

In line with the central objective of the investigation, we began by analyzing the relative weight of *goodwill* in the main balance sheet items, more specifically in assets and equity, for each of the two sub-samples, listed and unlisted companies, with the objective of verifying whether the equity element of *goodwill* has any representativeness in the balance sheet of these entities. Tables 3 and 4 below present the results obtained, for unlisted and listed companies, respectively.

Table 3: Average relative weight of *goodwill* in Balance Sheet items in unlisted companies

	2014	**2015**	**2016**	**2017**
Goodwill/ Asset (%)	2%	3%	3%	3%
Goodwill/ Equity (%)	10%	12%	12%	12%

Source: Own elaboration.

The results (table 3) show that the relative weight in unlisted companies is low and practically constant throughout the period under analysis, with values ranging from 2% to 3% for assets and 10% to 12% for equity.

Table 4: Average relative weight of *goodwill* in Balance Sheet items in listed companies

	2014	**2015**	**2016**	**2017**
Goodwill/Asset (%)	3%	3%	4%	1%
Goodwill/Equity (%)	11%	9%	11%	4%

Source: Own elaboration.

In listed companies the results are similar (table 4), with an equally low relative weight, although with variations, even if reduced, of amplitude, of 3% and 7% for assets and equity, respectively.

We continue the analysis with the identification of the accounting policies, before (until 2015) and after the reform (after 2016), for the 2 subsets of companies. For a better understanding of the results obtained, and which are presented in Tables 5 and 6, for unlisted and listed companies respectively, we recall the main accounting guidelines for this purpose. Thus, in accordance with international accounting standards, namely IFRS 3, *goodwill* thus recognized (NCRF 14, § 46) should not be subject to systematic amortization but rather to annual impairment tests (§ 55). In turn, the national standard prescribes, in NCRF 14, § 46, that *goodwill* must be amortized, under NCRF 6, in the period of its useful life or in a period not exceeding 10 years, if its useful life cannot be estimated in a viable way.

Table 5: Recognition of impairments and amortization in unlisted companies

	2014	**2015**	**2016**	**Average weight (%)**	**2017**	**Average weight (%)**
Number of Unlisted Companies (recognizes impairment losses)	0	0	2	18	1	9
Number of Unlisted Companies (recognizes systematic amortization)	0	0	3	27	3	27
Total Unlisted Companies	11	11	11	100	11	100

Source: Own elaboration.

Regarding the policy for measuring *goodwill*, for the sub-sample of unlisted entities, the results show (Table 5) that the recognition of impairment losses is residual and not regular over the observation period. Only the periods 2016 and 2017 show results and with a low percentage of recognition, around 18% in 2016 and 9% in 2017. These results allow us to conclude that the application of this accounting policy coincides with the post retirement period, i.e. after 2016. Regarding the adoption of the accounting policy of systematic amortization of *goodwill* it was found (table 5) that only 27% of the companies do so, which means that not all companies are complying with the rules in the first place. It should be noted, however, that these companies may, by option, adopt the international accounting framework (IAS/IFRS), which seems to be the case. In this regard, IFRS 3 which determines the non-recognition of amortization (§ 55) but only the carrying out of annual impairment tests. Thus, it is concluded that the companies that have recognized systematic amortization, 27% of the total observations, are only those that effectively apply the national standard, NCRF 14, which, in its paragraph 46, determines the systematic amortization of *goodwill* over its useful life or a period not exceeding 10 years. The final text of this article was published in 2015 but to take effect from January 2016.

Thus, and as a final conclusion, to be extracted from the analysis performed (table 5), the companies analyzed comply with the rules in force and that, although they are not required, there is a significant number of unlisted companies, representing approximately 73% of our observations, which opted to use the international standard reference.

Table 6: Recognition of impairments and amortization in listed companies

	2014	2015	2016	Average weight (%)	2017	Average weight (%)
Number of Listed Companies (recognizes impairment losses)	0	0	0		0	
Number of Listed Companies (recognizes systematic amortization)	0	0	6	60	5	50
Total Listed Companies	10	10	10		10	

Source: Own elaboration.

As for the subset of listed companies and contrary to what would be expected, taking as a basis the applicable standard (§55, IFRS3), which determines the carrying out of impairment tests on an annual basis, they did not recognize any impairment loss on *goodwill* in the period under analysis (table 6). Regarding the adoption of the accounting policy of systematic amortization, it can be seen that 60% of the companies in 2016 and 50% in 2017 adopted this policy. It should be noted that the decrease recorded from 2016 to 2017 was due to the fact that one of the companies stopped adopting the national standard (NCRF 14) and moved to the international standard (IFRS 3), thus being subject to impairment tests on an annual basis. These results allow us to conclude that the adoption of this accounting policy coincides with the date of entry into force of the last reform, i.e. 2016. In other words, that listed companies, even if obliged to the international accounting reference, violate this obligation.

Overall, the results obtained from the analysis performed (tables 5 and 6) point to the recognition of impairment losses in unlisted companies where the value of *goodwill* has a reduced dimension, in absolute and relative value, which is in accordance with the theory (Carvalho, et.al., 2012; Amy, 2017), which has been pointing out that it is the companies with lower *goodwill* value that have a greater tendency to recognize more impairment losses.

In the following, and in order to give another scope to the results, we have tried to identify the assumptions used for the calculation of amortizations, as well as their impact at the level of results, more specifically at the level of results before amortizations, impairments, financing expenses and taxes (RBAIFET). Regarding the sub-set of unlisted companies, the results obtained are summarized in the tables 7 and 8, for the years 2016 and 2017, respectively, the period in which this accounting policy was applied.

Table 7: Weight of amortizations on RBAIFET for the subset of unlisted companies (2016)

Company	Useful Life (years)	2016 Period			
		Goodwill	Amortization	RBAIFET	Weight in RBAIFET
Nestlé	5	598.810€	149.702€	43.725.360€	1%
Secil	10	210.912.716€	7.653.980€	101.841.763€	8%
Barraqueiro Group	10	5.950.113€	590.211€	40.246.526€	1%
Average (%)	8,33	72.487.213€	2.797.964€	61.937.883€	3%

Source: Own elaboration.

Table 8: Weight of amortizations in the RBAIFET for the subset of unlisted companies (2017)

Company	Useful Life (years)	2017 Period			
		Goodwill	Amortization	RBAIFET	Weight in RBAIFET
Nestlé	5	449.107€	149.702€	33.636.984€	0%
Secil	10	169.026.493€	7.913.802€	89.107.955€	9%
Barraqueiro Group	10	6.159.844€	590.211€	45.458.125€	1%
Average (%)	8,33	59.878.481€	2.884.572€	56.067.688€	4%

Source: Own elaboration.

Regarding the assumptions, the results obtained (tables 7 and 8) show that the period considered for determining the amortization of *goodwill* varies between 5 and 10 years. Only one of the companies in the (unlisted) subset analysed has opted for a useful life of 5 years, although none of them substantiates or presents the assumptions used to determine this accounting estimate (useful life). The results also show that the weight of depreciation in RBAIFET is not very significant, with an average of 3% in 2016 and 4% in 2017.

Tables 9 and 10 present the results obtained for the subgroup of unlisted companies, for the years 2016 and 2017, respectively, the period in which this accounting policy was applied.

Table 9: Weight of amortizations in RBAIFET for the subset of listed companies (2016)

Company	Useful Life (years)	2016 Period			
		Goodwill	Amortization	RBAIFET	Weight in RBAIFET
Compta	10	33.185€	3.687€	1.013.281€	0%
Mota Engil	10	58.673.000€	6.519.000€	92.313.000€	7%
REN	10	3.397.000€	377.000€	88.704.000€	0%
Semapa	10	215.102.802€	8.589.743€	111.012.297€	8%
Teixeira Duarte	10	29.254.000€	3.250,4€	49.276.000€	0%
ISA	10	97.568€	8.870€	183.398€	5%
Average (%)	10,00	51.092.926€	2.585.592€	57.083.663€	3%

Source: Own elaboration.

Table 10: Weight of amortizations in RBAIFET for the subset of listed companies (2017)

Company	Useful Life (years)	2017 Period			
		Goodwill	Amortization	RBAIFET	Weight in RBAIFET
Compta	10	29.498€	3.687€	962.416€	0%
Mota Engil	10	52.667.000€	6.519.000€	7.566.000€	86%
REN	10	3.019.000€	377.000€	117.843.000€	0%
Semapa	10				
Teixeira Duarte	10	26.003.000€	3.250€	28.796.000€	0%
ISA	10	86.925€	10.644€	-17.6341€	-6%
Average (%)	10,00	16.361.085€	1.382.716€	30.998.215€	16%

Source: Own elaboration.

The results (tables 9 and 10) show that all companies opt for the 10-year period, i.e. the maximum recommended by the regulation (NCRF 6). Regarding the relative average weight of amortization in RBAIFET, the results are also low, 3% in 2016, although with a slight increase in 2017, caused by one of the companies, Mota Engil, which presents a very significant value (86%) in the year 2017. This result is not justified by the extent of *goodwill* amortization, which remains the same as 2016, but rather by a significant decrease in the result obtained by the company in 2017. The results, even if they present some volatility, caused by the small size of the sample, allow the conclusion that the influence is low or non-existent, since there are companies with a weight of 0% in the result.

Overall, it can be seen that the weight of the amortization component in results is higher in listed companies than in unlisted companies, which also have a longer average useful life than in unlisted companies. It should be noted that, in relation to the useful life period, we observed that of the universe of companies analyzed, for both listed and unlisted companies, only one opted for a different period of 10 years. This result may be, in line with the literature, very related with the difficulty in defining with sufficient reliability the useful life associated with *goodwill*, which makes companies opt for the maximum period defined by the norm. According to Antunes (2016), whenever it is not possible to estimate with sufficient reasonability and reliability the useful life period should be considered a maximum period of 10 years, i.e., in view of the existence of a great difficulty, when not even inability to determine the useful life (Giner & Pardo, 2015), which may lead to the absence of a true demonstration and association between the value of *goodwill* and the value of the loss that it suffers over time (Neves & Carvalho, 2018), the maximum period is chosen.

Pursuing the objective, to give a greater reach to the results, we now analyze the impairment losses (IL) and its impact on the results (RBAIFET), with the goal not only to understand whether or not this accounting policy is relevant in the measurement of *goodwill* at the level of results (RBAIFET) but also for comparison purposes, that is, to seek to identify the possible effects of its abolition after the 2015 reform, in order to, globally, identify the impact of impairment losses and conclude on its relevance. The results obtained are presented in Table 10 below.

Table 11: Weight of ILs in RBAIFET for the subset of unlisted companies

Company	2016 Period				2017 Period			
	Goodwill (€)	ILs (€)	RBAIFET (€)	RBAIFET weight	Goodwill (€)	ILs (€)	RBAIFET (€)	RBAIFET weight
Secil	210.912.716	57.626.660	101.841.763	57%	169.026.493	2.593.379	89.107.955	3%
TAP		135.184.000	22.000.000	194.896.000	11%			
Average (%)	210.912.716	57.626.660	101.841.763	57%	152.105.247	12.296.690	142.001.978	7%

Source: Own elaboration.

We recall that losses were only recognized by unlisted companies (table 5). Analyzing the results obtained (table 11), and comparing them with the amortizations, we verify that the weight of the ILs in the results (RBAIFET) is higher, even though with the exception of volatility, due to the very small size of the observations.

Once the existence of impairment losses has been identified, it is important to understand which assumptions were used to perform the tests that allowed such losses to be identified. In this regard, it was possible to ascertain that Secil considered, for the purpose of carrying out the impairment tests, the value of the discounted cash flows for the determination of the recoverable amount. For the cash flows it considered the historical performance and the expectations of developing the business with the current production structure, based on an estimated plan for the group, for a period of 5 years. For its part, TAP considered, for the purpose of determining the recoverable amount, the values in use using estimates that also took as a basis the historical performance and development expectations of the business with the productive structure, but for an estimated plan of 4 years. In this context, it should be noted that TAP has expressly assumed that the consideration of the estimate of value in use involves a high degree of judgement by the Board of Directors, both in relation to the process of calculating cash flows and in defining the discount and growth rates that are associated with said cash flows. This evidence is in line with the theory (Massoud & Rainborn, 2003, Watts, 2003, Antunes, 2015), which points to the recognition of impairment losses as a procedure that uses professional judgement and value judgments based on interpretation. Therefore, the lack of precision in collecting the required discount and growth rates also leads to difficulties in the process of identifying ILs due to difficulties in making forecasts (Watts, 2003; Ramanna & watts, 2012), leading to the fact that these losses may not be independently verifiable (Carvalho *et al...*, 2012). Its measurement process is so complex, since it involves estimates and a subjective interpretation component to determine them, that it is conducive to the manipulation of the companies' results (Carvalho, *et al...*, 2012; Santos, 2013).

In this sense, the fact that most companies do not recognize impairment losses in *goodwill* may be justified by the non-existence of impairment in this asset but also by the difficulties associated with the identification of such losses and, fundamentally, by the need to achieve a reliable measurement, since its calculation may be so subjective that the best option really is not to recognize it (Carvalho, *et al...*, 2012). In fact, the process of measuring *goodwill* after its initial recognition is not consensual and much by the difficulty, if not impossibility, to define with sufficient certainty its useful life period. In this context, the regulations prescribe the obligation to submit it to impairment tests to the extent that, based exclusively on economic and financial factors, the investment made by the acquirer and recognized as *goodwill* would give rise to an increasing recognition, by the acquirer, of a potential loss. However, the results found, similarly to available empirical sources, do not point in that direction, i.e. the recognition of impairment losses in *goodwill* tends not to be significant (Carvalho, *et al...*, 2012).

Finally, and with regard to the impact of the change in national legislation in 2015, it should be noted that companies that adopt NCRF, only 3 of the subset of unlisted companies, accepted the change, i.e. they started to recognize, on a systematic basis, the amortization of *goodwill*, although without significant impact on results. It should be noted, however, that the resumption of this accounting policy is not exempt of criticism, due to the difficulty identified in this study, in defining with reasonable reliability the useful life period, which justifies companies being led to opt for the maximum useful life period established by the legislation, i.e. 10 years.

5. CONCLUSIONS, LIMITATIONS AND FUTURE LINES OF RESEARCH

We recall that present work was developed with the objective of seeking to discuss the changes produced in terms of the accounting treatment applicable to *goodwill* in its subsequent recognition, fundamentally in terms of the relevance and sufficiency of the recognition of impairment losses and their impact on the results of companies and, in a complementary way, also seek to identify whether the most recent reform introduced in the norms in Portugal, with effect from January 2016, produced, or not, significant changes at this level. We remind you that, based on national regulations, until December 2015, *goodwill* was considered as an asset element with an indefinite useful life and after January 2016 with a nite useful life, with a maximum limit of 10 years. The relevance of this issue is related to the importace of associating, or not, a finite useful life to the acquired *goodwill* and what are its effects on the results. The work carried out allowed to conclude that:

1. Most of the companies analyzed do not present *goodwill* as a component of their assets. Given that *goodwill*, recognized as an intangible asset, refers only to that acquired, i.e., that resulting from a business activity concentration process, these results are not completely surprising;

2. The overwhelming majority of the companies analyzed were not subject to concentration of business activities. As business concentration processes tend to be described, from a historical perspective, in the form of vague or cyclical processes, we can conclude that in recent years there has not been a massive existence of business concentrations in Portugal, but rather a wave of bankruptcies and insolvencies;
3. This occurrence may also be related to the Portuguese business structure, where the typology of the business fabric is of the SME type, within these, mostly small and micro entities. In other words, these firms generally tend to have a closed, family-type structure, where ownership and management tend to be concentrated. These circumstances do not favor the carrying out of business concentration operations, for reasons of several orders but, fundamentally, for fear of losing control of the management and/or the business;
4. In companies where *goodwill* was identified, its weight tends not to be relevant in the equity structure (net and gross assets), even though it was not possible for us to identify a "type" profile of companies with *goodwill*, that is, it was not possible to associate the existence of this equity element with the size of the company or with whether or not it is listed;
5. The low weight of *goodwill* in the equity structure means that the accounting policy that will be adopted in its measurement, in the subsequent recognition, ends up not being very relevant. That is, recognizing only impairment losses or associating them with the recognition of systematic amortizations may not be relevant because of the reduced expression that, by itself, this patrimonial element has, either in the net worth or in the result;
6. Of the companies analyzed, listed and unlisted, all seem to comply with the regulations in force, before and after the reform, although not all have recognized impairment losses of *goodwill* and, where this has been done, their relative importance is small and therefore with little influence on the result. In other words, overall, the weight of impairment losses associated with *goodwill* is small, although unlisted companies show a greater tendency to recognize impairment losses, a result that is in line with the theory, which suggests that impairment losses tend to be recognized by smaller companies. However, it was not possible to conclude whether companies do not recognize impairment losses because there were effectively no impairment losses in the period under analysis or if, in fact, they were unable to measure them reliably;
7. The adoption of this policy (recognition of impairment losses) introduces some arbitrariness for the unreliable way in which the recoverable amount is determined, as has also been suggested by the literature. In the subsequent measurement of *goodwill* there is always some subjectivity, whether associated with the calculation of impairment losses or with the definition of useful life, in cases where companies recognize the loss arising from systematic amortization. This subjectivity, although having no impact on the results of the companies studied, may introduce some distrust in the information that is prepared and reported;
8. Regarding the definition of the useful life of *goodwill*, the results show that companies tend to opt for the maximum period provided for by the legislation, i.e. a useful life of 10 years. Even if they do not provide justification for the choice of 10 years, this may be justified by the difficulty in defining, with reasonable certainty, the period of time over which the potential future associated with *goodwill* is expected to recover. The results are in line with the theory, which also points to the great difficulty there is in determining the useful life of *goodwill*, a fact that has generally been pointed out as justification for the unreasonableness that the values disclosed for *goodwill* may eventually have;
9. Regarding the change produced in the Portuguese legislation in 2015, the results show that the companies have accepted the change, i.e., they have assumed the change and started to recognize, on a systematic basis, the amortization of *goodwill*. It should be noted, however, that among the companies that could potentially be affected by the

reform (the unlisted ones), only 3 adopt the national standard (NCRF) and, for these, the impact of the change in accounting policy was not significant. That is, the unlisted companies use, by option, the international standard;

10. This fact, which is chosen by international standards on the part of unlisted companies, does not fail to point to a certain preference for accounting policy which, in subsequent recognition, assumes that *goodwill* has an indefinite useful life and therefore can only be subject to impairment loss tests;
11. Accordingly, and without being able to assert it on a perpetual basis, the results seem to indicate a preference on the part of companies, so the reform introduced does not seem to have produced significant changes yet and it may happen that it will never produce them; and
12. Thus, and even though the results presented, which we classify as positive, because they contribute to the discussion and enrich the literature, namely the national one, even if they do not present very clear conclusions as to the best accounting policy to be adopted for the measurement of *goodwill* in their subsequent recognition, seem to tend towards the classification of *goodwill* as an intangible asset with an indefinite useful life and, therefore, subject to an impairment test. Although the option for the exclusive recognition of impairment losses may not be sufficient or the most adequate to reflect a possible loss in the value of *goodwill* and / or its recoverable amount, the resumption of the accounting policy that provides for its systematic amortization during the its useful life, which cannot exceed 10 years, is not only free from criticism, due to the difficulty in defining, with reasonable reliability, the period of useful life, as it does not seem to have had the best reception, to be evaluated by the companies that , optionally, followed another accounting policy. Thus, and although the results presented can be classified as still converging with the theory, they seem to start showing signs about the accounting policy that companies prefer to adopt.

It should be noted, however, that these conclusions should be interpreted in the context of some of the constraints that marked the development of this work. The main limitation is related with the sample size, conditioned by the fact that the corporate universe considered does not present the patrimonial element of *goodwill* that, in turn, conditioned the volume of data collected and, therefore, the methodological and data analysis and treatment options. In addition, there are limitations in the access to information for the universe of unlisted companies, for which it was only possible to obtain the consolidated reports and accounts.

These limitations should, however, be interpreted on their positive side, i.e. seen as a starting point for the development of future lines of reserach. In this context, it is suggested that this study be developed, but using a mixed qualitative and quantitative methodology. For this purpose, it is suggested that the sample be expanded, with the inclusion of a subset of international companies, both listed and unlisted, and the use of a longer time interval, in order to be able to arrive at a number of observations that allow the application of statistical tests.

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