

GOODWILL: A STUDY OF THE ACCOUNTING TREATMENT FOR GOODWILL IN MALAYSIA

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ABSTRACT

Accounting for goodwill has been remain one of the controversial issues in he financial reporting. There is no apparent consensus in the near future. This is mainly due to the historical cost convention, which is unable to reflect the intrinsic value of a company.

In particular, the accounting treatment for goodwill has been the source of much debate amongst the accountants and the practitioners. This is because goodwill is inseparable from the business as a whole.

There are different approaches to accounting treatment for goodwill in other countries. This leads to lack of consistency and comparability on companies between countries. It is important as the world has move towards globalization.

In Malaysia context, there is no prescribed standard on goodwill accounting. The methods that are commonly used; capitalization and amortization; capitalization as a permanent items; and immediate write off against reserves.

From the findings, it is evident that the accounting treatments in Malaysia are diverse. The findings suggest that, accountants and practitioners have a choice in the treatment for goodwill.

The findings also reveal that Malaysian companies emphasize on their profitability position. The prepares will be likely be to choose a methods in which companies' bottom line will not be affected. The prepares will consider the factor before a suitable methods is adopted. The factors are the effect of each treatment and the size of goodwill.

The emergence of identifiable intangible assets especially brand names, has increase the intention from the world of accounting professions. The findings show that the costs incurred in developing the brand names should be disclosed voluntarily in the notes to the account or other parts of financial statements.

It is essential to have same accounting treatment for goodwill in every country in order to achieve uniformity and harmonization in accounting standards. This enables the accountants and practitioners to prepare true and fair consolidated accounts.