

EARNINGS MANAGEMENT AND EARNINGS DEVIATION AFTER FRS 3

Mohd Fadzli Ahmad¹

Nor'Azam Mastuki²

¹Commerce Department, Politeknik Sultan Azlan Shah,
Perak, Malaysia

²Faculty of Accountancy,
Universiti Teknologi MARA, Malaysia

ABSTRACT

The purpose of the study is to examine earning managements' behavior encircling the change of the goodwill treatment upon the adoption of FRS 3 Business Combination. By using 422 companies listed on the Main Market of Bursa Malaysia in 2005 and 2006, this paper uses goodwill impairment as a proxy for earnings management by comparing the deviation before and after adoption of FRS 3 Business Combination. The study finds that impairment of goodwill is much greater after the implementation of the standard as compared to pre adoption years. The paper is limited to cross sectional research design using 2006 to 2010 financial statements of publicly listed firms from the Main Market of the Bursa Malaysia to test the goodwill impairment write downs.

The findings of the study could be used in practice to provide insights on whether the goodwill impairments have been manipulated by public listed companies in Malaysia to manage earnings upon the adoption of FRS 3 Business Combination. The paper is distinguishable from previous study as it explores empirically the earnings deviation and its relationship to goodwill impairment and earnings management.

Keywords: *Goodwill, Earnings Management, Earnings Deviations, FRS 3 Business Combination, Malaysia*

Introduction

The historical cost concept states that assets should be recognized at cost as it possesses the reliability of characteristics. However, this raises criticisms as users need the current valuation and its net realizable value as cost for replacement. Current cost is more relevant in making an economic decision. Hence, this triggers the migration from historical cost to fair value measurement. FRS 3 is one of the accounting standards that advocates fair value valuation. The standard states that amortization of goodwill is no longer allowed but goodwill balance should now be tested for impairment annually and more frequently if there are indications that goodwill is impaired. The impairment test involves comparing the carrying value of the goodwill and its recoverable amount, where the recoverable amount is the higher of its net realizable value and value in use. If the fair value is lower than its carrying value, then impairment loss will be charged to the income statement.

In order to determine the recoverable amount, managers are allowed to use discretion based on appropriate assumptions and estimates. However, the subjectivity inherent in the two-step impairment test prescribed by the standard provides opportunity for managers to manipulate the recoverable amounts as it requires management's estimation (Sevin and Schroeder, 2005). This is consistent with agency theory where it predicts that managers will use unverifiable judgment opportunistically in the event they have agency-based to do so. Therefore, the new goodwill guideline might be used as an earnings management tool that could lead or mislead the users (Swanson, 2007).

The reason for the recognition of goodwill balance in the statement of financial position is to enable users to measure the performance of the acquired company as to how much they contribute to the net-worth of the acquiring company as a whole. However, if the goodwill balance has been manipulated by way of earnings management, the available information does not provide adequate information for the users to predict future write-offs of goodwill; hence deteriorate the earnings quality (Giacomono and Akers, 2009). This is supported by Nurul Husna and Ruhaya (2010) who found that management uses the provision in the FRS 3 to manage the goodwill figure by making a provision on impairment after the new standard is adopted by using big bath approach to manage earnings.

Churyk and Cripe (2011) claimed that shortly after the adoption of SFAS 142 (ASC 350 – 20) some goodwill impairments were very large and very frequent for companies that released earnings or issued press releases about asset write-offs. As a consequence, a noteworthy impairment occurred in 2002 when AOL reduced goodwill by a stunning \$54 billion when it merged with Time Warner in 2001. Further, many publicly announced impairment occurred just before the acquisition, causing concern that managers are using the flexibility within the standard to manage earnings by taking large write-offs of goodwill shortly after the purchase.

Lander and Reinstein (2003) mentioned that there are several models that can be used to measure goodwill impairment such as Valuation Models, Discount Cash Flow Model and Residual Income Model. Further, they argued that by recognizing annual impairments in the value of the goodwill associated with the purchased firms, it would be better matching of revenues and expenses to provide more valid financial statement as well as mandating accountants to select proper models to measure such impairment losses.

Previously, goodwill from business combination will be amortized. However, with the issuance of FRS 3 Business Combination, goodwill balance should now be tested for impairment annually and more frequently if there are indications that goodwill is impaired. In order to test for impairment, a lot of professional judgments and management estimates are used to recognize and measure impairment and hence making the final goodwill figures in the statement of financial position and the amount charged in income statement as impairment questionable. Jordan and Clark (2005) proved that managers use goodwill write-down to commit big bath earnings management.

Again, Churyk and Cripe (2011) reported that several cases of companies manipulate this manager's flexibility to write-off goodwill in a significant amount. They also found that 107 companies announcing goodwill write-offs during 2007 – almost half of the 2002 sample. Lhaopadchan (2010) reported that despite the presumed benefits associated with fair value accounting it is shown that in practice, managerial self-interests and earnings management concerns appear to motivate many goodwill impairment decisions. In this situation, investors and analysts have always had the option to adjust, or indeed totally ignore, the reported accounting numbers as it is far less certain whether this reporting behavior actually misleads users or

significantly reduces the information content (reliability and relevance) of the financial statements. Therefore, the issue in this study is how goodwill impairment is being used as a tool to manage earnings upon the adoption of FRS 3 Business Combination.

Based on the research issues laid above, this study aims to investigate whether opportunistic earnings management via goodwill impairment (post FRS 3 adoptions) is being used by management as a tool to manage earnings. This study attempts to contribute to the earnings management literature by examining the goodwill impairment via the impairment deviations among companies in Malaysia for the period of pre adoption of FRS 3 Business Combinations and after the standard is being adopted.

The fundamental contribution of this thesis is to explore empirically the earnings deviation and its relationship to goodwill impairment and earnings management. Further, there is a lack of study conducted empirically in Malaysia on goodwill impairment except a study by Nurul Husna and Ruhaya (2010). This paper contributes to the goodwill impairment literature in Malaysia, which is being carried out to examine the relationship between goodwill impairment and earnings management in Malaysia during the transition of FRS 3 by using discretionary current accrual (DCA) as a tool to detect earnings management.

Literature and Hypotheses Development

The International Financial Reporting Standard is introduced partly to harmonize the accounting standard across the globe. However, the discretion requirements contained in the standard might lead to inconsistencies among various companies upon adoption. Some inconsistencies may remain due to the amount of subjective estimates and judgments involved in applying the standards, but they should be occurring in a greatly reduced rate when compared to the situation before its adoption (Baker et al., 2000).

In Malaysia, FRS 3 Business Combination has been applied effectively from 1 January 2006. Therefore, Malaysian public listed companies would treat goodwill according to the new requirement of the standard. The new goodwill guideline states that companies are required to stop amortizing the

goodwill but to assess their goodwill balance for annual impairment test. The test involves managerial discretion which could lead to sound earnings management. This is because Jeanjean and Stolowy (2008) found that the pervasiveness of earnings management did not decline after the introduction of IFRS, but it increased in France. This is supported by Swanson (2007) who found that managers are exploiting their discretion in recognizing goodwill impairment to manage earnings. Hayn and Hughes (2005) added that the non-amortization of provision for the new rule makes the potential for abuse even greater despite the presence of the more stringent periodic review requirement.

Sevin and Schroeder (2005) further found that the new goodwill accounting rule allows companies to engage in earnings management and that small companies will much more likely experience a significantly greater negative impact than large companies to take big bath charges. Haman and Jubb (2008) agreed on the same basis in which they found that managers do manage earnings using long-term accruals, particularly at the time of mandatory adoption of a new goodwill rule. Ahmed and Guler (2007) further provided evidence that the goodwill write-offs (impairment/amortization) and goodwill balances are more strongly associated with stock returns and stock prices respectively after the new goodwill rule adoption. Whereas Nurul Husna and Ruhaya (2010) showed that management uses the provision and the standard to manage the goodwill figure by providing impairment after the new standard adoption as big bath charges.

In a situation where fair value accounting is introduced particularly in respect of the treatment of acquired goodwill, Lhaopadchan (2010) claimed that despite the presumed benefits associated with the fair value accounting, it is shown that in practice, managerial self-interest and earning management concerns appear to motivate many goodwill impairment decisions.

Goodwill Impairment and FRS 3 Transition

Paragraph 78 of FRS 3 Business Combination explains the transitional provisions and effective date of the implementation of the standard. It states that except as provided in paragraph 85, this FRS shall apply to the accounting treatment for business combinations for which the agreement

is on or after 1 January 2006. This standard also applies to the accounting treatment for goodwill arising from a business combination for which the agreement date is on or after 1 January 2006; or any excess of the acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over the cost of a business combination for which the agreement date is on or after 1 January 2006.

Jordan et al (2004) claimed that in 2002, the year SFAS No. 142 was adopted, goodwill impairment losses enjoyed favorable below-the-line treatment on the earnings statement. The study also provided evidence that firms "cherry picked" this year to recognize large impairment losses, thus removing much of the burden from future years when these losses otherwise would have been reported above-the-line. Other than that, the study also indicated that, even though the number of firms taking goodwill write-offs have declined subsequently in 2002, those entities that did so seemed to be taking these discretionary hits because earnings were already depressed in the current year. Hence, it is consistent with the previous studies of Jordan and Clark, (2004 and 2005) which appeared to continue even though these impairment losses no longer received favorable below-the-line treatment.

Nurul Husna and Ruhaya (2010) used discretionary current accrual (DCA) as a proxy for earnings management in order to investigate the earnings behavior managed by 180 companies listed on the main board of Bursa Malaysia in 2007. The study found that the DCA of goodwill companies are higher during the adoption year compared to the pre-adoption year. The goodwill balance after the impairment test due to the changes in the goodwill rule had influenced the DCA level during the adoption year. This indicated that the management in the sample companies used the provision in the FRS 3 to manage the goodwill figure by providing impairment after the new standard adoption.

Since the new standard involves professional's judgment and management's discretion, the study assumes that managers will have the tendency to take this opportunity to manage earnings. Hence, it is expected to increase the impairment of goodwill upon the adoption of the standard since January 1st, 2006. Therefore,

H1: The impairment of goodwill after adoption of FRS 3 Business Combination is greater than the impairment of goodwill before the adoption of the standard.

Earnings Deviation and Earnings Management

In order to measure the relationship between earnings deviation and earnings management, a study by Kinney and Trezevant (2007) used special items as a proxy of earnings management. The study was carried out to test hypothesis that special items are used to manage earnings so as to achieve the steadily upward path as described by Worthy (1984) who mentioned that “one of the motivation factors for a firm to manage earnings is trying to make profit look robust. Managers prefer to report earnings that follow a smooth, regular, upward path. Conversely, they hate to report declines, but they try to avoid increases that fluctuate wildly from year to year. It is better to have two years of 15% earnings increases than a 30% gain one year and none the next”.

In the Malaysian perspective, the changes of provision in FRS 3 Business Combination could give some impacts to the existing provision as the previous practice before the implementation of FRS 3 Business Combination, required companies to amortize the goodwill.

Specifically, to measure the increase and decline in a firm's earnings in year t , the study calculates an earnings deviation variable equal to the firm's Net Income Before Extra Items and Preferred Dividend of year t before goodwill impairment of year t (that is 2006) minus its Net Income Before Extra Items and Preferred Dividend of year $t - 1$, divided by its end-of-year t total assets. As a result, companies which have greater earnings deviation whether it is positive or negative in value during the current year is said to have the tendency to manage their earnings as compared to companies with less amount of earnings deviation. This is because the calculation has taken into account the value of earnings deviation which is contributed by impairment of goodwill.

In order to develop the second and third hypotheses, this study adopts Kinney and Trezevant (2007)'s approach. Basically, according to this approach, earnings deviation could be categorized as follows:

Table 1: The Classification of Earnings Deviation Distribution

MAX INCR	Group 1	Firm-years in the most positive decile of earnings deviation distribution
BIG INCR	Group 2	Firm-years in the second most positive decile of earnings deviation distribution
OTHER INCR	Group 3	Firm-years with positive earnings deviation not falling in MAX INCR or BIG INCR
OTHER DECR	Group 4	Firm-years with negative earnings deviation not falling in MAX DECR or BIG DECR
BIG DECR	Group 5	Firm-years in the second most negative decile of earnings deviation distribution
MAX DECR	Group 6	Firm-years in the most negative decile of earnings deviation distribution

From the classification of earnings deviation distribution above, the second and third hypotheses are:

- H2: Relative to firms-year with small earnings deviations, firms-years in two most positive earnings deviation deciles recognize negative income from goodwill impairment
- H3: Relative to firms-year with small earnings deviations, firms-years in two most negative earnings deviation deciles recognize negative income from goodwill impairment

Research Methodology

For the purpose of constructing the theoretical model, the research design of Kinney and Trezevant (1997) was adopted. Some adaptations were made to replace the existing variable of special items with earnings deviation. This is assumed to be used by managers in managing earnings. In this context, the earnings deviation is adjusted by taking into account the value of goodwill impairment in identifying the companies which have the tendency to manage earnings.

In order to derive the value of goodwill impairment (GI), the computation is made by making comparison between its recoverable amount with

realizable value and value in use. The impairment only exists when the fair value of the goodwill is lower than its carrying value. Therefore, if the amount of goodwill for 2006 is lower than the value of goodwill in 2005, then impairment exists (Nurul Husna and Ruhaya, 2010). Conversely, if there is increase in value of goodwill from 2005 to 2006, it is said that there is no impairment of goodwill.

Therefore, the value of goodwill impairment (GI) of year t is derived as per the Model 1 as follows:

$$GI_t = G_t - G_{t-1}$$

where;

GI_t = Goodwill impairment of year t,

G_t = Goodwill of year t, that is 2006

G_{t-1} = Goodwill of year t, that is 2005

If $G_{t-1} \geq G_t$, no impairment exists.

Model 2 presents the derivation of earnings deviation (ED) by the following equation:

$$ED_t = \frac{(\text{NIBEIPD of year } t + \text{GWI of year } t) - \text{NIBEIPD of year } t-1}{TA \text{ of year } t}$$

where;

NIBEIPD of year t = Net Income Before Extra Items/Preferred Dividend
of year t

GWI of year t = Goodwill impairment of year t

GWI of year t-1 = Goodwill impairment before the year t

TA of year t = Total Assets of year t

Sample Selection and Data Collection

Starting from 1 January 2006 onwards, under FRS-3, amortization of goodwill is no longer allowed but the Malaysian public listed companies

should treat goodwill according to the standard which requires annual impairment test to be carried out. To study the effect of the standard, the sample of this study consists of companies listed on the Main Market of Bursa Malaysia in 2005 to 2010. The sample period of 2005 to 2010 is selected to examine the relationship between goodwill impairment and earnings deviation toward earnings management before and after the standard is adopted.

Specifically, for the purpose of calculating the goodwill impairment, comparison is made between the impairment of 2005 and 2006 to see whether the 422 public listed companies in Malaysia have utilized the provision under FRS 3 to manage earnings. It is expected that the value of impairment will be greater in 2006 as compared to 2005. As a consequence, companies which have greater value of goodwill impairment have more tendency to manage earnings. Meanwhile, for the purpose of calculating the earnings deviation, this study uses a sample of 2,073 firm-years spanning a five-year period starting from 2006 to 2010. The period of 5 years is considered sufficient enough to develop analysis and draw up the conclusion of the study.

In contrast with Nurul Husna and Ruhaya (2010) which used a sample of 180 companies listed in the Main Market of Bursa Malaysia, this study carries out a cross-sectional distributional analysis for the year 2005 and 2006. Data for 2005 representing the samples before FRS 3 Business Combination are effectively applied, whereas the data of 2006 are used representing the first year following the effective date of the standard. The data will be used throughout the study in order to make comparison between the pre and post adoption of FRS 3 Business Combination.

The first step of data selection begins by extracting all public listed companies of the Main Market of Bursa Malaysia tracked from the Thompson Financial DataStream databases. All industries are selected in order to represent all sectors including financial service companies even though these companies have unique disclosures and are different in the regulatory requirements. The particulars extracted are Net Income Before Extra Items/Preferred Dividend (NIBEIPD), Goodwill (G) and Total Assets (TA).

Secondly, the raw data are filtered by omitting all listed companies which are redundant and have data errors from the samples. Next, the data are screened again by omitting samples that have missed one or more particular details for 2005 to 2010 to reach the final sample of 2073 companies. Finally, the filtered data are ready to be analysed and undergo hypotheses testing.

Table 2 exhibits the summary samples of 422 companies used to calculate goodwill impairment under study.

Table 2: Sample Selection and Final Sample Size
for Goodwill Impairment calculation

<u>Sample selection procedure</u>	<u>Firm-years</u>
Original observation from DataStream 2005 to 2006	1,047
Redundant data and errors	(68)
Missing observation of particulars details (NIBEIPD, G and TA)	(557)
Final Sample Size	422

For the purpose of calculating the earnings deviation, the sample selection of 422 companies is taken for five years starting from 2006 to 2010.

Table 3: Sample Selection and Final Sample Size
for Calculation of Earnings Deviation

<u>Sample selection procedure</u>	<u>Firm-years</u>
Original observation from DataStream 2005 to 2006	4,220
Redundant data and errors	(350)
Missing observation of particulars details (NIBEIPD, G and TA)	(1,797)
Final Sample Size	2,073

Hypotheses Testing

Hypothesis 1 investigates the goodwill impairment before and after the adoption of FRS 3 Business Combination. In order to test the hypothesis, the data of goodwill impairment of 2005 and 2006 of 422 samples were

analysed using Statistical Package for Social Sciences (SPSS) Version 17. By conducting t-test for the samples, it is hypothesized that mean of the impairment for 2006 is greater than 2005 since this study assumes that managers will take into consideration the provision on FRS 3 in managing their earnings. Hypothesis 2 and 3 investigate the earnings deviation of the samples selected in order to measure the increase or decrease in earnings.

By using the six earnings deviation categories as designed by Kinney and Trezevant (2007), as discussed in the previous section, it is expected that companies with large positive and large negative earnings deviations are most likely to utilize the provision of FRS 3 Business Combination to manage earnings. As described by the research design of Kinney and Trezevant, companies with large positive earnings deviations are most likely to involve in income smoothing whereas companies with large negative earnings deviations are most likely to involve in “big bath earning management. ANOVA is used to compare means of goodwill impairment among the six groups of earnings deviations categories.

Findings and Discussion

This section presents the analysis which could lead to the conclusion as to whether to accept or to reject the predicted hypotheses. In order to test the hypothesis, two tests are carried out using Statistical Package for Social Sciences (SPSS) Version 17, that is paired – sample t-test and one-way ANOVA.

Goodwill Impairment Before and After the Adoption of FRS 3 Business Combination

Paired – sample t-test is used to compare the sample before and after the adoption of FRS 3 Business Combination. Table 4.1 tabulates the means, standard deviations and standard deviation of the two samples.

Table 4: Paired Samples T-Test Statistics Before and After the implementation of FRS 3

	Mean	N	Std. Deviation	Std. Error. Mean
Before	2.3553	422	13.46736	0.65558
After	2.7234	422	19.05254	0.92746

Table 5: Paired Samples t-test of Goodwill Impairment Before and After FRS 3

	N	Mean df	Significant
Before & After	422	0.368	0.660

Hypothesis 1 predicts that the impairment of goodwill after adoption of FRS 3 Business Combination is greater than the impairment of goodwill before the adoption of the standard. Table 4 shows that before the adoption of FRS 3 Business Combination, for sample of 2005 the mean of the samples of 2.3553 with standard deviation is 13.46736. However, after adopting the standard, the mean is 2.7234 with standard deviation (SD) of 19.05254 which is slightly higher as compared to the result before the adoption. The result shows that managers of public listed companies in Malaysia have a tendency to utilize the provision of FRS 3 to manage earnings since the amount of goodwill impairment after the adoption of the standard is greater than the amount before the standard is being implemented and effectively takes effect on 1 January 2006. However, Table 5 shows that the difference in the means is not significant. Therefore, it can be concluded that the first hypothesis may be rejected since the p-value is not significant. The study is different from a study by Nurul Husna and Ruhaya (2010), which finds that the discretionary current accrual (DCA) of goodwill companies is higher during the adoption year compared to the pre-adoption year. Their result may be due to accrual management of goodwill companies that use accruals rather than goodwill impairment. However, further study needs to be done to validate this possibility.

ANOVA Test for Goodwill Impairment

In order to test the second and third hypotheses, ANOVA with Post Hoc Tests are carried out. The second hypothesis (H2) says that relative to firms-year with small earnings deviations, firm-years in two most positive earnings

deviation deciles recognized negative income from goodwill impairment whereas the third hypothesis (H3) mentions that relative to firms-year with small earnings deviations, firm-years in two most negative earnings deviation deciles recognize negative income from goodwill impairment. For the purpose of hypotheses testing for H2 and H3, one – way ANOVA is carried out by measuring the impairment of goodwill for a sample of 2,073 which spans for 5 years starting 2006 to 2010.

Table 6: ANOVA Test of Goodwill Impairment for Six Categories of Earnings Deviation

	Sum of squares	Df	Mean square	F	Sig.
Between Group	0.589	5	0.118	1.508	0.184
Within Groups	161.572	2067	0.078		
Total	162.162	2072			

Based on Table 6 as above, the earnings deviation of six groups as designed by Kinney and Trezevant (2007) shows the significant level of 0.184 which suggests that goodwill impairment is not significantly different among the six.

Table 7: Homogeneous Subsets for Goodwill Impairment using Tukey H

Group	Subset for alpha = 0.05		
	N		1
			Mean
1	33		0.0505
3	1096		0.0571
4	757		0.0587
2	80		0.0841
5	84		0.1046
6	23		0.1870
Sig.			0.82

Table 7 shows a total of 2,073 samples of the study which are divided into six categories as mentioned in research design by Kinney and Trezevant (2007). Group 1 in the above table represents the firm-years in the most positive subset of earnings deviation distribution, while Group 2 represents the firm-years in the second most positive decile of earnings deviation distribution, where as Group 3 represents firm years with positive earnings

deviation neither falling in Group 1 nor in Group 2. On the other side, Group 4 represents the firm-years with negative earnings deviation neither falling in Group 5 nor in Group 6, while Group 5 represents firm-years in the second most negative decile of earnings distribution where as the final group that is Group 6 represents firm-years in the most negative decile of earnings deviation distribution. For Group 6 and Group 5 which consist of 107 companies in the most negative and second most negative deciles of earnings deviation distribution the tendency to manage earnings using “big bath” method as suggested by Kinney and Trezevant (2007) in their study is apparent. Table 7 shows that means of goodwill impairments for Group 5 and Group 6 are higher indicating similar pattern as Kinney and Trezevant’s study, however the means are not significantly different from other groups. Therefore, the hypotheses 2 and 3 should be rejected as the significant level of the test is at 0.82. However, the study could still highlight some important findings regarding the tendency of the companies under study to involve in earnings management. The above findings indicate that even though the FRS 3 has flexibility but managers are not using discretion excessively. This indicates that the standard achieves its objectives in providing a true and fair view in producing quality reporting.

Conclusion and Recommendations

This study attempts to investigate whether public listed companies in Malaysia manage earnings opportunistically via goodwill impairment (post FRS 3 adoptions) as a tool to manage earnings. By adopting the approach of Kinney and Trezevant (1997), this study is specifically carried out to identify firms that might manage their earnings using goodwill impairment by examining the earnings deviation distribution among the samples for pre and post adoption of the implementation of FRS 3 Business Combination.

For the first hypothesis, it is found that there is no significant difference of goodwill impairment before the adoption of FRS 3, as compared to the impairment after the standard is being adopted. Then earnings deviation distributions are used to identify Big Bath and income smoothing companies in order to test the second and third hypotheses. ANOVA results indicate that there is no significant difference between the means of goodwill impairment of the groups. However, the findings show that the suspected

earning management groups' means are higher, although not significantly different from other groups, which indicate similar patterns as Kinney and Trezevant (2007). Overall, there is no evidence that managers of public listed companies in Malaysia impair goodwill to manage their earnings even though the provision of the FRS 3 provides such opportunity. Thus, this finding might increase investors confidence in using the financial statements of public listed companies in Malaysia.

Several areas can be improved for future research. First, future studies may want to extend the period of the study to cover longer periods in order to give a clearer picture about the study. Hence, the study can start earlier by 2-3 years before the standard is being adopted. Second, since the study only focuses on goodwill impairment as a proxy of earnings management, the findings appear to be quite limited as no other variable attaches to the study. Future studies may consider the use of regression model to examine the relationship between goodwill impairment and market value of firms.

References

- Ahmed, AS & Guler, L 2007, 'Evidence on the Effect of SFAS 142 on the Reliability of Goodwill Write-offs', viewed on 30 July 2012, <http://ssrn.com/abstract=989056>.
- Baker, Rue, JC & Volkan AG 2000, 'Impairment Write-offs: Truth or manipulation?' *International Public Accountant*, vol. 45, No. 5, pp. 37 – 40.
- Churyk, NT & Cripe, B 2011, 'Goodwill Impairment: Immediate Write-offs, Accounting & Auditing', *The CPA Journal*, January 2011, pp. 28 – 31.
- Giacomo, DE & Akers, MD 2009, 'Goodwill and Goodwill Write-Downs: Their Effects on Earning Quality for 2008 and 2009', *Journal of Business and Economics Research*, vol. 7, no. 11, pp. 9 – 19.
- Haman, J & Jubb, C 2008, 'Earning Management around a Change of Goodwill Rule', viewed on 30 July 2012, <http://ssrn.com/abstract=997015>.

- Hayn, C & Hughes, P 2005, 'Leading Indicators of Goodwill Impairment' SSRN Working Paper Series.
- Jeanjean, T & Stolowy, H 2008, 'Do Accounting Standard Matter? An exploratory Analysis of Earnings Management Before and After IFRS Adoption'. *Journal of Accounting Public Policy*, vol. 27, pp. 480 – 494.
- Jordan, CE & Clark, SJ 2004, 'Big Bath earnings Management: The case of Goodwill Impairment Under SFAS No. 142', *Journal of Applied Business Research*, vol. 20, No. 2, pp. 63 – 69.
- Kinney, M & Trezevant, R 1997, 'The use of Special Items to Manage Earnings and Perceptions', *Journal of Financial Statement Analysis*, vol. 3, No. 1, pp. 45 – 53.
- Lander. GH.& Reinstein, A 2003, 'Models to Measure Goodwill Impairment', *International Advances in Economic Research*, vol. 9, No. 3, pp. 227 – 232.
- Lhaopadchan, S 2010, 'Fair value accounting and intangible assets: Goodwill impairment and managerial choice', *Journal of Financial Regulations and Compliance*, vol. 18, No. 2, pp. 120 – 130.
- Nurul Husna, H & Ruhaya, A2010, 'Goodwill Impairment – Earnings Management during the New FRS 3 Transitions: Evidence from the Main Board of Bursa Malaysia', *Recent Advances in Business Administration*, pp. 48 – 61.
- Sevin, S & Schroeder, R 2005, 'Earnings management: evidence from SFAS No. 142 reporting' *Managerial Auditing Journal*, vol. 20, No. 1, pp. 47 – 54.
- Swanson, NJ 2007, 'The New Guideline for Goodwill Impairment – Just Another Tool for Earnings Management', ProQuest Information and Learning Company, UMI-Microform 3296227; pp. 1 – 122.