

## **IS GOODWILL AN ACCOUNTING ANOMALY?**

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### **ABSTRACT**

Accounting for goodwill has been debated by academics and practicing accountants for more than a century. The goodwill issue was being debated in the American literature and in courts in the early 1900's. Without an official standard setting organization until the 1930's, accounting for goodwill was subjective, creative, and not comparable. Once standard setting bodies became involved, standards were set and reset and reset again. While change of emphasis on performance or balance sheet measures may explain some standard changes, it appears that an additional difficulty with goodwill is an inability to agree on the nature of goodwill. Does it fit the accounting model, or is it just an anomaly? It is defined as the excess consideration paid in a business combination for the identifiable net assets of the target. Defining goodwill by how it is measured (an excess amount) and not what its substance is (what it represents), keeps the standard debate alive. In fact motivations for reporting outcomes tend to drive the arguments for standard setting. This article reviews the critical factors that suggest support for alternatives to the current standard for accounting for purchased goodwill.