Key messages in paper

• Analysts may rely on headline earnings to respond quickly when financial information first issued
• But they may be misled by these headline figures
• In the experimental case study, both sets of earnings resulted in analyst valuations that were not ultimately supported by the DCF information
  – Allocation of the acquisition purchase price to goodwill led to overstatement of value
  – Allocation of acquisition purchase price to intangible assets that are amortised led to understatement of value
Question

• What does this mean for us as standard-setters?
  – Headline earnings figures on their own can never provide the whole story
  – Different accounting treatments of different assets/liabilities increases the need to drill down into the detail
  – But a single measurement model is neither achievable or desirable

• Specifically, does IASB have to keep IFRS 3 to allocate the acquisition premium to identifiable intangible assets or not?
Future research issues

• Some interesting research issues on business combinations:
  – Do we need to have different accountings for business acquisition and asset acquisition?
  – If so, the definition of a business acquisition should be clearly differentiated from the definition of an asset acquisition.

• IASB literatures:
  – IASB, 2015, Agenda paper 13, September
  – IASB, 2015, Post-implementation Review of IFRS 3 Business Combinations, June
Thank you