When accounting standards remain unchanged after deliberation: a comparative analysis of comment letter arguments on goodwill accounting

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Abstract

Purpose – Previous research on accounting standard setting has focused on changes, with little research into how and why accounting standards persist. This study, therefore, focuses on the 2022 decision of the International Accounting Standards Board (IASB) to retain the existing impairment-only approach for its goodwill accounting standard. To understand the persistence of the standard, this study aims to investigate how the IASB addressed the same accounting issue in two different periods by examining changes in the interested parties' arguments. It classifies and compares various arguments in the comment letters (CL) to consider the IASB's legitimacy in terms of evidence-based policymaking.

Design/methodology/approach – This study classifies the interested parties' arguments on goodwill accounting into several types. The classification enabled us to systematically compare the arguments in the two sets of CL submitted to the IASB's official documents on goodwill accounting published in 2002 and 2020. In addition to categorizing arguments, this study conducted a text coding analysis for CL to supplement the results of categorization.

Findings – According to this study's comparative analysis, the majority of CL were in favor of amortizing goodwill, and there was no conspicuous change in the overall proportion of various arguments in the two periods. Moreover, while conceptual arguments in the CL accounted for a larger proportion than those based on real economic effects, when focusing on the arguments relying on general accounting concepts, there was roughly an even split between arguments in favor of amortizing goodwill and those in favor of the impairment-only approach. These findings can be interpreted as one of the reasons why the IASB decided to retain the existing standards in 2022.

Research limitations/implications – This study's comparative analysis through the detailed categorization of arguments in the CL provides a plausible interpretation of the IASB's decision to retain the current standard for goodwill accounting, especially as those responsible for the accounting standard setting tend to place emphasis on the general conceptual arguments in their standard-setting process. The authors propose this viewpoint as a useful basis for theorizing the dynamics of accounting standards in the current trend of evidence-based standard setting.

Originality/value – This study focuses on the IASB's accounting standard setting for goodwill over two periods, comparing stakeholder arguments to analyze the persistence of accounting standards. This study's categorization of conceptual arguments as general and topic-specific is potentially valuable for future research into the politics of accounting standard setting.

Keywords Analysis of comment letters, Categorization of arguments, Conceptual arguments, Evidence-based policymaking (EBPM), Goodwill accounting

Paper type Research paper

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1. Introduction

With over 150 jurisdictions adopting the International Financial Reporting Standards (IFRS) as an official set of corporate accounting standards [1], the International Accounting Standards Board (IASB)'s standard setting processes attract worldwide attention. Despite several years of deliberating whether the reintroduction of amortization to goodwill accounting was necessary, the board confirmed its final decision to retain the existing impairment-only approach in a meeting held in November 2022 [2].

As one of the primary reasons for the decision, the board highlighted the fact that the benefit of reintroducing goodwill amortization would not exceed its cost [3]. One board member summarized the decision:

> On balance, having considered the wealth of evidence we were provided with, we decided we had no compelling case to justify exploring reintroducing amortization of goodwill – either to improve the information provided to investors or to reduce costs and complexity. We therefore decided to retain the impairment-only model to account for goodwill (Suzuki, 2023, p. 6).

While the above statement takes into account the quality of information provided to investors, as well as the cost and complexity of the accounting treatment, the decision to maintain the existing standard does not resolve the "too little and, too late" issue of goodwill accounting (Accounting Standard Board of Japan [ASBJ] *et al.*, 2014; IASB, 2020) [4]. In fact, prior to the introduction of the impairment approach, the periodic amortization of goodwill (with additional impairment if necessary) was required. While economic and social circumstances at that time might have been different from today's [5], exploring the reasons why the IASB retained existing accounting standards after a long period of deliberation could provide insight into the dynamics of accounting standards. Moreover, in examining the persistence of accounting standards, this study contributes to the line of institutional research (e.g. Galik and Chelbi, 2021), which has explored aspects such as institutional stability and inertia. In the context of accounting, for example, Zeff (2007) highlights the enduring stability of national accounting traditions as one of the factors that hindered convergence in financial reporting, while Wüstemann and Wüstemann (2010) emphasize consistency in accounting standards.

To explore the background of the IASB's decision to maintain the status quo, this study analyzed interested parties' responses to documents on accounting for goodwill published in 2002 and 2020. This was achieved by identifying the characteristics of comment letter (CL) submitters' arguments related to the controversy over maintaining the goodwill impairment test under the existing standards (e.g. Durocher and Georgiou, 2022; European Financial Reporting Advisory Group (EFRAG), 2017; Linsmeier and Wheeler, 2020). In addition to examining the background and general stance of the CL submitters (for or against the proposal), the study categorized the arguments by type before comparing and analyzing them. Since the purpose of submitting CL is to persuade others during the accounting standard-setting process (Young, 2003), examining how the interested parties' opinions on accounting for goodwill (either supporting impairment-only or amortization with impairment) have changed (or not changed) is useful to understand the decision of the accounting standard setter.

Building on the distinction between conceptual and economic arguments in the previous literature (Giner and Arce, 2012; MacArthur, 1988b; Schultz and Hollister, 2001; Stenka and Taylor, 2010; Tutticci *et al.*, 1994; Weetman, 2001; Young, 2014), with reference to Thies (2025) and other related studies, this study categorized the CL by two types of conceptual arguments: those based on the characteristics of goodwill and those based on more abstract and general concepts, primarily in the conceptual framework. Regarding the latter, research on, for instance, fair value accounting (Georgiou and Jack, 2011) as well as prudence and conservatism in the conceptual framework (Orthaus *et al.*, 2023; Georgiou, 2024) has highlighted the inconsistent uses and political aspects of those concepts in accounting standard setting. Following the same thread, this study explores the implications of such abstract yet comprehensive concepts in accounting standard setting in the controversial treatment of goodwill.

In addition, we have reconsidered our comparative analysis in the context of evidence-based policymaking (EBPM), a way of thinking that seeks objective evidence to inform policy decisions. This trend has become increasingly important in various fields in recent years, including accounting standard setting (Leuz, 2018). Overall, this study contributes to the existing literature on accounting standard setting by comparing distinct sets of CL (193 in 2020 and 137 in 2002) on the same accounting issue across two periods of publication.

Through this comparative analysis, we mainly argue two points. First, while the majority of CL were consistently in favor of the amortization method, the majority of arguments presented were conceptual rather than concerned with real economic effects. Second, separating the conceptual arguments into those based on the characteristics of goodwill and those based on general accounting concepts revealed that the proportions of those who submitted general conceptual arguments were evenly split between supporting the reintroduction of goodwill amortization and supporting the current impairment-only approach.

In light of these findings, it would be reasonable for the IASB to retain the existing standards in the current regulatory environment, where evidence-based decisions are increasingly appreciated. Stakeholders tend to present arguments based on general accounting concepts, using them as political tools to highlight their stance [6], and as such, without salient conceptual arguments supporting a specific standard to refer to, the IASB may have preferred to maintain the status quo.

The main contributions of this article can be summarized as follows. First, it classified the conceptual arguments for positions within the CL into those grounded in the specific accounting item (goodwill) and those based on general accounting concepts (in the Conceptual Framework). This in-depth classification, and the examination of its relationship with the IASB's standard-setting, advances the previous CL-based research on accounting standard setting (e.g. Giner and Arce, 2012; MacArthur, 1988b; Schultz and Hollister, 2001; Stenka and Taylor, 2010; Tutticci *et al.*, 1994; Weetman, 2001). Second, this study sheds light on the growing emphasis on evidence-based standard setting (Leuz, 2018), with particular consideration for the costs associated with changes in accounting standards (e.g. Baudot and Wallace, 2023). Specifically, our comparative analysis of CL shows that, in a situation where the real effects of accounting standards are increasingly emphasized, the number of references to cost has not recently increased (Napier and Stadler, 2020) [7]. These findings also contribute to the body of literature on goodwill accounting (e.g. d'Arcy and Tarca, 2018; Durocher and Georgiou, 2022; Linsmeier and Wheeler, 2020), as they offer an explanation for why the impairment-only approach persisted despite the CL submitters' preferences.

The rest of this paper is structured as follows. The next section describes the political aspects of global accounting standard setting and illuminates the role of rhetorical arguments in the process. Section three, meanwhile, delves into various arguments in the context of accounting standard setting, highlighting the typical dichotomous classification of arguments into conceptual and economic (real effects) and emphasizing the need for further classification of arguments to understand the outcomes of standard setting. It also mentions the recent trend of EBPM that might affect the IASB's decisions. Section four then describes the chronological development of accounting for goodwill in light of relevant standard-setting activities and official documents. Section five discusses how arguments presented in CL have been classified in previous studies and suggests an approach that separates them into two categories: those related to goodwill and those related to more general accounting concepts. Section six goes on to indicate and consider the result of our comparative analysis of the arguments in the two sets of CL on the IASB's decisions. It also discusses the results of our text-coding analysis to supplement the comparative analysis. Finally, section seven concludes with reference to the findings and remaining issues.

2. Political aspects of global accounting standard setting and the significance of rhetorical arguments

Previous accounting literature analyzes the dynamics of accounting standard setting and highlights its political aspects (e.g. Botzem, 2012; Fogarty *et al.*, 1994; Perry and Nölke, 2006; Ramanna, 2015; Walker and Robinson, 1993; Young, 2014; Zeff, 2010). These studies show that identifying the appropriate accounting treatment for a particular type of transaction inevitably involves accounting standard setters' subjective judgment, and although roughly projecting the economic consequences of a specific accounting standard might be possible [8], the rigorous calculation of various foreseeable costs and benefits can be burdensome. Moreover, calculating the net benefits of introducing a new accounting standard is complicated by institutional differences between countries, such as infrastructure, culture, legal requirements and political systems (Chand and White, 2006; Eccher and Healy, 2000; Leuz, 2010; Toker, 2005) [9], an issue that is particularly relevant in the context of global accounting standard setting. For instance, improving the comparability of accounting information interconnects with cultural characteristics (including those relating to business, finance, accounting, auditing and regulatory practices) among countries (Zeff, 2007) and the IASB must take this into account throughout its standard-setting activities.

Under such circumstances, the IASB has striven to consider the views of various stakeholders on specific accounting matters. Its policy decisions represent the "choices between conflicting interests that might be better served by different practices" (Gilfedder and hÓgartaigh, 2000, p. 96). As the IFRS are widely adopted in many countries and affect their various local/national accounting practices, global politics inevitably come into play during the IASB's standard setting. Thus, the board's due process requires the exercise of transparency principles, full and fair consultation (considering the perspectives of those affected by IFRS standards globally) and accountability (IFRS Foundation, 2020, p. 5) [10].

However, as the IASB cannot fully identify the future costs and benefits of specific IFRS standards, its standard-setting process depends on the classification and comparison of different arguments by various interested parties, but to influence policy decisions, some interested actors emphasize self-interest rather than the broader economic and social benefits for others. Thus, the critical process "cannot be regarded as value-free judgments resulting from a strictly technical process" (Young and Williams, 2010, p. 511), and more attention should be given to various arguments in the context of global accounting standard setting [11]. Nevertheless, the IASB claims to be objective and impartial when encountering various arguments on a specific accounting matter [12], stating that its due process procedures can strengthen the standard setters' neutrality, impartiality and objectivity to its symbolic power (Young, 2014, p. 718), a quality that simultaneously implies the necessity of carefully analyzing how standard setters address various arguments from different interested parties.

Focusing on a controversial matter of accounting for goodwill, this study investigated the reactions of interested parties to the IASB's standard-setting activities. Favoring (or disfavoring) a specific accounting treatment for a specific type of transaction at a certain point in time, interested parties often try to persuade standard setters by submitting CL during the standard-setting process. In response, for example, accounting standard setters can justify their decisions on the grounds of their conceptual framework for financial reporting, such as improving the comparability of accounting information. Accordingly, accounting standard setters' rhetorical arguments are crucial for persuading and silencing interested parties. As McCloskey (1998, p. 8) argues, rhetoric is not everything, but it is everywhere in the speech of human persuaders [13].

Regarding persuasion in various contexts, previous studies rely on the concept of legitimacy that is represented as institutionalized persuasion [14]. Such studies often follow the three-category approach to legitimacy pioneered by Suchman (1995): pragmatic, moral and cognitive legitimacy. For instance, in the context of accounting, Bamber and McMeeking (2016) analyzed the standard setting for IFRS 7 (*Financial Instruments: Disclosures*) from the perspective of the tripartite classification of legitimacy but did not clearly mention the relationship among them. Likewise, Georgiou and Jack (2011) examined the development of fair value accounting from the perspective of legitimacy theory, while Pelger and Spieß (2017) highlight how IASB enhances the legitimacy of its standard setting through its agenda consultation. Thies (2025) classifies the IASB's legitimacy into three types: input legitimacy (the participation of stakeholders concerned), throughput legitimacy (a fair standard-setting procedure) and output legitimacy (effectively rationalized standards) and explicitly considers the output legitimacy through the analysis of the board's basis of conclusion. This study similarly considers the output legitimacy of the IASB's decision to retain the existing standard.

According to Young (2003), in the sphere of financial accounting, a particular standard could be constructed as a "good accounting standard" based on something other than conceptual ideals/purity (Young, 2003) [15]. For instance, "reflection of underlying economic reality," "usefulness or relevance to (silent) information users," and "consistency with practice" are expressions that support the significance of various standards (Young, 2003). Furthermore, expressions such as "impractical" and "complicated" are used as rhetoric to dismiss alternative opinions about specific accounting standards. For example, when the Financial Accounting Standards Board (FASB) attempted to introduce fair value accounting, it faced criticisms such as "causing unusual and inappropriate volatility" and "distorting profits" but responded by arguing that such changes in value are realities that should be reflected in financial statements (Young, 2003), further highlighting the significance of rhetorical arguments in the accounting standard setting.

3. Interested parties' arguments and evidence-based standard setting

Stakeholders with some interest in a particular accounting matter tend to have their own views in favor/disfavor of a particular accounting treatment, with their views expressed in CL, and in this situation, it is helpful to determine how the different arguments about the particular accounting issue can be classified. Various classificatory methods have been used to categorize such arguments, with a typical and simple method being to distinguish if a specific CL approves or disapproves of a proposal presented by the standard setter. Some studies, however, have taken a more in-depth approach to categorizing the arguments.

A widely used classification in previous studies on accounting standard setting places the arguments in two categories: conceptual arguments and those based on the economic consequences of the particular standard setting (Giner and Arce, 2012; MacArthur, 1988b; Schultz and Hollister, 2001; Stenka and Taylor, 2010; Tutticci *et al.*, 1994; Weetman, 2001; Young, 2014). According to Stenka and Taylor (2010), conceptual arguments refer to accounting principles and their theoretical soundness that often highlight potential conflicts/consistencies with existing frameworks and practices, while economic arguments refer to economic changes associated with proposed accounting regulations, emphasizing how expected changes may affect one's cash flows and overall utility [16].

Conceptual arguments hold the view that accounting standards should be consistent with conceptual frameworks, other standards and practices. With regard to consistency, there are two types of notions: internal consistency of accounting standards and consistency in the application of those standards (Wüstemann and Wüstemann, 2010), with the former preceding the latter and being the type that the accounting standard setters particularly consider. A standard that unduly benefits one set of stakeholders at the expense of others (Giner and Arce, 2012, p. 664) should be avoided, and in this respect, drawing on the authoritative conceptual framework to support a particular accounting treatment is plausible to any interested parties involved in the accounting standard setting.

CL submitters with practical (economic) concerns regarding an existing or alternative accounting standard are classified as those with an economic consequence-oriented argument [17]. Considering the rationality of individuals and organizations, they will only lobby if the perceived benefits exceed the perceived costs (Chatham *et al.*, 2010; Sutton, 1984). Typically, they tend to highlight the costs incurred by existing accounting standards or the possible costs that a change in existing standards might impose. These economic consequences fall within the real effects of accounting standards (Napier and Stadler, 2020) [18]. Where a change in an accounting rule or standard gives rise to changes in how an entity operates or affects its cash flows, the accounting change has real effects (Napier and Stadler, 2020, p. 475).

A recent noteworthy trend in this area is the reliance on EBPM, which is defined as a rigorous attempt to base policy decisions (e.g. new regulations) on scientific and empirical evidence, including impact studies, cost-benefit analyses, program evaluation and academic research in general (Leuz, 2018, p. 582). The IFRS Foundation itself mentions it on its website:

> Evidence-supported decision-making gives the IASB and the ISSB (International Sustainability Standards Board) confidence that they are making appropriate decisions. It also allows those affected by the decisions to see that each board has demonstrable evidence that is consistent with, or supports, the conclusions reached by the IASB and ISSB, respectively, thereby enhancing the credibility of those conclusions [19].

From this, we can see that evidence-supported decision-making is now part of the IASB's legitimacy. Relatedly, for the US Securities and Exchange Commission (SEC)'s rulemaking, the cost-benefit analysis – a mechanism promoted as an objective, evidence-based endeavor – remains a political tool to legitimate rulemaking decisions (Baudot and Wallace, 2023). However, despite the evident value of accounting research and its potential to offer substantial insights, formal evidence regarding the contributions to standard-setting activities is currently scarce (Leuz, 2018, p. 583). According to Cascino *et al.* (2023, p. 87), the efforts of accounting researchers largely focus on ex post assessments of the economic consequences of new accounting rules and, as such, far from informing evidence-based policy, accounting research mainly documents policy-based evidence. Many questions thus remain unanswered, such as what is used as evidence and what the criteria are.

In fact, previous studies have investigated whether rational lobbyists develop arguments based on economic consequences (real effects) or formulate conceptual arguments to persuade accounting standard setters (e.g. Schultz and Hollister, 2001). Although this dichotomous classification of arguments is simple and clear-cut, it might fail to pick up the nuances and subtle differences in the arguments. Therefore, this study goes beyond this simple dichotomy by further classifying arguments into multiple categories and conducting a comparative analysis to investigate whether such a shift in arguments can be observed over time with respect to accounting treatments for goodwill while taking the IASB's attention to evidence-supported decisions into account.

4. Development of accounting standards for goodwill

4.1 Abolition of the amortization method

Intending to compare the arguments of interested parties on accounting for goodwill, this study must consider the background of previous standard setting: The history of accounting for goodwill can be traced back to 1950 in the US, when the Committee on Accounting Procedures formally established the pooling-of-interests method for Mergers and Acquisitions (M&A) (Ramanna, 2015, p. 42). As the years progressed toward the 1990s, the SEC became increasingly concerned about the "abuses" of the pooling method, such as the case of AT&T's huge overpayment on the acquisition of NCR Corporation (Lys and Vincent, 1995). This issue gave rise to the need for the FASB to issue the exposure draft (ED) No. 201-A in 1999, which attempted to abolish the pooling method and apply the purchase method within the 20-year amortization of goodwill period (Financial Accounting Standards Board (FASB), 1999). However, almost 60% of corporate respondents opposed the abolition of the pooling method in the ED (Ramanna, 2015, p. 45). Ramanna (2008) found evidence of the political process that shaped accounting standards during the period of congressional intervention over ED 201.

As a result, the FASB published the revised exposure draft, referred to as ED 201R, that did not change the board's stance on abolishing the pooling method. Besides, the FASB proposed to replace the goodwill amortization approach with the impairment-only approach. The revised ED was supported by 70% of respondents, and the FASB issued the Statement of Financial Accounting Standards (SFAS) 141 and SFAS 142 in June 2001 (Ramanna, 2015, p. 51).

A similar political aspect of the accounting standard setting for goodwill was seen in a global context in which the IASB was substantially influenced by standards developed in the US at the time (Camfferman and Zeff, 2007; Ramanna, 2015, p. 35). The IASB's goodwill project began later in July 2001 (the carried-over project from the IASC), and it issued an exposure draft in December 2002 (ED2002) with the same spirit as the FASB to discontinue the pooling method and amortization. It was finally followed by the issuance of IFRS 3 *Business Combinations* in March 2004.

4.2 The recent redeliberation of accounting for goodwill

The recent IASB standard-setting project on accounting for business combinations (the modifications to IFRS 3) has drawn attention from various interested parties. As the number of global M&A deals increases rapidly, many global companies (acquirers) have accumulated a considerable volume of goodwill on their balance sheets [20], which has become a matter of concern for those using accounting information. Consequently, some standard setters have been critical of the effect of the current impairment-only approach since the mid-2010s, and around that time, the US FASB, therefore, started reconsidering the amortization of goodwill. Likewise, with the Japanese accounting standard still requiring the amortization of goodwill within 20 years, interested parties in Japan have opposed the IASB's impairment-only approach [21].

Moreover, a discussion paper (DP2014) on the amortization of goodwill was jointly published in 2014 by the Accounting Standards Board of Japan (ASBJ), the European Financial Reporting Advisory Group [22] (EFRAG) and the Italian standard setter, the Organismo Italiano di Contabilità (OIC [23]) (ASBJ *et al.*, 2014) [24]. This was a unique event as three distinct organizations from different jurisdictions had rarely worked together to investigate the appropriateness of the non-amortization of goodwill. Based on their extensive research [25], the DP2014 concluded that reintroducing goodwill amortization with impairment testing would reasonably reflect the consumption of economic resources acquired in a business over time and could be applied to achieve adequate verifiability and reliability (ASBJ *et al.*, 2014, p. 5). Preparers "consider the estimation of the recoverable amount of goodwill more challenging and burdensome than the estimation of the pattern of consumption of goodwill (including estimation of the useful life)" (ASBJ *et al.*, 2014, para. 42). Additionally, DP2014 followed the perspective that the impairment-only approach inevitably allowed internally generated goodwill to be recognized, while stating the prohibition of the recognition of internally generated goodwill in IAS38 (ASBJ *et al.*, 2014, para. 13). It also indicated that a systematic amortization on a straight-line basis would appropriately balance faithful representation and cost (ASBJ *et al.*, 2014, para. 86).

As a result, the IASB conducted its post implementation review (PIR) of IFRS 3, the first phase of which involved initial identification and assessment of the matters to be examined after a public consultation in the form of a Request for Information (RfI). In the second phase, the IASB considered the comments received from the RfI, the information gathered through other consultative activities and a review of the relevant literature. Although the topics covered in the PIR range from the definition of business to disclosures, this study limits its focus to the topic of "impairment of goodwill and indefinite-life intangible assets" [26].

The following is a summary of the relevant arguments in the PIR report and feedback statement (IASB, 2015): First, "some investors supported the current requirements because they think that the non-amortization of goodwill and the absence of impairment charges help them to verify whether an acquisition is working as expected" (IASB, 2015, p. 5). Furthermore, "they think that the information provided by the impairment test of goodwill is useful because it has confirmative value" (IASB, 2015, p. 21). However, "other investors support the amortization of goodwill because they think that goodwill acquired in a business combination is supported and replaced by internally generated goodwill over time" (IASB, 2015, p. 5). In summary, the IASB acknowledged the pros and cons of the impairment-only approach for goodwill.

Second, based on the review of academic literature by the IASB, the usefulness of reported goodwill as well as its impairment and managerial incentives related to impairment recognition are indicated in the report. Nevertheless, the board did not rely heavily on any specific research evidence on goodwill accounting. One common understanding was explicit in the report: "Many participants think that the impairment test is complex, time-consuming, expensive, and involves significant judgments, especially in determining the assumptions used in the value in use (VIU) calculation and in allocating goodwill to the cash-generating units" (CGUs) (IASB, 2015, p. 6).

The long-lasting controversy over accounting for goodwill [27] led the IASB to issue a discussion paper (DP2020) that suggested corporate disclosures of past acquisition performance while proposing the retention of the existing impairment-only approach. In the discussion paper, after summarizing its preliminary views, the

IASB classified the findings of the PIR into three parts: disclosures, impairment of goodwill and intangible assets with indefinite useful lives. This study focuses on the second part (impairment of goodwill) [28] as well as the feedback during and after the PIR process.

DP2020 initially mentions stakeholders' arguments that support reintroducing the amortization of goodwill: "In their view, the benefits of the impairment-only model are limited and do not justify its cost. Some consider that the impairment test is not rigorous and does not reduce the carrying amount of goodwill appropriately, and so amortization is needed to avoid overstatement. Some also consider goodwill to be a wasting asset with a finite useful life and therefore view amortization as necessary to depict the consumption of goodwill's economic benefits" (IASB, 2020, para. 3.68).

DP2020 also mentions that the supporters of the impairment-only approach believe the test provides more useful information than amortization [29]: "Although no impairment test for cash-generating units containing goodwill can be guaranteed to result in the recognition of an impairment loss as soon as the benefits associated with acquired goodwill are no longer expected to be received, this does not mean the test has failed" (IASB, 2020, para. 3.84). Moreover, it also emphasizes that "the accounting for goodwill (regardless of whether amortization is reintroduced, or the impairment-only approach is retained) cannot provide information about the success of an acquisition. To provide information about whether an acquisition has been a success, the Board's preliminary view is that it should develop proposals to require disclosures on subsequent performance" (IASB, 2020, para. 3.85). This indicates the IASB's reliance on corporate disclosures to solve the controversy.

In summary, although the IASB indicated that most board members (8 out of 14) supported its preliminary view (impairment-only approach), it acknowledged that both accounting models for goodwill – impairment and amortization – have limitations (IASB, 2020, para. 3.91). This view was once again upheld by the IASB board members in 2022. The following sections provide a reasonable interpretation of the IASB's decision based on the comparative analysis of the arguments in the CL.

5. Classification of arguments and methodology

During the IASB's standard-setting process, anyone can submit a CL to the IASB's exposure draft or discussion paper. The submission is not mandatory; one can also do nothing and take a wait-and-see stance. Hence, CL submitters are strongly motivated to express their opinion to the accounting standard setter, and many studies have analyzed their characteristics.

In May 2021, when the IASB reached a preliminary view that the board would retain the impairment-only model based on the support of a small majority of the board members, the IASB categorized its arguments into those based on conceptual and practical reasons. To extract the key accounting issues regarding goodwill, we carefully reviewed three documents prepared by the accounting standard setters: Discussion Paper by the ASBJ, EFRAG and OIC (ASBJ *et al.*, 2014); Post Implementation Review Report by the IASB (IASB, 2015); and Discussion Paper by the IASB (IASB, 2020). Table 1 summarizes the main arguments in these documents. Although the extraction process might be subjective, the authors believe that the arguments listed in Table 1 cover the matters of concern regarding accounting for goodwill to a large extent.

Table 1. Classification of arguments in the standard setters' documents

Outputs	Main arguments
DP by the ASBJ, EFRAG and OIC	• Amortization reasonably reflects the consumption of economic resources acquired in a business over time, achieving adequate verifiability and reliability • The informational content of impairment losses only has confirmatory value. It involves judgments and is not useful or reliable. The impairment test does not reflect an entity's negative performance in a timely fashion • Non-amortization results in recognizing internally generated goodwill and is, therefore, conceptually inappropriate • The current impairment tests are costly to apply
PIR report by the IASB	• Non-amortization of goodwill and the absence of impairment charges help information users verify whether an acquisition is working as expected. It is useful as it has confirmatory value • The goodwill acquired in a business combination is supported and replaced by internally generated goodwill over time • The impairment test is complex, time-consuming and expensive and involves considerable judgments, especially in determining the assumptions used in the value in use calculation and allocating goodwill to cash-generating units
DP by the IASB	• Stakeholders had different views on the useful lives of goodwill • Some investors said that this approach provided useful information because it helped them assess management's stewardship. They also stated that the information provided by the impairment test had confirmatory value • Many stakeholders described the impairment test as complex, time-consuming and expensive and said that it requires companies to make difficult judgments • Many stakeholders noted a lag between impairment taking place and the recognition of an impairment loss in a company's financial statements

Source(s): Authors' own work

Based on Table 1, we classified these arguments into those based on conceptual ideas and those based on real economic effects using several broad categories (characteristics of goodwill, impairment tests/valuation, estimation of the useful life of goodwill and micro and macro-economic effects):

Conceptual

Characteristics of goodwill

- It is (is not) overstated/contains (does not contain) internally generated goodwill.
- It is (is not) a wasting asset/has (does not have) a finite life.

Impairment tests/valuation

- It has (does not have) information content and is (not) useful/transparent.
- It is (is not) subjective/ rigorous (optimistic).
- It has (does not have) confirmatory value.
- It is (is not) verifiable/reliable.
- Shielding effects matter (do not matter).

- It has (does not have) information content and is (not) useful/transparent.
- It is (is not) timely.

Estimation of the useful life of goodwill

- It reasonably reflects (does not reflect) the consumption of value (benefits).
- It is (is not) subjective (or verifiable/reliable).

Real effects

Impairment tests/valuation

- It is (is not) costly.
- It is (is not) complex/complicated.
- It is (is not) time-consuming.

Macro-economic effects

- There are (are not) procyclical effects.

The first category relates to the characteristics of goodwill and includes conceptual aspects of goodwill, such as its internal generation and durability, while the second category mainly concerns the goodwill impairment test and includes various conceptual and economic arguments. The third category includes conceptual arguments about estimates of the life of goodwill made in conjunction with impairment tests, with the subjectivity in the estimates being the subject of debate. Finally, in addition to the category concerning arguments about the costs of the goodwill impairment test, the macro-economic effects category includes an argument about procyclicality only. The next section compares and analyzes the CL submitters and their arguments in the CL to the IASB's two documents.

6. Analysis of the comment letters to the International Accounting Standards Board's documents

6.1 Analyses of submitters

A total of 193 CL were submitted to DP2020. First, the CL submitters' backgrounds are considered. Table 2 categorizes the submitters into six types: preparers, standard setters and professional bodies, academics (including university students), professional accountants/auditors, users and others. If attributing a submitter's background to one of the specific

Table 2. Classification of general opinions (CL to DP2020)

Types of submitters/preferences	Impairment	Amortization	Neither (mixed view/not indicated)
Preparers (total: 45)	5 (11%)	32 (71%)	8 (18%)
Standard Setters and Professional Bodies (total: 43)	11 (26%)	24 (56%)	8 (18%)
Academics (total: 42)	25 (59%)	10 (24%)	7 (17%)
Professional Accountants/Auditors (total: 33)	13 (39%)	11 (33%)	9 (28%)
Users (total: 21)	7 (33%)	11 (52%)	3 (15%)
Others (total: 9)	2 (22%)	5 (56%)	2 (22%)
Total	63	93	37

Source(s): Authors' own work

categories was difficult, it was included in "others." To minimize inconsistent categorizations, two authors read each CL and confirmed the classification of its argument.

Table 2 shows that preparers, standard setters and professional bodies and academics sent 45, 43 and 42 CL, respectively, while professional accountants and auditors sent 33. Users sent 21 letters, and the remaining 9 letters were classified as being sent by "others." Although banks or other types of financial institutions can be both preparers and users, they were consistently classified as preparers. The users category generally includes securities analysts (and their organizations) and investment funds. Table 2 also indicates the CL submitters' general stance to accounting for goodwill, as with similar studies, which categorize the overall position reflected in the CL (e.g. Larson, 2008). In DP2020, the IASB lists the detailed topics to be considered for reintroducing the amortization (with impairment test) method [30]. Those topics cover onerous technical issues requiring deep consideration from different angles. To consider whether the standard should retain the impairment-only approach for goodwill, the IASB asked a specific question below (Question 7), and this study limits its scope to the CL submitters' replies to this question:

Question 7

(a) Do you agree that the Board should not reintroduce amortization of goodwill? Why or why not? (If the Board were to reintroduce amortization, companies would still need to test whether goodwill is impaired.).

Since Question 7 asks the respondents' overall position (support/impairment-only or opposition/amortization) and attribution of their arguments [31], it carries no risk of incorrect categorization. If an item is difficult to classify into either impairment or amortization, it is classified as "neither." According to Table 2, although DP2020 suggests retaining the impairment-only approach, based on our classification, almost half of all respondents indicated a negative stance toward retaining it. Indeed, the majority of preparers were against the existing impairment-only approach; however, most academics (including university students) were not in favor of reintroducing amortization.

We conducted the same analysis for the CL submitted to the IASB's exposure draft published in 2002 (IASB, 2002), which suggests the abolition of the amortization method in IAS 22 and attempts to introduce the impairment-only approach. While the questions included in the document are diverse, for the purpose of categorizing the arguments on the accounting treatment of goodwill, we limited our focus to the answers in the following part (Question 8):

Question 8 – Goodwill.

The Exposure Draft proposes that goodwill acquired in a business combination should be recognized as an asset and should not be amortized. Instead, it should be accounted for after initial recognition at cost, less any accumulated impairment losses. Do you agree that goodwill acquired in a business combination should be recognized as an asset? If not, how should it be accounted for initially, and why? Should goodwill be accounted for after initial recognition at cost less any accumulated impairment losses? If not, how should it be accounted for after initial recognition, and why?.

A total of 137 CL were sent to the IASB. The backgrounds of CL submitters and their ideas regarding the pros and cons of introducing the impairment-only approach are classified in Table 3. It shows that preparers, standard setters and professional bodies and professional accountants and auditors sent 45, 41 and 27 CL, respectively. Although users sent fewer CL than in 2020, the general distribution of CL submitters shows no conspicuous difference. However, compared to 2020, considerably fewer academics sent letters in 2002. Regarding the general stance on the accounting treatment for goodwill, as with the more recent CL, the

Table 3. Classification of general opinions (CL to ED2002)

Types of submitters/preferences	Impairment	Amortization	Neither (mixed view/not indicated)
Preparers (total: 45)	22 (49%)	10 (22%)	13 (29%)
Standard Setters and Professional Bodies (total: 41)	10 (24%)	26 (64%)	5 (12%)
Professional Accountants/Auditors (total: 27)	7 (26%)	15 (56%)	5 (18%)
Users (total: 17)	6 (35%)	5 (29%)	6 (36%)
Academics (total: 4)	1 (25%)	1 (25%)	2 (50%)
Others (total: 3)	1 (33%)	0 (0%)	2 (67%)
Total	47	57	33

Source(s): Authors' own work

results show that the proportion of those in favor of amortization was slightly higher [32]. Furthermore, notable changes include an increase in the proportion of preparers and users who support goodwill amortization (preparers: from 22% to 71%, users: from 29% to 52%), as well as an increase in the proportion of professional accountants/auditors who support the impairment-only approach (from 26% to 39%).

6.2 Analyses of arguments in comment letters

Based on the above classificatory framework, the arguments in the CL were categorized and counted – if one single CL included multiple arguments, they were all counted. Table 4 summarizes the arguments supporting the CL submitters' opinions on accounting for goodwill in both 2002 and 2020. Even though the number of instances of each argument is indicated, the proportion of each is more useful, since the total number of CL is different in the two periods.

A common feature of CL during both periods was that the arguments were centered on goodwill itself. In particular, many proponents of goodwill amortization argued that goodwill is a wasting asset and that the useful life of goodwill is limited. Additionally, many of the arguments concerned the internal generation of goodwill, saying that it tends to be overstated. As such, the useful life of goodwill and its verifiability drew CL submitters' attention. Moreover, many of the arguments involved the topics of the goodwill impairment test, the efficiency of which seemed to be important to many of the CL submitters.

While the overall distribution of arguments appears to have remained unchanged, some differences caught our attention. As shielding was not discussed in 2002, the number of arguments on it increased from 0 to 19 (6.3%). Likewise, the number of arguments on the procyclical effects increased from 1 (0.6%) to 13 (4.3%). Notably, these arguments came into the spotlight after the introduction of the impairment-only approach, and most of those who made arguments based on these new concepts supported the amortization of goodwill ("shielding effect": 16 out of 19 and "procyclicality": 11 out of 13). The subsequent subsection will present an analysis based on the distinction between conceptual arguments and arguments based on economic effects.

6.3 Further comparative analysis

Table 5 particularly summarizes the number and proportion of conceptual and real effects arguments in both periods, revealing that there were more conceptual arguments in both periods. When viewed as a percentage, there was no obvious change from 2002 to 2020, except for an increase in the number of CL submitters taking a neutral position in 2020.

Table 4. The classification of arguments in the CL

Arguments	N (2002)	N (2020)	Position (2002)	Position (2020)
Conceptual				
Goodwill is (is not) a wasting asset/has (does not have) a finite life and reasonably reflects (does not reflect) the consumption of value	43 (25.3%)	73 (24.1%)	Amortization: 26 Impairment: 13 Neither: 4	Amortization: 50 Impairment: 14 Neither: 9
The useful life of goodwill and its impairment test/ is (is not) subjective/ rigorous/optimistic/reliable/verifiable	31 (18.2%)	51 (16.8%)	Amortization: 14 Impairment: 13 Neither: 4	Amortization: 20 Impairment: 23 Neither: 8
Goodwill is (is not) overstated/ contains (does not contain) internally generated goodwill	33 (19.4%)	31 (10.2%)	Amortization: 27 Impairment: 2 Neither: 4	Amortization: 20 Impairment: 5 Neither: 6
Impairment test is (is not) timely	2 (1.2%)	25 (8.3%)	Amortization :1 Impairment: 1 Neither: 0	Amortization: 17 Impairment: 6 Neither: 2
Goodwill/impairment loss has (does not have) information content and is (not) useful/transparent	12 (7.0%)	23 (7.6%)	Amortization: 5 Impairment: 7 Neither: 0	Amortization: 7 Impairment: 10 Neither: 6
Shielding effects matter (do not matter)	0	19 (6.3%)	Amortization: 0 Impairment: 0 Neither: 0	Amortization: 16 Impairment: 1 Neither: 2
Goodwill/impairment loss has (does not have) confirmatory value	0	4 (1.3%)	Amortization: 0 Impairment: 0 Neither: 0	Amortization: 1 Impairment: 2 Neither: 1
Goodwill/impairment loss is (is not) verifiable/reliable	1 (0.6%)	2 (0.7%)	Amortization: 1 Impairment: 0 Neither: 0	Amortization: 1 Impairment: 0 Neither: 1
Real effects				
Impairment test is (is not) costly	16 (9.4%)	41 (13.5%)	Amortization: 12 Impairment: 2 Neither: 2	Amortization: 22 Impairment: 10 Neither: 9
Impairment test is (is not) complex/ complicated	28 (16.5%)	19 (6.3%)	Amortization: 20 Impairment: 7 Neither: 1	Amortization: 13 Impairment: 3 Neither: 3
Impairment test is (is not) time-consuming	3 (1.8%)	2 (0.6%)	Amortization: 0 Impairment: 2 Neither: 1	Amortization: 0 Impairment: 1 Neither: 1
There are (are not) procyclical effects	1 (0.6%)	13 (4.3%)	Amortization: 1 Impairment: 0 Neither: 0	Amortization: 11 Impairment: 1 Neither: 1

Source(s): Authors' own work

Table 5. Number and proportion of conceptual and real effects arguments

	Amortization		Impairment-only		Neither	
Types of arguments	2002	2020	2002	2020	2002	2020
Conceptual arguments	74 (43.5%)	132 (43.6%)	36 (21.2%)	61 (20.1%)	12 (7.1%)	35 (11.5%)
Real effect (economic) arguments	33 (19.4%)	46 (15.2%)	11 (6.5%)	15 (5.0%)	4 (2.4%)	14 (4.6%)

Source(s): Authors' own work

Although multiple types of arguments were counted in some CL, the number and proportion of pro-amortization arguments exceed the impairment-only approach.

To gain deeper insight, it is useful to further categorize the conceptual arguments, and as mentioned above, the consistency between rules and principles/concepts must be considered during accounting standard setting. This can be divided into internal consistency with reference to the general conceptual framework and consistency in the application of specific accounting standards (Wüstemann and Wüstemann, 2010, p. 2). Accounting standard setters occasionally use the conceptual framework to rationalize their standard-setting activities (Chakravarthy and Goloshchapova, 2025). Pelger (2020, p. 47) states that the consideration of qualitative characteristics in the conceptual framework is important for the accounting standard setter to favor one particular measurement basis. Nobes and Stadler (2015) also imply that qualitative characteristics are more often referred to if the change relates to a more important accounting policy decision, such as those on measurement issues. Following these studies' viewpoints, we divided the conceptual arguments into two categories: those based on general concepts related to the qualitative characteristics of information in the conceptual framework and those specific to goodwill. Below shows the classification of conceptual arguments into goodwill-specific ones (C-GW) and those that rely on general accounting concepts stipulated in the conceptual framework (C-CF):

Conceptual arguments on conceptual framework (C-CF)

- It is (is not) verifiable/reliable
- It has (does not have) confirmatory value
- It has (does not have) information content and is (not) useful/transparent
- It is (is not) subjective/ rigorous (optimistic)
- Impairment test is (is not) timely
- It reasonably reflects (does not reflect) the consumption of value

Conceptual arguments on goodwill (C-GW)

- It is (is not) overstated/contains (does not contain) internally generated goodwill
- It is (is not) a wasting asset/has (does not have) a finite life
- Shielding effects matter (do not matter)

The C-CF category focuses on concepts such as verifiability and information content relevant to the qualitative characteristics of information in the conceptual framework of the IASB, a key fundamental concept of which is timeliness. Additionally, the impairment of assets is not limited to goodwill, and therefore, the argument about whether or not an impairment test is timely is included in the C-CF category. As a result, the C-GW category includes arguments related to internally generated goodwill, the useful life of goodwill and the shielding effect.

Table 6. Classification of two types of conceptual arguments

Classified conceptual arguments	Amortization 2002	Amortization 2020	Impairment-only 2002	Impairment-only 2020	Neither 2002	Neither 2020
C-CF	**21 (40.4%)**	**46 (43.8%)**	**21 (40.4%)**	**41 (39.1%)**	10 (19.2%)	18 (17.1%)
C-GW	53 (69.7%)	86 (69.4%)	15 (19.7%)	20 (16.1%)	8 (10.6%)	18 (14.5%)

Source(s): Authors' own work

Table 6 shows the result of the classification. Comparing the conceptual arguments in the CL in 2002 and 2020, the proportion (the percentages of conceptual or goodwill-specific arguments and of supporting amortization or non-amortization) remains stable. Of particular note is that, while the percentage of respondents supporting goodwill amortization remains consistently high for conceptual arguments specific to goodwill, regarding the arguments based on general accounting concepts, the percentages of those supporting amortization and the impairment-only approach are almost equal.

Presumably, the conceptual arguments that are unique to goodwill are limited in scope and lack comprehensive normativity, making it difficult to draw a definitive conclusion about a specific accounting treatment [33]. Conversely, arguments relying on the conceptual framework are more universal and persuasive. Assuming that the IASB places more emphasis on general conceptual arguments, it would have been difficult for it to support either side of the split regarding the arguments on the accounting treatment for goodwill (highlighted in Table 6).

From a different angle, in the current climate of EBPM, where interested parties in the accounting standard-setting process tend to place more emphasis on real economic effects-based arguments, such as the cost of conducting goodwill impairment tests, the IASB faces a difficult dilemma in selecting whose costs and benefits should be used as specific evidence for its decision. Moreover, the absence of a clear increase in arguments emphasizing real effects in the 2020 CL is consistent with the IASB's decision to maintain the status quo.

6.4 Supplemental text analysis of the entire comment letters

The above analysis of the two sets of CL submitted to the IASB's documents on the accounting for goodwill highlights at least two points. First, there were more conceptual arguments than those based on real economic effects. For example, many CL mentioned the conceptual issues of whether goodwill has a useful life, whether it can be determined uniformly and whether it does not include internally created goodwill. Second, in the recent CL, the proportion of real effects-oriented arguments is slightly less, decreasing from 28.3% in 2002 to 24.7% in 2020. Although this change may seem small, determining whether this is a general trend is worth investigating.

Table 7. Classification of arguments and legitimation types

Arguments	Selected keywords
Goodwill includes internally generated goodwill	Internally generated goodwill
Impairment test is subjective and not rigorous (or objective and rigorous)	Subjective, objective, rigorous
Impairment test (or amortization) is verifiable	Verifiable, verifiability, verify, verifies, verified
Goodwill is a wasting asset/has a finite life	Wasting asset, finite, infinite, definite, indefinite
Amortization reflects the consumption of goodwill	Consumption, consume, consumed, consumes
Impairment test result has information content and is useful	Information content/value
Impairment test contains confirmatory value	Confirmatory
Impairment test is timely	Timely, timeliness
Impairment-only approach has procyclical effects	Pro-cyclical, procyclicality
Impairment test is timely	Timely, timeliness
Impairment test is complicated	Complicated, complex, complexity
Impairment test is time-consuming and inefficient	Time-consuming, efficient, inefficient
Impairment test is costly	Cost, costly

Source(s): Authors' own work

We thus conducted a text analysis to examine if the overall content of the two sets of CL (one for 2002 and one for 2020) focused less on economic consequences, viewing each CL as a way for a submitter to present their arguments, while examining how often each argument was represented using some representative keywords. The text-coding software MAXQDA was used to extract the keywords from the text of each CL to identify the overall stance of CL in 2002 and 2020. Table 7 indicates the selected keywords based on the different arguments on accounting for goodwill, while Table 8 summarizes the text-coding results, showing that the average length of a CL for DP2020 was slightly longer than that for ED2002.

Table 9 summarizes the changes in the levels of use of the selected keywords. It reveals that the use of some general conceptual words such as "subjective, objective, rigorous" and "timely, timeliness" increased while the use of the words "wasting asset, finite, infinite, definite, indefinite" decreased, reflecting a slight shift in the CL submitters' concerns – from the characteristics of goodwill itself to the conceptual soundness of the existing goodwill accounting standard. While there was an increase in the use of the words "complicated, complex, complexity," there was a greater decrease in the use of the words "cost, costly," implying less weight was given to concerns about real effects in the entire set of CL in 2020, which is consistent with our analysis in the previous sections.

Table 8. Descriptive statistics of CL

Comment letters	Mean	Min.	Median	Max.
CL to DP2020				
No. of words	5,072	208	4,581	36,975
PDF pages	13.30	1	13.00	97.00
CL to DP2002				
No. of words	4,466	274	4,339	16,433
PDF pages	11.61	1	11.00	37.00

Source(s): Authors' own work on MAXQDA

Table 9. Comparative analysis of the frequency of the keywords used in the CL

Keywords	Proportion in 2002 (number)	Proportion in 2020 (number)	Change (%)
Internally generated goodwill: C-GW	4.5% (169)	3.4% (190)	−1.1
Subjective, objective, rigorous: C-CF	4.9% (184)	16.6% (928)	+11.7
Verifiable, verifiability, verify, verifies, verified: C-CF	0.2% (8)	1.7% (97)	+1.5
Wasting asset, finite, infinite, definite, indefinite: C-GW	33.8% (1,259)	9.6% (533)	−24.2
Consumption, consume, consumed, consumes: C-GW	1.1% (40)	4.4% (244)	+3.3
Information content/value: C-CF	0.05% (2)	0.7% (38)	+0.65
Confirmatory: C-CF	0.03% (1)	0.7% (38)	+0.67
Timely, timeliness: C-CF	0.4% (15)	14.9% (830)	+14.5
Pro-cyclical, procyclicality: RE	0% (0)	0.1% (8)	+0.1
Complicated, complex, complexity: RE	3.8% (143)	13.2% (736)	+9.4
Time consuming, efficient, inefficient: RE	0.5% (17)	0.7% (37)	+0.2
Cost, costly: RE	50.6% (1,882)	34.0% (1,899)	−16.6

Source(s): Authors' own work

7. Conclusion

The IASB's standard-setting process is complicated and regarded as a "black box" because of the lack of an apparent connection between the observable inputs to the Board's standard setting and the output from the previous process (Cortese and Irvine, 2010). The IASB's legitimacy, in particular its output legitimacy, thus requires further study (Thies, 2025). Earlier studies analyzed the content of submitted CL to identify the characteristics and motivations of those who submitted them in relation to the outcome of standard setting (e.g. Arce *et al.*, 2023; Giner and Arce, 2012; Hansen, 2011; Jorissen *et al.*, 2012; Larson, 2007; Larson, 2008; Larson and Herz, 2011; Pelger and Spieß, 2017). To develop this line of research, the present study classified the arguments of interested parties in the CL submitted to the two IASB documents on goodwill accounting published in 2002 and 2020. Our comparative analysis revealed that conceptual arguments consistently accounted for a large proportion of the various argument types in the CL. We can interpret the finding that arguments concerning the economic consequences of accounting for goodwill have not particularly increased as the indication that the real effects problem associated with the introduction of the impairment-only approach has not become significant [34].

This study further categorized conceptual arguments in CL as based either on general accounting concepts or goodwill to conduct a comparison across two periods. For example, the former pertains to assertions about the timeliness and predictive value of information, while the latter includes arguments regarding internally generated goodwill and its finite/infinite value. Our analysis revealed that the arguments specific to goodwill largely supported the amortization method, and this proportion remained substantial throughout both periods. Based on the IASB's final decision, it is reasonable to assume that the topic-specific conceptual arguments may not be convincing.

We also found that the arguments based on general concepts remain split between support for the amortization approach and the impairment-only approach. This would reflect the difficulty the IASB faces in making decisions based on the conceptual frameworks, such as the qualitative characteristics of accounting information. The conceptual vagueness in the conceptual frameworks has attracted attention in recent studies on accounting standard setting (Kabir and Rahman, 2018; Orthaus *et al.*, 2023; Georgiou, 2024), but the extent to which it can be exploited politically (e.g. Chakravarthy and Goloshchapova, 2025) requires further research.

Furthermore, this study considers these results from the perspective of real effects, such as the costs and benefits of the existing impairment-only approach (or the amortization with impairment approach), as the IASB seems to lack agreement on what constitutes appropriate evidence (e.g. academic research, practice-based wisdom, professional expertise, lay-citizen observations) and the appropriate assumptions underlying that evidence (Baudot and Wallace, 2023). In fact, the number of economic arguments in the 2020 CL showed only a slight downward trend from 2002, if not stability, and in such circumstances, the IASB would have been reluctant to overturn the existing standards based on some specific evidence. Despite the tendency of regulators to mobilize evidence of costs and benefits to justify rulemaking decisions (Baudot and Wallace, 2023), in this case of accounting for goodwill, the IASB relied on non-evidence for their decision to not change existing standards given the potential switching costs. This recent tendency of maintaining the status quo in the absence of conclusive evidential benefits to change may be useful in understanding regulatory or institutional stability and inertia.

Finally, this study has some limitations. First, the classification of interested parties' arguments into various categories remains subjective, although two authors cross-checked the results. Additionally, the authors constructed the categories on the basis of various documents published by the IASB and other accounting standard setters, which may not contain relevant arguments [35]. Despite the subjectivity involved in the categorization, this study distinguished the conceptual arguments related to the characteristics of goodwill from those based on general accounting concepts and offered a new insight. However, it is still hypothetical if accounting standard setters place more emphasis on arguments based on general accounting concepts than on those based on specific accounting concepts. We hope future research will explore whether this viewpoint can help us understand how accounting standards maintain the status quo or change over time.

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Notes

[1.] We have referred to information from the IFRS Foundation (www.ifrs.org/use-around-the-world/use-of-ifrs-standards-by-jurisdiction/) to ascertain the jurisdictions in which IFRS standards are either permitted or required for their domestic public companies.

[2.] The FASB also deliberated the accounting treatment of goodwill for several years, deciding to retain the current impairment-only approach. In a meeting held in June 2022, the FASB finally opted to drop its project on identifiable intangible assets and the subsequent accounting for goodwill. The chair of the FASB, Richard Jones, did not add the project to the board's research agendas but agreed that it would continue to monitor the topic.

[3.] It is a commonly held view that the goodwill impairment test is necessary even in the context of the reintroduction of amortization. However, the question of whether the application of goodwill amortization would present challenges in identifying impairment losses is a distinct research topic in itself.

[4.] This is generally defined as the concerns identified in the impairment model under the current accounting standards that the impairment-only approach recognizes too few losses on goodwill too late. For example, Accounting Standard Board of Japan, European Financial Reporting Advisory Group and the Italian Standard Setter, the Organismo Italiano di Contabilità (OIC) (ASBJ *et al.*, 2014, para. 94) pointed out the issue with reference to Laghi et al. (2013), who examined a sample of 3,112 companies listed in the UK during the period 2008-2012 and found that only 133 companies (4.2%) had recognized an impairment loss higher than 5% of goodwill.

[5.] For example, the US FASB's actions may have influenced the IASB's final decision at that time. The introduction of the impairment-only approach and the interested parties' reactions in the US were investigated in Anantharaman (2015).

[6.] Owing to the limits of deductive conceptual frameworks, there is often a mismatch between the conceptual thinking of standard setters and their standards (Orthaus *et al.*, 2023, p. 71). Thus, the circular nature of discourse in accounting standard setting is demonstrated (Orthaus *et al.*, 2023, p. 72).

[7.] The IFRS Foundation states on its website that "In analysing comment letters we evaluate the respondents' views and the explanations and evidence they provided to support those views. We place particular weight on the strength of a respondent's analysis and substantiating (or supporting) evidence, rather than the mere frequency of a particular view" (www.ifrs.org/projects/comment-letter-faq/?utm_source=chatgpt.com.

[8.] For instance, Barth (2008) argues that globally uniform accounting standards would decrease three types of related costs. First, the costs incurred by global firms in preparing and auditing their financial statements; second, the costs incurred by financial statement users in interpreting the corporate financial statements issued by various countries; and third, as a result of these benefits, the cost of capital for global firms.

[9.] Using environmental determinism theory, Rodrigues and Craig (2007) describe the differences in tradition, history, religion, and culture among different countries and the effects of these differences on opinions, rules, and business accountability, which are not adequately reflected in harmonized accounting standards.

[10.] Bengtsson (2011) also highlighted the repoliticalization of accounting standard setting after the financial crisis.

[11.] For example, it theoretically explains how local accounting initiatives are informed and shaped by widely accepted, idealized accounting practices, such as IFRS (Wickramasinghe and Alawattage, 2018, p. 17).

[12.] Stenka (2022) indicates that the IASB strategically determines how to be seen as an "entity" that enacts the "law of accounting" to produce "good" accounting solutions and engage in "appropriate" regulatory actions.

[13.] According to Middleton *et al.* (2011, p. 391), "Rhetoric is not constituted simply by texts or textual fragments, but through a combination of material contexts, social relationships, identities, consciousnesses, and (interrelated) rhetorical acts that produce meanings and that are co-constructed between rhetor, audience, and particular contexts."

[14.] According to Marquez (2016, p. 21), the dominants, backed by institutions, make use or take advantage of certain shared or public normative discourses to justify their position and authority over the dominated.

[15.] For example, drawing on the viewpoint of Young (2003), Masocha and Weetman (2007) introduced this Aristotelean classification of rhetoric to analyze the standardization of going concern audits.

[16.] In addition to these, Stenka and Taylor (2010) incorporate another classification that includes both.

[17.] There remain more categorizations of the comment letters in the previous studies on accounting standards setting. For instance, O'Keefe and Soloman (1985) ranked the CL submitters' opposition intensity. MacArthur (1988a) classified the arguments in the CL as either profit-increasing or profit-decreasing. Moreover, Jupe (2000) introduced a unique method that identifies self-referential arguments relevant to the submitter's situation or interests. Hughes *et al.* (2017) introduced the construct of comment letter quality based on its length and content.

[18.] Napier and Stadler (2020) state that the notion of studying real effects of financial reporting provisions has been increasingly advocated particularly over the past 10–15 years.

[19.] This statement is available at https://www.ifrs.org/academics/

[20.] As of February 2020, goodwill totaled $8tn worldwide (Linsmeier and Wheeler, 2020, p. 109).

[21.] Although over 280 global firms have voluntarily switched to IFRS, more than 3,000 Japanese listed firms still use J-GAAP (Generally Accepted Accounting Principles), which requires companies to amortize purchased goodwill within 20 years. The former chairman of the IASB acknowledged that accounting for goodwill is a matter of concern in Japan. Indeed, in the Accounting Standards Advisory Forum (ASAF) meeting held in July 2017, a representative of the ASBJ presented two papers and sought feedback from ASAF members. The first paper was based on in-depth interviews with eleven Japanese analysts, summarizing their views on goodwill. The second paper presented a possible approach to address concerns that the recognition of impairment losses of goodwill is too late or too small.

[22.] Its mission is to serve the European public interest by developing and promoting European views in the field of financial reporting and ensuring that these views are properly considered in the IASB standard-setting process and related international debates.

[23.] OIC is the organizational equivalent of an Italian accounting standard setter.

[24.] The objectives of DP2014 were to: (a) summarize relevant discussions around the accounting requirements for goodwill acquired in a business combination, including feedback from stakeholders on the surveys conducted by those organizations; (b) explore alternative approaches regarding the accounting and disclosure requirements of acquired goodwill (except for those relating to negative goodwill) and draw a tentative conclusion on how to address shortcomings identified by the stakeholders; and (c) provide additional considerations for the accounting treatment of intangible assets.

[25.] Based on the survey results, Chapter 1 of DP2014 indicates a shared view that the informational content of impairment losses has only confirmative value (rather than being both confirmative and predictive), and that the impairment-only approach has conceptual shortcomings because the process results in the recognition of internally generated goodwill. Furthermore, some survey respondents believed that impairment testing does not reflect the negative performance of an entity in a timely fashion (ASBJ *et al.*, 2014, para. 41). Others said that the current requirements are costly and involve much judgment, because of the assumptions required, and, therefore, the information is not relevant for users (ASBJ *et al.*, 2014, para. 42).

[26.] The PIR processes contain the information gathered from interested parties (such as investors, other users of financial statements, preparers, auditors and regulators) and an academic literature review. The summary of findings in the first part of the report (IASB, 2015, pp. 5-7) indicates two conflicting or divergent viewpoints and one common understanding regarding the amortization and impairment of goodwill.

[27.] For a comprehensive review of the development of accounting standards for goodwill, see Wen and Moehrle (2016).

[28.] In the second part, the IASB analyzed whether: (a) companies can provide investors with better information on acquisitions, particularly their subsequent performance (Section 2); (b) the impairment test could be made more effective at recognizing impairment losses on goodwill in a timely manner and at a reasonable cost (Section 3); (c) the amortization of goodwill should be reintroduced (Section 3); (d) the impairment test should be amended to reduce its cost and complexity (Section 4); and (e) intangible assets should be included within goodwill (Section 5) (para. 1.6). For the remainder of this section, the focus is on (c).

[29.] Hamberg and Beisland (2014) argue that goodwill impairments lost value relevance after the switch from Swedish GAAP to IFRS. However, it is also interesting that goodwill amortizations were not value-relevant prior to the adoption of IFRS 3 in their study.

[30.] They are (a) how the useful life of goodwill should be determined; (b) whether the useful life should have an upper limit; (c) how the amortization method should be determined; (d) whether the annual reassessment of the amortization method and useful life should be required; (e) whether amortization should also be required for intangible assets with indefinite useful lives; (f) how to allocate impairment losses to carrying amounts of goodwill arising from different acquisitions; (g) how to allocate goodwill arising from different acquisitions on disposal or reorganization; (h) what transitional arrangements should apply; and (i) what related presentation and disclosure requirements should apply.

[31.] If necessary, the replies to one of the relevant questions in Question 6 (c): "Would reintroducing amortization resolve the main reasons for the concerns that companies do not recognise impairment losses on goodwill on a timely basis? Why or why not?" were analyzed to classify their rhetorical field.

[32.] As the stance of preparers and professional accountants/auditors changed relatively more than others, we have reviewed our data to see if some of them sent CL in both 2002 and 2020. We have identified that 7 preparers and 6 auditors (accounting firms) sent CL in both periods. Among them, 9 of them changed their stance while the remaining 4 took the same stance. Among those 9 CL submitters, 4 changed from impairment/neutral to amortization, 4 from amortization to neutral/impairment, and 1 from neutral to impairment.

[33.] In this respect, Hellman and Hjelström's (2023) conceptual study of the components of goodwill is a rare attempt.

[34.] The IASB deliberated cost-saving approaches to the goodwill impairment test after the introduction of the impairment-only approach. However, it acknowledges that the academic evidence is mixed on this subject (IASB, 2019).

[35.] For example, the FASB in the US was also considering accounting for goodwill at the same time, but both boards were not officially working together for this standard setting. However, as the conclusions of them were almost the same in the end, it would be interesting to investigate as a separate topic what kind of information exchange there was.

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