



# Standard Setter Discussion of “A Proposal for Goodwill Accounting”

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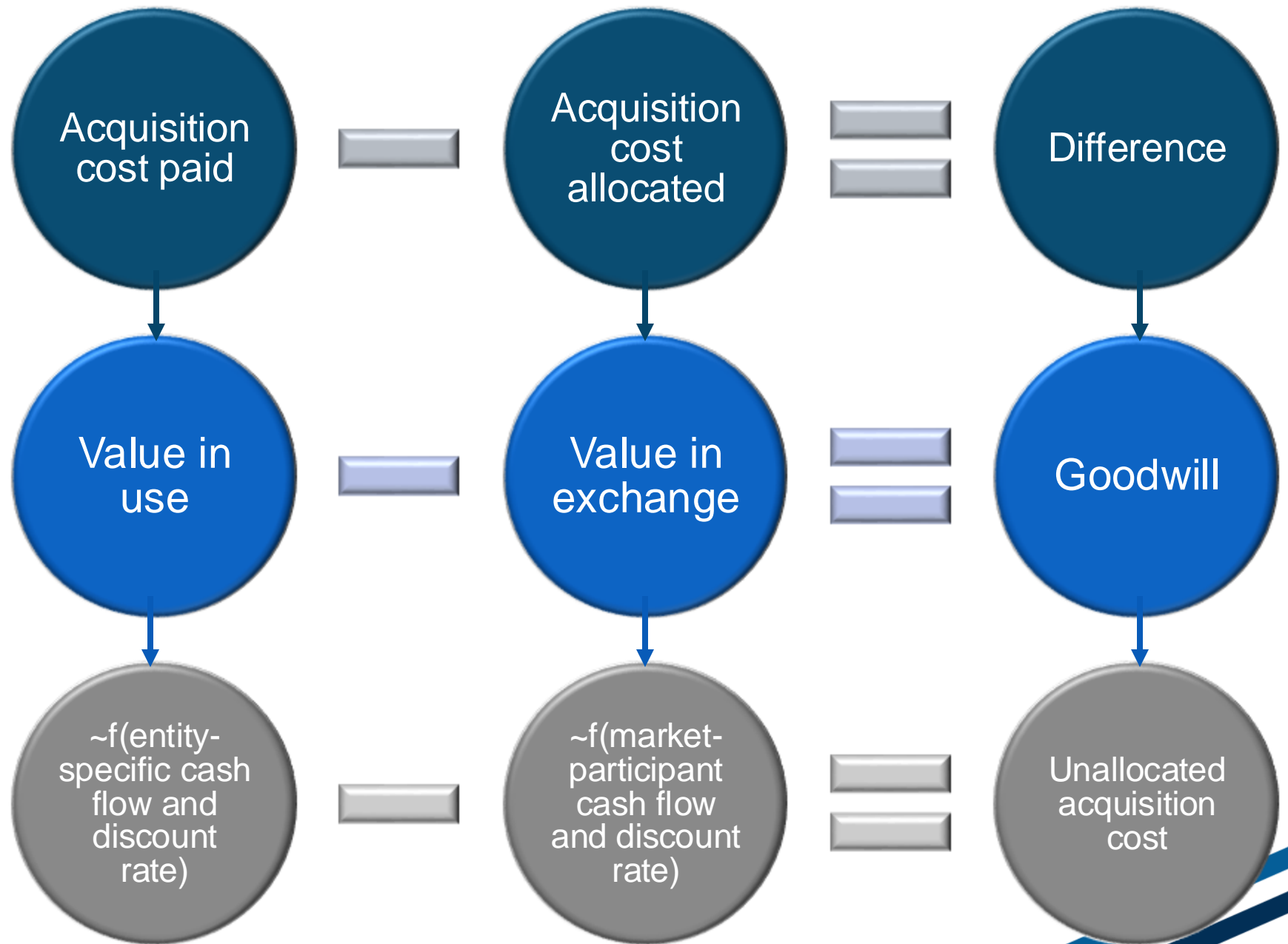
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Official positions of the FASB are reached only after extensive due process and deliberations



Economic nature  
of goodwill is  
unresolved

Setting coherent  
business  
combination  
accounting  
standards  
remains elusive

# The Existing Model



Book value instead?

# Statement of Comprehensive Income

Forecast cash flows

Assess success (failure) of past investments

Existing business combination accounting does NEITHER well

Fair value measurement disrupts historical relationships

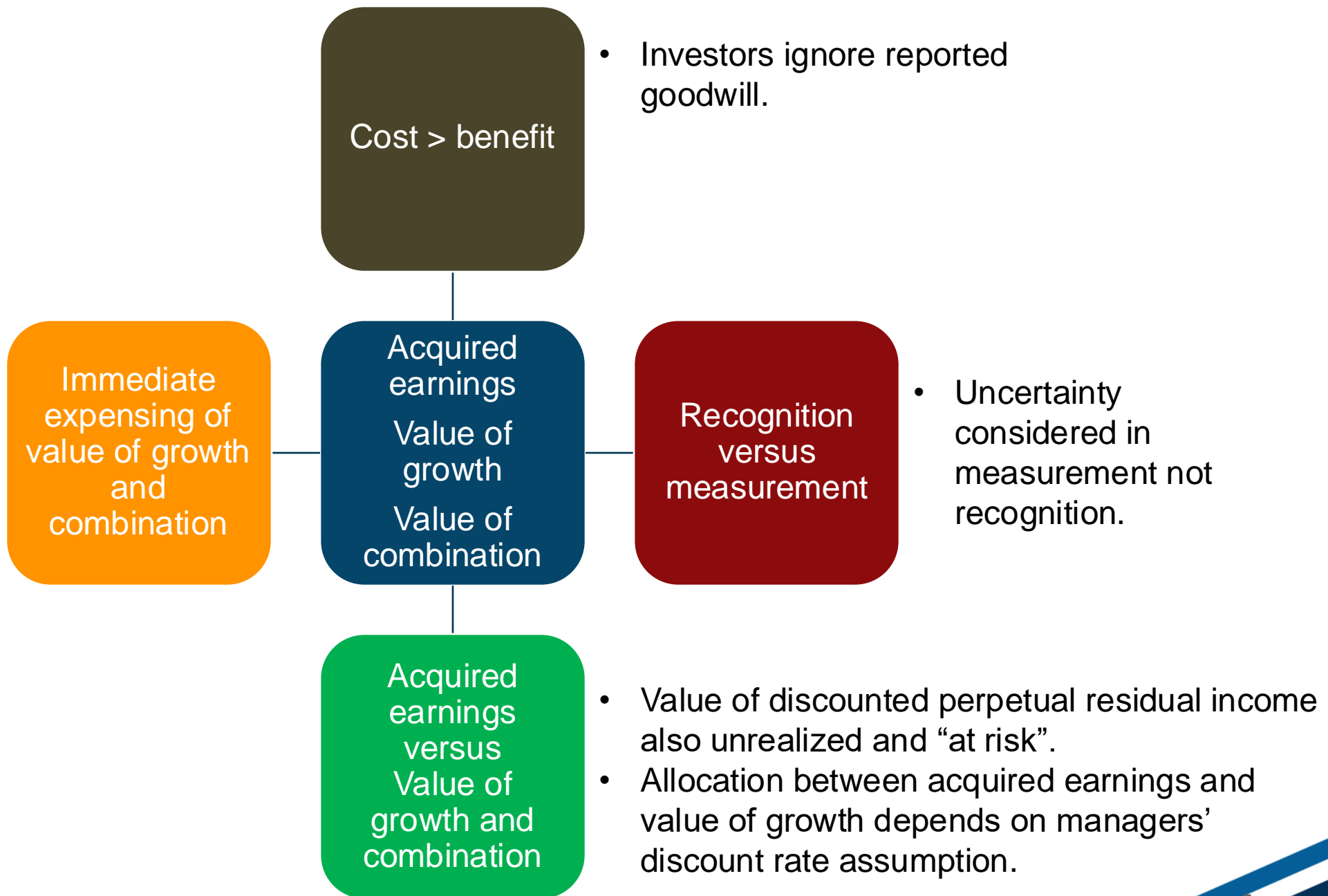
Allocate BV

Failure to recognize full cost of acquisition

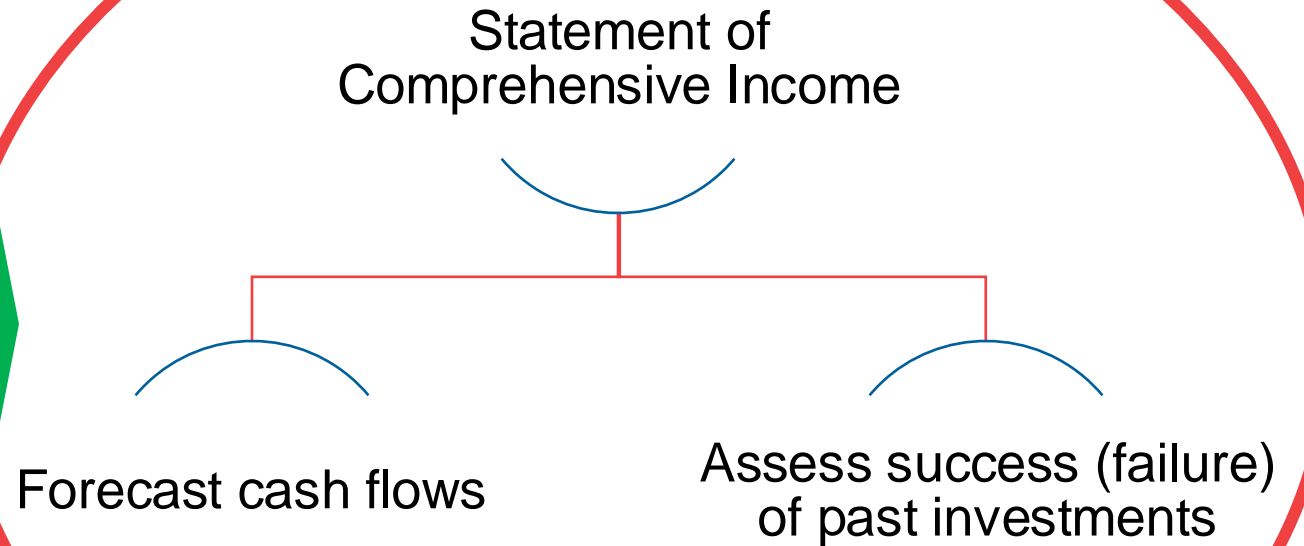
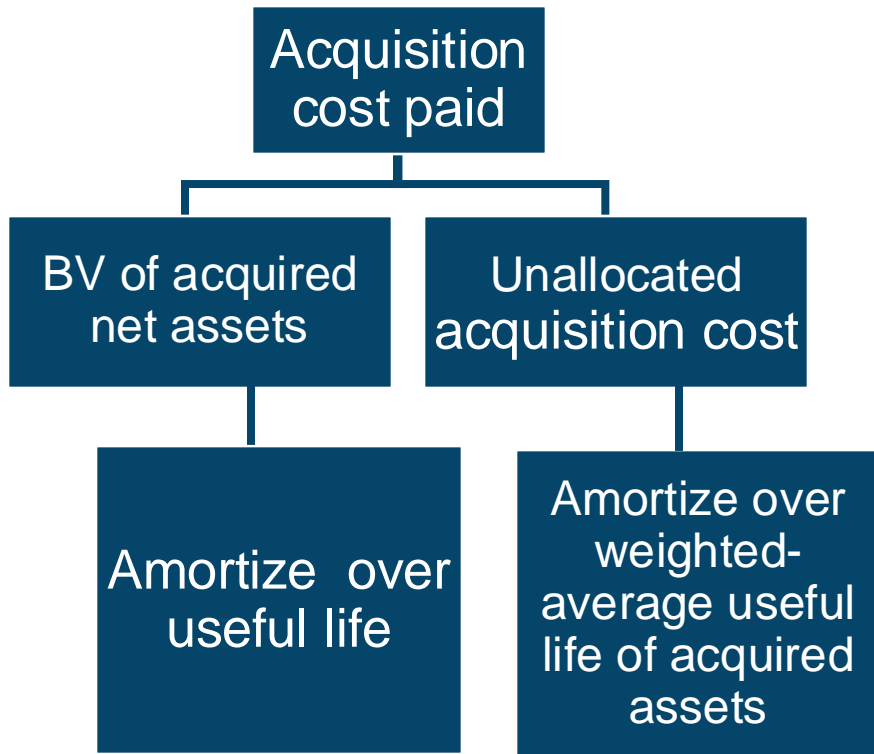
- Acquired earnings
- Value of growth
- Value of combination

Comprehensive income is:

- Understated in period of acquisition.
- Overstated in subsequent periods.







# An Alternative “Proposed Solution”





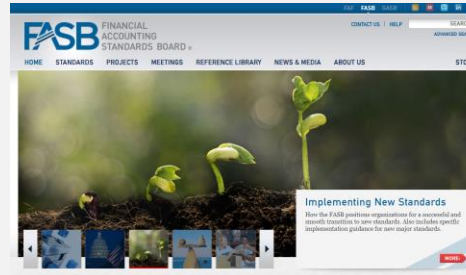
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