

ACCOUNTING, ANALYSIS AND AUDITING

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GOODWILL AS AN ACCOUNTING CATEGORY

Yustyna Veryha*, PhD in Economics, Professor
Olena Koba**, PhD in Technical Sciences, Associate Professor
National University «Yuri Kondratyuk Poltava Polytechnic»
Roza Nurgalieva***, PhD in Economics, Associate Professor
Karaganda Economic University of Kazpotrebsoyuz

*ORCID 0000-0002-3638-7994

**ORCID 0000-0003-1914-3119

***ORCID 0000-0002-9713-8262

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Introduction. A variety of intangible assets acquire an increasing use in the context of today's economic activity of enterprises. These are accounting objects that unique in their characteristics, composition and impact on business results.

A well-known trademark, constant customer base, creative approach to business management, customer trust, patents, intellectual capital form a positive reputation that has a significant impact on the results of a business entity. Their presence in the composition of economic assets increases the market value of the assets and investment attractiveness.

Goodwill is a special type of intangible asset that arises when a business is sold at a market price. Goodwill is the excess of the purchase value of an entity over the present value of all its assets. It is due to the action of a number of important but not quantifiable factors. Despite the prospect of using goodwill as an accounting component, there is a number of problems of theoretical and practical nature concerning its being studied in accounting, among them: interpretation of goodwill essence, method of determining its value and classification. The urgent task for the accounting system development is to identify these problematic aspects.

An overview of the latest sources of researches and publications. These scientists have made a significant contribution to solving goodwill accounting problems: M. Bondar, S. Holov, N. Hrabova, L. Horodianska, L. Dicksee, V. Dyba, V. Yefimenko, G. Canet, A. Kasych, P. Lik, A. Littleton, F. More, V. Peton, V. Podolna, V. Travin, H. Umantsiv, H. Hatfield, L. Shvets, O. Shcherbakova.

In the work by A. Kasych [1] there were systematized the components of goodwill for better understanding its essence and determining the conditions for carrying out the evaluation. There were generalized the methods of goodwill evaluation and the features of its reflection in accounting. To clearly represent the notion "goodwill" as an object of accounting, the author suggests to separate the notion "Business reputation" as an acquired benefit and "goodwill" as an earned one.

S. Kucher, D. Zakharova [2] believe that goodwill understanding is influenced by the following factors: development of the industrialization process; emergence of the intellectual capital market; development of corporate ownership. Their studies allowed them to establish the basic approaches to

definition of the concept "goodwill", i.e.: reputation of the enterprise; positive difference between the investment entity's income and the invested capital; advantage of a business with business connections; amount of excess profits; aggregate of patent law costs, copyright and right to do business, taking into account the use of trade names and trademarks; cost of business connections; cost of the company; prepayment for income the investor wants in the future, etc.

L. Hnatyshyn, O. Prokopyszyn [3] dedicated their study to goodwill essence as an intangible asset. They note that goodwill is one of the most difficult accounting categories. At the same time, the accounting approach to its definition is rather narrow, since it implies understanding of goodwill only with the acquisition or privatization (corporatization). According to the authors, goodwill is the difference between the purchase price and the corresponding buyer's share, which leads to one of two options: positive and negative. As a consequence both types of goodwill: positive and negative must be shown in accounting.

According to Yu. Sudyn [4, 5], goodwill is a specific intangible asset of an enterprise. When summarizing the views of scientists on the structural components of goodwill and their role in accounting, the author concluded that the main elements of goodwill are: intellectual capital, business relationships and brand. According to the author, practical importance of identifying the structural elements of goodwill, on the one hand, allows to reveal methodological aspects of its reflection in the accounting system, and on the other – to develop mechanisms for managing the strategic type of intangible asset.

Ye. Ionin and M. Klepakova [6] distinguished the property and personal components of goodwill. The authors include the assets that directly shape the company's reputation to the property component. This component may be evaluated. According to the authors, the personal component is more conditional and based on the professional skills of the staff and image of the company. Scientists say that the system of formation and management of goodwill should be developed for all its elements in the complex, since each component is a generator of future cash flows, therefore directly influences the increase of goodwill potential. At the same time, the authors see a problem with the lack of universal approach to the evaluation of goodwill and its individual elements.

According to the analysis of publications, the problems of interpretation of goodwill, its evaluation, classification and showing it in accounting are still the subject of scientific debate today. Despite the large number of scientific works and significant scientific achievements in this field, a number of methodological and practical issues related to the interpretation of the concept of "goodwill" and its description in accounting remain unresolved.

The aim of the research is determining the interpretation of goodwill and its major components.

The main material and results. Goodwill depends on a set of measures aimed at improving the company's profitability, talent of managers, qualification and experience of employees, state of business relations of the company in the world of business, its reputation in the market, achieved due to the quality of products (works, services, goods), as well as the use of the latest technologies.

Goodwill is facilitated by the creation of positive relationships between the company and its customers, the achievement of good reputation (as a result of high quality products and the level of service), improving the level of business skills of employees and their attitude towards the customers. Goodwill is an extremely important asset of the company. The success of the service business, to a greater extent, is determined by goodwill, since such an enterprise generally does not have large financial assets.

Goodwill is not included in the financial statements. However, for example, courteous communication with clients of the establishment may have a greater impact on the establishment profitability than the purchase of new equipment to be included in the balance sheet. Goodwill is an achievement of a company with no money spent on. It is constantly changing. Even one case of bad attitude towards the client will be enough to cause a great harm to goodwill.

From an accounting standpoint, goodwill is the difference between the market value of an enterprise as a complete property complex and its book value, resulting from higher profitability through the use of a more efficient management system, the use of new technologies, etc.

The problem of goodwill description in international practice is an important aspect. The methodology recommended for evaluating and accounting for this specific type of intangible asset is shown in IFRS 3 "Business Integration" [7], IFRS 22 "Companies Integration" [8], UAS 19 "Enterprises Integration" [9]. However, there is no single interpretation of goodwill in normative sources (Table 1).

Table 1

Goodwill interpretation due to normative sources

Source 1	Goodwill definition 2
IFRS 3 “Business Integration” [7]	An asset that embodies the future economic benefits arising from other assets acquired in a business combination that cannot be individually identified and individually recognized.
UAS 19 “Enterprises Integration” [9]	Excess of acquisition over the fair value of the acquirer’s identifiable assets, liabilities and contingent liabilities at the acquisition date.
IFRS 22 “Companies Integration” [8], US GAAP, SFAS 142 “Goodwill and other intangible assets” [10]	Exceeding the cost of purchase over the acquired interest in the fair value of identified acquired assets and liabilities
Tax Code of Ukraine [11]	An intangible asset, its value is defined as the difference between the market price and the book value of the assets of the enterprise as a whole property complex, resulting from the use of better management qualities, dominant position in the market of goods, services, new technologies, etc.
Law of Ukraine “On Ratification of the	A set of measures aimed at increasing the profit of the enterprise without a corresponding increase in
Agreement between the Government of Ukraine and the Government of the French Republic on mutual assistance and mutual protection of investments” [12]	active operations, including the use of the best management skills, leadership in the market of goods (works, services), new technologies; Goodwill is determined by the difference between the purchase price and the normal price of the assets concerned.

Analyzing the data in Table 1, while distinguishing common features in the above interpretations, we can formulate the following definition of goodwill. Goodwill is the excess of the market value of a company over its actual value formed by its intelligence capital of business reputation.

Good business reputation of the company is characterized by a strong management team and marketing strategy; high quality of products (services or works); positive financial performance, corporate culture, favorable location, established relationships with suppliers, etc. In this regard, the value of an entity represented by a single property complex differs significantly from the value of its assets and liabilities. Therefore, the buyer's willingness to pay an amount exceeding the value of the real assets of the object they are buying. This means that the buyer expects to receive an extra profit in the future.

The main features of goodwill are the following:

- inseparable from the enterprise;
- arises only with a surplus income;
- acts as a non-depreciable asset.

These characteristics are generally recognized and allow determine the essence of goodwill. However, the views of scientists on the definition of goodwill differ. Analysis of Goodwill interpretations in scientific literature (Table 2) suggests a conclusion that it is complex and multifaceted.

There are several approaches to be underlined when generalizing the views of scientists on the interpretation of the concept “goodwill”:

- 1) goodwill is the set of benefits of an enterprise capable of producing extraordinary profits and acting as resources [16, 17, 18, 19, 20];
- 2) goodwill is an intangible asset that represents the value of business reputation [7, 15, 20];
- 3) goodwill – the assets not reflected in the balance sheet [13, 14].

The first approach allows you to define goodwill as a set of those elements of a business that encourage customers to continue using the services of the enterprise and bring a profit for the latter.

Due to the second approach, goodwill is an intangible asset, its value is defined as the difference between the book value of the enterprise assets and its ordinary value as an integral property complex resulting from the use of better management qualities, a dominant position in the market of goods (works, services), new technologies, etc.

Table 2

Interpretation of the concept "goodwill" in scientific literature

Source 1	Goodwill definition 2
S. Lehenchuk [13]	Intelligence assets of the enterprise, which have not been reflected in accounting, as well as the cost of synergetic effects resulting from the interaction of components of intelligence capital.
A. Rydzevska, O. Salo [14]	An element that embodies intangible components of great value to the enterprise, even though they are not recognized as assets in accounting.
Ye. Ionin, M. Klepakova [7]	An intangible asset that represents the value of goodwill, which is defined as the difference between the cost of acquiring an enterprise as a complete property complex and the value of its net assets on the date of the transactions
S. Sahova [15]	The positive or negative difference between the acquisition cost of the enterprise as a whole and the total value of its net assets, each of which on the acquisition date is measured at fair value.
M. Bondar [16]	Benefits the buyer gets when buying an existing and operating enterprise.
Ya. Sokolov, M. Pyatov [17]	A set of intangible factors (assets), providing a competitive advantage for enterprises and giving the opportunity to earn an additional income.
H. Sinko, V. Bozhko [18]	The set of inseparable intangible benefits of an enterprise, capable of generating extraordinary profit and acting as resources used in financial and economic activities.
B. Nemanja [19]	Is a specific form of intangible properties that is shown in the company balance sheet and talks about business benefits that grow as a result of better customer relationships.
A. Korcheliuk, I. Litvinchuk, H. Tsyhanenko [20]	Is unique an object that allows the firm to generate additional income.

Following the third approach, goodwill refers to business reputation, i.e., a set of measures aimed at profit increasing for the enterprise without a corresponding increase in active operations, including the use of better management skills and dominant position in the market of products (works, services), new technologies, etc.

The analysis of goodwill in various aspects shows that goodwill is an asset that can bring economic benefits to the enterprise. The interpretation of this type of asset as a benefit throughout the enterprise activities stipulates the fact that it should be shown not only during the acquisition or integration, but also during the continuous operation of the enterprise.

Conclusion. The study has allowed determine the basic approaches to the definition of the concept "goodwill" and offer a generalized interpretation of it as an intangible asset, formed in the course of an entity's activity and capable of bringing economic benefits to the enterprise. Summarizing the above, it should be acknowledged that goodwill is not completely studied concept, since the share of intangible assets has long been small for a long time in comparison with the share of fixed assets and investments. This type of assets is not paid a due attention in Ukraine. The problem of interpreting goodwill and showing it in accounting remains relevant nowadays.

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Верига Юстина Андріївна, кандидат економічних наук, професор. **Коба Олена Вікторівна**, кандидат технічних наук, доцент. Національний університет «Полтавська політехніка імені Юрія Кондратюка». **Нургалієва Роза Нургажаївна**, кандидат економічних наук, доцент. Карагандинський економічний університет Казспоживспілки. **Гудвіл як облікова категорія**. В умовах сьогодення вирішальним чинником успіху стає володіння інтелектуальними ресурсами та їх ефективне використання в господарській діяльності. Важливим інструментом зміцнення конкурентоспроможності суб'єкта господарювання виступає гудвіл. Він впливає на вартість компанії й визначає її можливості в залученні коштів, пошуку стратегічних інвесторів та партнерів, побудові відносин із владою та формуванні попиту й лояльності споживачів. Проте існує ряд проблем

теоретичного та практичного характеру, що стосуються його відображення в обліку, серед них тлумачення сутності гудвілу. Гудвіл залежить від комплексу заходів, спрямованих на підвищення прибутковості компанії, таланту управлінців, кваліфікації й досвіду співробітників, стану ділових відносин компанії у світі бізнесу, її репутації на ринку, досягнутої, завдяки якості продукції (робіт, послуг, товарів), а також застосуванню новітніх технологій. Гудвіл є досягненням компанії, на яке не витрачаються кошти. Гарна ділова репутація компанії характеризується сильною командою менеджерів і маркетинговою стратегією; високою якістю продукції (послуг або робіт); позитивними фінансовими показниками, корпоративною культурою, вигідним місцем розташуванням, налагодженими відносинами з постачальниками тощо. У зв'язку із цим вартість підприємства, представленого єдиним майновим комплексом, істотно відрізняється від вартості його активів. Гудвіл невіддільний від підприємства і не може бути проданий окремо. Він виникає тільки за наявності надлишкових доходів і виступає у вигляді активу, що не амортизується. Перелічені характеристики є загально визначеними й дають змогу визначити сутність гудвілу. Узагальнення підходів до трактування поняття «гудвіл», що подається у нормативно-законодавчих актах та в науковій літературі, свідчить, що гудвіл є активом, здатним приносити економічні вигоди підприємству. Трактування цього виду активів як переваг, наявних під час всієї діяльності підприємства, обумовлює необхідність його відображення не лише в процесі придбання чи об'єднання, а й під час безперервної діяльності підприємства.

Ключові слова: гудвіл, визнання, оцінка, класифікація, нематеріальний актив, ділова репутація.

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Veryha Yustina, PhD in Economics, Professor.

Koba Olena, PhD in Technical Sciences, Associate Professor. National University «Yuri Kondratyuk Poltava Polytechnic». **Roza Nurgalieva**, PhD in Economics, Associate Professor. Karaganda Economic University of Kazpotrebsoyuz. **Goodwill as an accounting category**. Under modern conditions, the decisive factor for success is the availability of intellectual resources and their effective use in economic activity. Goodwill acts as an important tool to strengthen the competitiveness of a business entity because it provides additional benefits to the enterprise. The article summarizes approaches to the interpretation of the concept of “goodwill”, presented in regulatory legal acts and scientific literature. It is established that both regulatory and scientific sources do not contain a single statement of the concept of “goodwill”. The signs of goodwill are defined with the aim of interpreting this concept.

Keywords: goodwill, recognition, measurement, classification, intangible asset.

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Верига Юстина Андреевна, кандидат

экономических наук, профессор. Национальный университет «Полтавская политехника имени Юрия Кондратюка». **Коба Елена Викторовна**, кандидат технических наук, доцент. Национальный университет «Полтавская политехника имени Юрия Кондратюка». **Нургалиева Роза Нургажаевна**, кандидат экономических наук, доцент. Карагандинского экономического университета Казпотребсоюза. **Гудвилл как учетная категория**. В современных условиях решающим фактором успеха является наличие интеллектуальных ресурсов и их эффективное использование в хозяйственной деятельности. Гудвилл выступает в качестве важного инструмента укрепления конкурентоспособности субъекта предпринимательской деятельности, поскольку он обеспечивает дополнительные преимущества для предприятия. Обобщены подходы к толкованию понятия «гудвилл», представленные в нормативных правовых актах и научной литературе. Установлено, что как нормативные, так и научные источники не содержат единой формулировки понятия «гудвилл». Признаки доброй воли определены с целью интерпретации этого понятия.

Ключевые слова: гудвилл, признание, оценка, классификация, нематериальный актив.