The reporting of goodwill in national and international context: Evidence from the Czech Republic

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Abstract: Goodwill as an important part of intangible assets has been more and more interesting not only for researchers but mainly for managers of corporation and its owners. This article deals with differences in accounting treatment and reporting in financial statement pursuant for the International Financial Reporting Standards in comparison to the United States Generally Accepted Accounting Principles and Czech accounting legislation. Our research had shown that there are intangible assets which do not meet the recognition criteria stipulated in Financial Accounting Standard 142 and International Financial Reporting Standard 3(R). However, if there are such assets in the corporation, then should be allocated into goodwill. The greatest differences were identified in comparison supranational legislation reporting of goodwill with the Czech accounting standards. This leads to a different presentation of the financial position and performance of the corporation that affect management decisions and investors.

Key-Words: IFRS; US GAAP; goodwill accounting; recognition and measurement; goodwill impairment;

1 Introduction

Currently international accounting and reporting for goodwill represents one of the most disordered and debated topics in the modern financial reporting theory. And it represents the issue of particular attention in field of accounting for business combinations [19]. Despite all existing call for harmonization and streamline of US Generally Accepted Accounting Principles (here and after "US GAAP") and International Financial Reporting Standards (here and after "IFRS") goodwill accounting, as for today the little progress has been done. At the present moment the whole history of initiation and further development of international accounting for goodwill may be summarized in adoption of two accounting standards - FAS 142 and IAS 36 in the year 2001. However in regard of US GAAP it is worth mentioning that certain further efforts toward improvement of the existing authoritative basis have been done. It was introduction of Update for FAS 142 in 2011, aimed to facilitate the goodwill impairment [17]. Though, no further US GAAP and IFRS projects aimed at harmonization of goodwill accounting yet have been launched.

If into the national accounting have not yet been implemented method for displaying goodwill under the above standards, it is highly likely to be substantial differences in reporting the value of the assets of corporations and their profit or loss [16]. An example is France, where it was at the time of transition to international accounting standards found in a sample of 146 large companies an increase profits by 41% (after adjustment of reports according to IAS / IFRS). Interesting fact is that 40% increase in profit can be attributed to cancellation of goodwill depreciation in favor of impairment.

Our research is focused on the Czech methods for accounting and reporting of goodwill, their advantages and disadvantages, and economic consequences in comparison with international approaches.

2 Problem Formulation

In light of above is the paper "The reporting of goodwill in national and international context: Evidence from the Czech Republic" conceived to pursue a complex aim. The main objective of the research is to determine to what extent the existing procedures for accounting and reporting goodwill uphold the principle of true and fair view of reality. Identify the differences in the methods used hitherto and assess their impact on the presentation of the financial position and performance of corporations. The first sub-aim is to describe particular accounting approaches arising from US GAAP and IFRS as well as from Czech accounting standards (here and after "CAS") to goodwill accounting for evaluation of the level of reached harmonization in the field of goodwill accounting – primarily between US GAAP and IFRS - and then in comparison with CAS. Secondly, there will be determined the existing differences between these three systems in context of the chosen field of research and there will be carried out a qualitative comparison of accounting procedures and reporting forms for goodwill from the viewpoint of its fair value under US GAAP, IFRS and CAS.

Due to the natural particularities of the chosen field of research the paper is divided into two main parts. The first main part contains comparison of IFRS and US GAAP approaches to goodwill accounting, while the second part studies the relevant methodology arising from CAS. Therefore the first main part of the paper starts with definition of the chosen subject of research, that is, goodwill and continues with conditions for recognition and measurement of goodwill according to either US GAAP or IFRS. There is presented a qualitative comparison of accounting for two different types of goodwill – the existing goodwill and the goodwill acquired in course of ordinary business activity. The first part closes with brief analysis and comparison of accounting procedures referring to goodwill impairment applied under US GAAP or IFRS. The second main part contains analysis CAS procedures for goodwill accounting and comparison of the latter with the results obtained in the first part. To make comparison between these two (and very different) parts the most comfortable, the second part contains the similar sequence of accounting procedures. Finally on the basis of obtained results there are formulated some conclusions in the field of fair view of goodwill accounting based on US GAAP, IFRS and CAS and their comparison.

The methods used in our research include analysis, comparison, deduction and literary research.

3 Procedures used according to IFRS and US GAAP

The primary sources of regulation of goodwill accounting are FAS 142, Goodwill and Other Intangible Assets with its further Update, and IAS 36, Impairment of Assets. Both Standards are primary dealing with goodwill occurred in course of a business combination. Thus it is naturally that such accounting procedures are also within the scope of FAS 141 (R), Business combinations, and IFRS 3 (R), Business combinations. In light of this FAS 142 and IAS 36 are considered as the primary sources of goodwill accounting while FAS 141 (R) and IFRS 3 (R) are considered as the secondary ones. The objective of both sets of Standards is to provide some guidance into proper accounting and reporting for goodwill and other intangible assets. The proper way of accounting is in terms of either values of "net amount" or values of "recoverable amount" and "carrying amount". Although the accounting values somewhat differ still they are assumed to reflect the same substance.

3.1 Goodwill definition

At the beginning it is important to mention that there can be found no single and unified definition of goodwill in existing US GAAP and IFRS authoritative pronouncements. FAS 142 provides rather precise definition of goodwill value as an excess of the cost of an acquired entity over the net amounts assigned to acquired assets and assumed liabilities [1, 2]. Further the Standard specifies that such amount includes acquired intangible assets that do not meet the criteria in FAS 141 for recognition as an asset apart from goodwill. The obvious drawback of this seemingly full and straightforward definition is lack of interpretation concerning the net amount assigned to the acquired assets and assumed liabilities.

On the contrary to this IFRS definition is far much less precise. While addressing to goodwill, IAS 36 gives the interpretation of impairment loss which, in fact, is the inverse phenomena to goodwill. Thus goodwill can be identified as the amount by which the recoverable amount of an acquired asset or cash-generating unit exceeds its carrying amount [3]. In such interpretation the concept of fair value is preserved, at least in minimum extend. The only drawback is that such definition is not the direct one, but derived from the opposite concept.

The further study of other relevant authoritative pronouncements, that is, FAS 141 and IFRS 3 (R) brings us to the nearly identical definition of goodwill, which is based on its view as the amount of value of potential future benefits. Further both

Standards introduce the condition for such asset to be recognized as goodwill: impossibility of being individually identified and separately recognized. And subsequently there are defined two criteria for recognizing an asset as identifiable one and, thus, as goodwill [4, 5]: (1) the asset can be separated or divided from the entity and sold, transferred, licensed, rented, or exchanged, either individually or together with a related contract, identifiable asset, or liability; (2) the asset arises from contractual or other legal rights, regardless of whether those rights are transferable or separable from the entity or from other rights and obligations. Though as in case of FAS 142 the concept of fair value is also dropped, nonetheless it has two major advantages. Firstly, the approach considering the value of future benefit is among the most progressive ones. Secondly, the extent to which the concept of goodwill is harmonized and unified within both sets of Standards is remarkable.

3.2 Goodwill recognition and measurement

As mentioned above, technically goodwill stands for a non-impairable difference between recoverable amount and fair-value-adjusted carrying amount of acquired assets, which are non-divisible from cash-generating/reporting units [1, 3, 5]. Thus for its identification, recognition and measurement it is necessary to go in reverse way: first of all the identification of non-impairable assets or their senior units should be performed, then measurement of fair value of such assets or units should be conducted, and, finally, goodwill is determined [19].

There is a precise differentiation between accounting for goodwill existing under ordinary business activity and the one occurred under a business combination. The accounting for the first case is subject of regulation of FAS 142 and IAS 36, while the second case is within the scope of FAS 141 (R) and IFRS 3 (R). Such differentiation will be preserved in this paper.

In general the accounting approaches applied under ordinary activity and a business combination are rather similar although there are some small differences. In both cases it is required to: (1) recognize assets for which subsequently goodwill will be identified; (2) measure adjusted fair value amount; (3) identify goodwill or loss; (4) decide on impairment. The major difference is the direct application of procedure of fair value measurement instead of calculation of fair-value-adjusted carrying amount while accounting for goodwill under business combination. Also under a business combination not a recoverable amount is determined, but the so-called "purchase price", which is considered to reflect the same substance as the recoverable amount is used to do. The last difference lies in concept of negative goodwill, that is, loss: in a business combination it is defined as bargain purchase.

3.2.1 Ordinary business activity

When we consider accounting for goodwill within ordinary business activity, first of all non-impairable assets should be determined.

3.2.1.1 Identification of non-impairable assets

None of two sets of Standards provide a direct way how non-imparaible assets should be identified. There is only guidance for impairable ones. Thus it is goes from the opposite: first all impairable assets are determined and the residual will stand for non-impairable ones.

3.2.1.2 Useful life, amortizability and non-amortizability

One way for recognition and measurement of value of future cash flows is through application the criterion of the so-called "useful life" of an individual asset [1, 3]. Determining or non-determining the useful life of an individual impairable asset leads to its recognition as amortizable or non-amortizable one. Both FAS 142 and IAS 36 agree on this criterion. However, if FAS 142 has quite straightforward formulation of it, IAS 36, due to its focus on overall substance rather than direct principle, has more vague definition of it.

The concept of useful life may stand for a wide variety of factors, for instance: (1) activity-based-use of an asset for which the individual asset serves as underlying; (2) any legal, regulatory and/or contractual contingent limitations; (3) macroeconomic and/or microeconomic environment; (4) other contingencies.

3.2.1.3 Carrying amount

After deciding on amortizability or non-amortizability of an individual impairable asset the following operations are carried out under both sets of Standards: (1) if asset is amortizable, its initial and residual values are calculated and their difference is subsequently amortized; (2) if asset is non-amortizabile, its carrying amount is determined as either difference between initial value and amortizable value or as just initial value; (3) measurement of carrying amount.

3.2.1.4 Impairment test

Despite conducting the procedure of initial recognition of certain assets as being the impairable ones, additionally to this it is required to perform the stand-alone test for assets' imparability. In fact, such test is obligatory not only for defined impairable assets, but for non-impairable assets as well. Concerning the conditions of this test there are some differences between guidance presented in two sets of Standards: IAS 36 requires the test to be conducted on an annual basis while the Update for FAS 142 allows an entity to conduct it only if the entity determines that it is more likely than not that the recoverable amount of an individual asset is less than its carrying amount [2, 3].

3.2.1.5 Recoverable amount

For every intangible asset the recoverable amount should be determined. If it is impossible then the recoverable amount of operating unit to which the individual asset belongs should be determined. This is the point of view introduced in IAS 36. Similar logic is pursued in FAS 142 although in a bit different way. It requires determining the fair value and purchasing price for each assets or operating units comprising such assets.

Recoverable amount of an asset can be identified as highest amount at which an asset can be exchanged by knowledgeable, willing parties in an arm's length transaction less transaction costs and its value in use. This interpretation is given in accordance with IAS 36, IFRS 13 and FAS 141. Opposite to this, FAS 142 uses the term fair value, which in fact reflects the same substance with an exception of non-deducting the value in use from its total amount.

For measurement of recoverable amount within primary and secondary sources of accounting regulations there is one and three approaches respectively. Both FAS 141 and IAS 36 prescribe only cash-flow-based approach, while FAS 157 and IFRS 13 indicate three alternative approaches – market-, income- and cost-based approach [3, 4, 6, 7]. When recoverable amount of all assets has been measured, it can be compared with carrying amount of all impairable assets and, hence, goodwill or loss can be identified. The received amount should be further tested for impairment. Loss should be amortized while goodwill should not [1, 2, 3].

3.2.2 Business combination

In case of a business combination the amount of goodwill is determined through comparison of fair value of acquired assets with net value of transferred consideration less tax benefit.

3.2.2.1 Fair value

Likewise in case of goodwill accounting within ordinary business activity, the recoverable amount is also measured for a business combination. However, in this case it is named as fair value. Both US GAAP and IFRS define fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date [6, 7]. The main conditions for such price are the existence of most advantageous market and market participants, meeting the requirement of highest and best use, and application of special valuation techniques.

It is necessary to stress that fair value measurement is part of another system of principles designed to regulate the accounting for business combinations. Thus the procedure of fair value measurement is rather complex, with many exceptions and particularities. It is an integral part of so-called "acquisition method", which under both Standards makes no distinctions between accounting for impairable and non-impairable assets acquired.

3.2.2.2 Net consideration transferred

Opposite to ordinary business activity, in case of a business combination there is measured the amount of net consideration transferred. The calculation of this amount is based on calculation of purchase price plus transaction costs less tax benefits. Whereas transaction costs and tax benefit can be identified and measured rather simply, the calculation of purchase price may be a little bit problematic. Its amount is derived from the exchange ratio, that is, the ratio at which the shares of acquired unit are converted into the shares of acquiring unit. The exchange ratio can be determined according to the combining entities' book values, market values, sales, earnings or some relevant characteristic reflecting the market power of entities. One of the most popular tools used for determination of exchange ratio is model introduced by Larson and Gonedes [8].

3.3 Impairment of goodwill

Goodwill impairment stands for a procedure of testing the goodwill or loss for impairment occurred under both ordinary business activity and a business combination. If test confirms impairability than such procedure is conducted. It is necessary to remind that under both sets of Standards goodwill is impaired but not amortized while loss is impaired and amortized.

3.3.1 Impairment test

The impairment test is applied either to an individual asset bearing goodwill or to cash-generating/reporting unit to which such individual asset belongs. The impairment test is conducted in one stage under IAS 36 and in a sequence of two stages under FAS 142.

Under FAS 142 at the first stage there is performed goodwill allocation and then goodwill impairment. However there are certain cases when it is impossible to allocate existing goodwill. For this reason the first stage of impairment test comprises two scenarios leading to transition or not transition to the second stage. In fact, it is recognition whether goodwill may or may not be allocated. An entity should allocate fair value to all acquired assets and assumed liabilities of a reporting unit. The fair value of a reporting unit is the price paid to acquire the reporting unit. The excess of fair value of a reporting unit over amounts assigned to its assets and liabilities is the implied fair value of goodwill [1, 2].

The second stage of the impairment test according to FAS 142 and the last operation under the one-stage approach under IAS 36 comprises recognition and measurement of an impairment loss through the comparison of fair value of an individual asset or a cash-generating/reporting unit to which such asset belongs with its carrying amount, and the measurement of the amount of impairment loss, if any. If a loss is recognized, it is further amortized. If there is no loss, that is, there is goodwill, it is not amortized.

4 Procedures used according the Czech accounting standards

The primary sources of regulation for goodwill accounting in the Czech Republic are Act No. 563/1991 Coll., Accounting Act and partly Act No. 513/1991 Coll., of Commercial Code. The secondary sources are Implementing Decree No. 500/2002 Coll. (here and after “Implementing Decree”) and CAS No. 011. The objective of Accounting Act is to ensure that business entities will keep correct, comprehensive, conclusive, comprehensible and well-arranged books in a way ensuring permanence of accounting of all accounting records and, therefore, there will be ensured proper accounting for goodwill and other intangible assets [12, 13]. From this perspective objectives of both sets of Standards and Czech Accounting Legislation (here and after “CAL”) are generally similar. The only difference consists in the fact, that both sets of Standards primarily emphasize on reporting objectives whereas accounting techniques from their viewpoint are considered as secondary ones, and, thus, should not be described too exactly and straightforwardly, whereas CAL emphasizes on importance of application of clearly defined accounting procedures, and, therefore, it should lead to meeting of all stipulated criteria.

4.1 Goodwill definition

As well as in both previously described sets of Standards, in primary CAL pronouncements there cannot be found any single definition of goodwill. However this lack of definition is not the same for the whole CAL. The basics of goodwill definition can be seen in Implementing Decree, under which goodwill is a part of fixed intangible assets and it doesn’t necessary have to fulfill the following criteria [9]: (1) the term of usage is longer than one year; (2) its value is higher than the value stipulated for fixed intangible assets. Therefore, similarly to IFRS and US GAAP, under CAL goodwill is considered as a special part of fixed intangible assets. Further in the same legislation act goodwill is properly defined as positive or negative difference between value of a company or of its part gained by purchase, investment or value of acquired assets and assumed liabilities and the value of its individually revaluated asset components decreased by the value of assumed liabilities [9]. But, in fact, this is again only the definition of the value of goodwill rather than definition of goodwill itself.

4.2 Goodwill accounting and measurement

The way of goodwill accounting and measurement, as presented in the Implementing Decree, is similar to Bragg [10, 11]: goodwill arises when it is possible to receive the revenue evaluation of owners’ equity and component evaluation of assets and liabilities that constitute this equity. Component evaluation of assets and liabilities doesn’t stand for the total amount of these items, but the difference between them in terms of balance sheet logic. The latter is known as the amount of owners’ equity gained by substance method. Finally goodwill value is determined as difference between amounts gained by revenue evaluation and substance evaluation [21].

Accounting techniques for goodwill slightly differ from relevant calculation techniques in a sequence of steps. Under CAL in the moment when the component values are calculated, the obtained goodwill still has to be calculated, since it is the basis for proportional allocation of acquisition price or of reproduction acquisition price [9]. It is worth mentioning that the final amount of goodwill can be negative as well. On the contrary to calculation procedure, the accounting steps are posted as follows: (1) particular accounting items are posted in their former book value and on the opposite side there are posted Other liabilities; (2) the revaluated value of particular asset/liabilities (the difference between market price and book value) is added to particular accounts of transferred assets and liabilities and the account "Valuation differences from revaluation arising by company combinations" is used as the counterpart; (3) as the last step goodwill is posted as a part of fixed intangible assets and the same value is added again to "Valuation differences from revaluation arising by company combinations" [20, 24].

4.3 Valuation difference to acquired assets

In regard of goodwill analysis it is worthy to say that, opposed to both sets of Standards, CAL uses very similar item - Valuation difference to acquired assets. Under Implementing Decree it is defined as positive or negative difference between either evaluation of company or of its part gained by purchase or evaluation of assets and liabilities obtained in a business combination and the total value of its particular asset components gained from the accounting books of selling, inserting, ceasing or divided accounting unit decreased by the value of assumed liabilities [9, 18]. It can be seen here that the first major difference between goodwill and valuation difference to acquired assets is the fact that whereas in case of goodwill the acquiring company posts assets in value similar to the real one, while in the second case the acquired assets are posted in the value gained from the old company. The second major difference is that valuation difference to acquired assets is reported as fixed tangible assets whereas goodwill is posted as the fixed intangible asset. Finally, the third major difference consists in the facts that accounting of valuation difference to acquired assets is easier than in case of goodwill: after being calculated it is posted directly on Valuation difference to acquired assets as a part of Fixed intangible assets and as a counterpart there is used the account "Valuation differences from revaluation arising by company combinations" as a part of owners' equity.

During our previous studies it has been found out that neither IFRS nor US GAAP know the concept of valuation difference to acquired assets. The reason is that these sets of Standards are primarily aimed at expression of facts how should particular economic phenomena be reported to sustain their true and fair view whereas CAL stresses provability of all accounting transaction [22, 23]. Therefore CAL contains favored concepts derived from historical costs.

To calculate both types of assets acquired can use the following equation:

$$VD = C - (A_{BV} - L_{BV}) \quad (1)$$

$$GW = C - (A_{FV} - L_{FV}) \quad (2)$$

Where:

VD - valuation difference to acquired assets
C - the cost of an acquired entity
A - sum of the net amounts assigned to the acquired assets
L - sum of the net amount assigned to assumed liabilities
GW - goodwill
BV - book value
FV - fair value

4.4 Amortization of goodwill

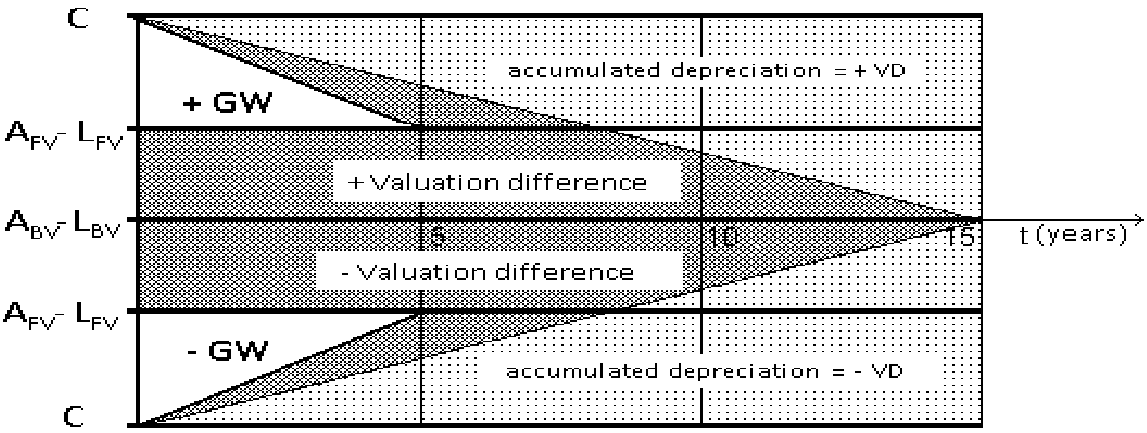
Opposite to both sets of Standards, CAL doesn't require any impairment test for goodwill, but it prescribes its amortization. It is important to differentiate tax and accounting amortization. In case of accounting amortization, under Implementing Decree, it should be amortized at the latest up to 60 months after purchase of a company or of its part, and in case of a business combination it is amortized since decisive day of such combination [9]. The accounting unit is allowed to decide about positive/negative goodwill amortization within the period longer than 60 months, but this fact has to be substantiated in an appendix to final accounts. In case of a merger or acquisition positive goodwill is accounted as a cost whereas negative goodwill is posted as revenue. In all cases the core amount of goodwill remains for the whole time the same. At the moment when the amount of accumulated amortization to goodwill will reach the goodwill value both items are cancelled from accounts.

The second important component is tax depreciation of goodwill. Similarly to Bragg [10, 11], under Income Tax Act goodwill obtained under business combinations is not subject to tax depreciation [14]. But in our opinion the correct one is the idea expressed by Skálová that there is only one possibility when the company is allowed to deduct from tax basis tax amortization of goodwill [15]: only if goodwill was gained during the purchase of a company or of its part, but not during a merger. It complies with Income Tax Act and, thus, this type of goodwill is amortized for 180 months since the purchase date [14].

4.5 Depreciation of valuation difference to acquired assets

Valuation difference to acquired assets is reported as a part of fixed tangible assets and that is the reason why it is depreciated instead of being amortized. It can be seen here once again that, similarly to both sets of Standards, under CAS neither valuation difference to acquired assets nor goodwill is tested for impairment. Accounting depreciation of valuation difference to acquired assets is calculated and posted in the same way as in case of goodwill, and the only difference is that from the accounting viewpoint the valuation difference to acquired assets is depreciated 180 months [9]. From the tax viewpoint it still hold true the condition mentioned in case of goodwill [14]: valuation difference to acquired assets can be depreciated for tax purposes only if it was gained during the purchase of a company or of its part, that is, total or partial acquisition, but not during a merger. In this case it is depreciated for 180 months, each year proportionally to the number of months in the accounting period. The process of depreciation of both asset components is schematically shown in Fig. 1. It is clear that the decrease in values of both components of assets is replaced gradually with the newly emerging inner goodwill or valuation difference. While keeping the initial acquisition value their value would be equal to the value of accumulated depreciation.

Figure 1: Conversion of acquired goodwill and valuation difference in costs through depreciation



5 Conclusion

Currently goodwill accounting represents one of the most disordered and debated topics of the Czech and international accounting. Although particular steps toward harmonization of US GAAP and IFRS goodwill accounting procedures recently have been taken, nonetheless some substantial differences still continue to remain.

The authoritative framework for goodwill accounting comprises FAS 142 with its Update and IAS 36 as the primary sources, and FAS 141 (R), IFRS 3 (R), FAS 157 and IFRS 13 as the secondary ones. The proper way of goodwill accounting is considered to be either in values of net amount or in values of recoverable and carrying amount. Although these values sometimes differ still they are assumed to reflect the same substance. Currently within existing Standards there is no unified definition for goodwill. Putting all pieces together allows us to define goodwill as non-impairable difference between recoverable amount and fair-value-adjusted carrying amount of individual assets, which are non-divisible from cash-generating or reporting units and are capable to generate some benefit in the future.

Under IFRS and US GAAP there is rather precise differentiation between accounting for goodwill existing under ordinary business activity and the one acquired under a business combination. In general, accounting approaches applied under these two cases are rather similar: firstly, the assets, containing goodwill, are recognized, then they are measured at fair values, and, finally, the goodwill or loss is identified and decision about impairment is taken. The major differences lie in the way how two approaches perform the fair value measurement and estimate the value of recoverable amount or purchase price, bargain purchase or loss.

Similarly to IFRS and US GAAP, CAL recognizes goodwill as fixed intangible asset created in course of a total or partial company purchase or in case of a business combination. Besides goodwill, under CAL, there is used another concept - Valuation difference to acquired assets. Similarly to both sets of Standards, the given definition of these two concepts is not very precise and, in fact, it is much more the definition of their value rather than of them by themselves.

Opposite to both sets of Standards, CAL strongly differentiates between accounting and tax procedures. International tax law is very strictly constructed and there are very few possibilities for decisions made by accounting unit on its own, whereas in CAL there are more possibilities to ensure true and fair view. But opposed to both sets of Standards, CAL contains very precisely stated accounting procedures for every accounting operation, whereas Standards try to ensure fair view of the whole accounting in financial reports. Another major difference between Standards and CAL lies in goodwill impairment: Standards claim testing for impairment, while CAL allows accounting units only amortize goodwill or depreciate valuation difference.

This paper contains brief analysis, comparison and evaluation of accounting procedures referring to goodwill existing under ordinary business activity and under a business combination from the viewpoint of US GAAP, IFRS and CAL. No general result can be stated, but from this paper can be clearly seen that both sets of Standards have gone through wide harmonization that led to major improvements. Therefore both, now very similar, Standards better ensure fair view of goodwill. On the other side such accounting procedures are efficient only in countries with highly developed economy. In countries with lack of economic culture it will be more preferable to set legislative commands, focused more on particular accounting operation rather than on general overview, which can be got out from the accounting books and reports. However, it will not probably ensure such fair view of goodwill as the other option.

This comparison and obtained results can markedly improve fair and true view of the Czech accounting for goodwill and its impairment.

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