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International Accounting Harmonisation in the European Context: The Case of Intangible Assets

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ABSTRACT— ***The process of accounting harmonisation has been debated for years among accounting professionals around the globe. The discussion about the uniform application of IFRSs across different jurisdictions has been based on the different environmental factors, typical of each national economic background. In particular, the effects of the application of IFRSs could be heterogeneous across countries and influenced by national reporting environments. This means that equal levels of compliance with mandatory disclosure requirements and/or consistent measurement and display of similar transactions between different companies may not be achieved. The paper deals with the accounting harmonisation process in Italy, which belongs to Continental Europe, focusing on a very delicate topic: intangible assets, whose importance has progressively increased, especially in recent years. More specifically, the aim of the paper is to define a framework for the problems deriving from the introduction of a process connected with the accounting and assessment of intangible assets in the drawing up of financial statements. In particular, the accounting of intangible items, namely the recognition and evaluation, is far from uniform and takes different forms depending on the accounting frame to which the entity presents the annual financial statements. This article deals with intangible assets from two perspectives: a first line with International Financial Reporting Standards (IAS/IFRSs), and a second with the Italian General Accepted Accounting Principle which complies with European Directives.***

Keywords— Intangible assets, International accounting standard, Italian General Accepted Accounting Principle.

1. INTRODUCTION

The process of accounting harmonisation has been a topic of study for years at both an international and national level. In fact, the uniform application of International Financial Reporting Standards (IFRSs) across different jurisdictions has been heavily questioned, since the implementation of high-quality accounting standards (which IFRSs claim to ensure) may not necessarily lead to high-quality reporting (Larson and Street, 2004; Ball, 2006; Nobes, 2006; Weetman, 2006; Soderstrom and Sun, 2007; Zeff, 2007).

The discussion has been based on the different environmental factors (legal system, tax system, accounting theory, company type, role of financial market), typical of each national economic background. In particular, most studies have suggested that the effects of the application of IFRSs could be heterogeneous across countries and influenced by national reporting environments (Ball, 2006), while some scholars have shown how country-specific institutional characteristics and market forces affect a firm’s reporting behaviour (Ball et al, 2000; Burgstaher et al, 2006). As a consequence, equal levels of compliance with mandatory disclosure requirements and/or consistent measurement and display of similar transactions between different companies may not be achieved.

The paper deals with the accounting harmonisation process in Italy, which belongs to Continental Europe, focusing on a very delicate topic, where numerous accounting disharmonies can be observed: intangible assets, whose importance has progressively increased, especially in recent years. More specifically, the aim of the paper is to compare the International Accounting Standard No. 38 (IAS 38) and the European Accounting Directives (hereafter EADs), as implemented in Italy, through the analysis of the Italian accounting standard OIC no. 24, in order to investigate both the recognition and measurement criteria concerning intangible assets.

Several studies (Tsalavoutas and Dionysiou 2014; Glaum et al, 2013) have highlighted how the accounting of intangible items is far from uniform; in fact, it takes on different forms depending on the accounting frame to which the entity reports the annual financial statements. In particular, they indicate how there is an underlying issue of non-compliance with the IAS 38, along with the particular areas that pose special problems in terms of comparability of

information disclosed. As a relevant example, IFRSs prohibit the amortization of indefinite life intangible assets, such as goodwill, while EADs and the Italian OIC 24 continue to adopt the annual depreciation. From this perspective, it is interesting to point out that the Accounting Standard Board of Japan (ASBJ), the European Financial Reporting Advisory Group (EFRAG) and the Italian Standard Setter, the Organismo Italiano di Contabilità (OIC), have recently issued a discussion paper entitled: "Should Goodwill still not be amortised?" in order to encourage the debate on accounting and disclosure requirements of acquired goodwill before the International Accounting Standard Board (IASB) formally considers a standard-setting initiative.

The paper is articulated as follows. The next section focuses on the international accounting disharmony affecting intangible assets; it presents a short literature review on the different accounting cultures in the European context; the third section highlights the Italian context while the fourth describes a comparison between IAS 38 and the Italian accounting standard OIC 24; in particular, this section points out the accounting practices of Intangibles assets from two perspectives, a first with IAS/IFRSs, and a second with the Italian General Accepted Accounting Principle which complies with the European Directives. Finally, the fifth section presents conclusions and further developments of the study.

2. THE INTERNATIONAL ACCOUNTING DISHARMONY: THE CASE OF INTANGIBLE ASSETS

Traditional classifications of accounting systems for European countries are founded on the dichotomous distinction between Anglo and continental European countries (Nobes, 1983), due to the different environmental factors typical of national economic backgrounds (Ball at all, 2000; Nobes and Parker, 2004; Larson and Street, 2004; Ball, 2006; Nobes, 2006; Soderstrom and Sun, 2007; Weetman, 2006; Zeff, 2007).

Several comparative studies have highlighted the main differences between Anglo and Continental European countries such as managerial philosophy, capital markets, accounting practices (Nobes, 1998; Nobes and Parker, 2004), tax system and different users' orientations (Gray, 1988), culture and institutional structures (Doupnik and Salter, 1995).

In particular, main Continental European countries have highly codified and prescriptive regulations (related to the Civil Code of Napoleon). The philosophy of this system prescribes what to do in contrast to the common law, which prescribes what not to do. In particular, this system is characterized by the existence of a rigid hierarchical order with regards to the sources of law, thus, legislation and executive authority have the priority. As a consequence, companies have applied legal regulations that have not changed substantially over time; national accounting standards have always played a secondary role in the drawing up of financial statements.

In addition, Continental accounting practices tend to give priority to a particular class of stakeholders, the creditors. This focus justifies the emphasis on a more generally and conservative assessment rationale (Quagli and Paoloni, 2012) with the aim of safeguarding the integrity of the equity to avoid inadequate representations due to the overestimation of the assets. In this case, the accounting system has focused on conservative accounting (prudence) as well as the balance sheet to ensure maintaining sufficient resources to repay any debt. This important characteristic derives mainly from the fact that the banks have always been the main financers of companies; a large proportion of companies are not listed Small and Medium Enterprises (SMEs) with a family shareholding. Furthermore, the financial market is relatively underdeveloped. In this situation, the main stakeholders (family shareholders and banks) are less interested in informative financial statements since they have direct access to detailed information concerning the performance of the company. Finally, accounting standards have been developed in a highly politicized environment serving a number of stakeholders and including taxation requirements, which tend to align tax reporting and financial reporting rather than focusing on the informativeness of accounting numbers (Ball et all, 2000; Bartov et al, 2005). In fact, in Continental European countries the influence of tax law on the financial statements has traditionally been strong; the required conformity between financial and tax reporting has provided incentives to reduce taxes by reporting lower profits.

Conversely a common-law environment, well-developed stock exchange markets and a considerable presence of public companies characterize the Anglo-Saxon countries. In this case, the Anglo-Saxon system is investor-oriented, because the institute of corporation finance is the stock exchange, where most investors can be found. In this case, accounting practice will tend towards a greater diffusion and completeness of the accounting information. In particular due to the numerous minority shareholders, financial statements represent one of the main sources of information about the performance of a company. As a consequence, companies are interested in presenting the realized results, which is the right information for them. Subsequently, IFRSs are primarily focused on the needs of current and prospective shareholders, providing them relevant and reliable information. In fact, the IASB gives priority to investors as the main users of the financial statements, who are primarily interested in assessing the company performances with orientation also towards the future (Quagli and Paoloni 2012).

In summary, the Continental model is characterised by a focus on debt holders, codified reporting requirements and a strong link between financial and tax reporting (Joos and Lang, 1994). On the contrary the Anglo-Saxon model has historically been focused on equity holders, permitting discretion in the preparation of financial statements as long as the resulting statements provide a "true and fair view" of the financial conditions, along with decoupled tax and financial reporting.

Therefore, according to previous research (Roberts et al, 1998), Continental European countries reflect a very different conceptual model from the one exiting in the Anglo-Saxon countries for political and economic reasons as mentioned above (such as legislation, corporation financing system and influence of tax law) as well as other factors (i.e. cultural factors such as professionalism versus statutory control, uniformity versus flexibility, conservatism versus optimism, secrecy versus transparency). IFRSs adoption raises a question on how a code-law country with a stakeholder model of corporate governance should apply reporting standards development for common-law environments and primarily focused on investors' needs for relevant and reliable information. In particular, the implementation of the IAS/IFRSs (centred on Anglo-Saxon culture) in Continental European countries might be difficult due to the accounting differences between the two cultures. As a consequence, these emerging differences explain how the EADs are the result of struggled compromises among different national accounting cultures (Quagli et al, 2014).

Generally speaking, EADs, which are legally binding instruments adopted by the Council of Ministers and addressed to the member states, specify minimum requirements and include many accounting options, both for evaluation criteria as well as presentation of financial statements (Van Hulle, 1992; Van Hulle, 1993; Walton, 1997). The member states have to adopt these provisions complying with the directives in national law within several years. In this context, the aim of these EADs is to enhance a basic level of financial transparency and comparability so that investors in any member country could interpret financial statements from other countries as easily as their own. The main goals of this approach are to develop a consensus-based set of accounting rules, to be implemented by member states as well as to serve as standards for cross listing in the European Union.

EADs have led to substantial changes in the accounting law in the member countries, but their effect on the resulting accounting data is not as clear.

Even if there is a strong consensus that the European *de iure* accounting harmonisation (or formal harmonisation of regulations) derived from these Directives has increased (Hopwood, 1994; Joos and Lang, 1994; Haller, 2002), studies in the implementation of IFRSs have shown a lack of compliance with the requirements of international standards in various aspects such as measurement issues (Delvaille, 2005, Larson and Street, 2004) and disclosure requirements (Street and Gray, 2002). In fact, while the directives require that financial statements reflect the true and fair view, their more specific requirements leave it to the discretion of the member states, leading some scholars (Alexander and Archer, 1991; Walton, 1992) to speculate that the changes may have represented more form than substance. In addition, since the directives require the unanimous consent of member countries, they tend to develop slowly and allow member states substantial flexibility in the implementation of the directives into national law (Joos and Lang, 1994).

More recent studies have shown that after thirty years of harmonisation led by the European Union, international differences are still clearly visible and countries form the same grouping as they did decades ago (Kvaal and Nobes, 2012; Nobes, 2011). Even in the IFRS context, where a strong standardization should be expected, the classification of European Countries between Anglo and continental European countries, drawn up in 1980, is still observable (Kvaal and Nobes, 2010), due to the choice of options allowed by IFRSs. Countries can lead to emerging "national profiles" of IFRSs practices. This strand of literature provides evidence that accounting differences tend to be very deep-seated and resistant to harmonisation over long periods (Nobes, 2011), with significant variations in accounting rules and practice still arising in European countries.

One of the main issues that emphasizes this lack of *de iure* international harmonisation concerns intangible assets. Literature has discussed the topic of accounting for and reporting intangible assets for a long time (Cañibano Garcìa-Ayuso and Sánchez, 2000). Scholars have revealed that there is a certain agreement on the economic nature of intangibles as well as on their basic characteristics. In fact, most definitions basically include the same ideas: intangibles are generally seen as sources of future economic benefits that lack physical substance and are controlled by the firm as a result of past transactions or events (Belkaoui, 1992; Stickney and Weil, 1994; Vosselman, 1998).

Regarding recognition and measurement practices, theoretical attention has been given to intangible assets in the field of financial accounting, with particular attention being paid to goodwill (Colley and Volkan, 1988; Henning, 2000). Several surveys (Barwise, et al., 1989; Wines and Ferguson, 1993) have highlighted a certain extent of discretion in the recognition of some intangibles as well as in the choice of the depreciation method. As such, a consistent basis for the development of a set of guidelines for the identification, measurement, reporting and management of value relevant intangibles is highly desirable, since the analysis of the value relevance of intangibles within the context of the capital

market seems to be still an issue of significant relevance. The development of a classification of intangibles with potential for wide acceptance could also help standard setters in reducing accounting disharmony.

It is worth noting that several differences in the accounting treatment of intangible assets in the international scenario can be observed, reducing the comparability of financial statements (Brunovs and Kirsh, 1991; Choi and Lee, 1992; Emenyonu and Gray; 1992).

More precisely, this accounting disharmony as well as the difficulty in achieving comparability can be initially observed in the international scenario between firms adopting IFRSs: as recent studies (Tsalavoutos, 2014; Glaum et al, 2013) point out, accounting for and related disclosure under the IAS 38 are far from uniform; in fact, they document a high level of disparity of information and what appears to be non-compliance, across a broad international set of firms, with mandatory disclosure requirements in IAS 38. In addition, they highlight how accounting traditions and other country specific factors continue to play a role despite the use of common reporting standards under IFRSs.

Moreover, a similar accounting disharmony can be observed in the European context: as previously stated, a certain difficulty in comparing financial statements of EU firms, drafted according with EADs and national GAAPs, does exist, especially regarding intangible assets.

Finally, there is an accounting disharmony between firms adopting IFRSs on one hand and firms adopting EADs (and the correlated national GAAPs), on the other. The present paper deals with this last disharmony, focusing on the Italian context, a continental European country in order to compare accounting treatments concerning intangible assets suggested by IAS 38 and the Italian GAAP (Generally Accepted Accounting Principles) issued by the Italian standard setters (OIC), which complies with European Directives.

3. THE ITALIAN CONTEXT

The Italian accounting system is regulated by the Civil Code, which has been consistently revised over time to conform to the European Directives, as well as by national GAAP (mainly aimed at interpreting and integrating the Civil Code) issued by the Italian OIC. With the Legislative Decree n. 38/2005 the application of IFRSs became mandatory for listed firms' group accounts as of 2005.

Coherently with the Continental model, the Italian GAAPs focus on the principle of prudence with the aim of avoiding overestimation of assets (Teodori and Veneziani, 2005) and safeguarding the integrity of equity; additionally, they pursue the so called "dividend stabilisation" (Viganò and Mattessich, 2007). In short terms, the Italian accounting model, such as the European continental accounting model, is characterized by a focus on debt holders, codified reporting requirements and a strong link between financial and tax reporting. In contrast, IFRSs, arising from a common-law environment, are strongly oriented towards the financial markets and primarily focused on the needs of current and prospective shareholders for relevant and reliable information.

Thus, the introduction of international standards in the Italian context, implies a profound change for Italian companies since these standards represent a very different conceptual model from the one existing in Italy. In fact, IFRSs, compared to Italian GAAP, represent accounting standards with higher quality (Soderstrom and Sun, 2007), requiring, for example, better disclosure and forward-looking information (Barth et al, 2008). Following the process of international accounting harmonisation, the Italian listed companies have had to adapt to a completely new accounting standards, which due to their very different characteristics from those of the law, are constantly evolving and are very detailed.

As a result, in Italy (as well as in other continental European countries), an accounting disharmony between listed firms, on one hand, and no-listed firms, on the other, could be observed. From this viewpoint, it is interesting to point out that the European Union has published the Directive 2013/34/EU which sets out the requirements for the preparation, presentation, publication and auditing requirements for both individual and consolidated financial statements, combining the provisions of both the 4th and 7th accounting directives into a single directive. It also introduces a new category of entities called "micro-firms". The main goal of this EAD is to simplify financial reporting for smaller companies, adopting the approach to propose rules for smaller contexts derived from the general rules existing for larger companies. The same approach has been used by the IASB to develop the IFRS for SMEs. It entered into force on 20 July 2013, allowing EU Member States two years to comply with its requirements.

Considering intangibles assets, IFRSs adoption deeply changes recognition, measurement and definition of useful life; in order to better understand these changes, the next section points out the main accounting differences between IAS 38 and Italian accounting standard OIC 24; it also describes the recent issues of the new accounting directive (2013/34/EU) and the guidelines defined by the European Financial Reporting Advisory Group (EFRAG) on this topic.

4. IAS 38 AND OIC 24: A COMPARISON

In order to summarize the main differences between IAS 38 and the Italian accounting standard OIC 24, we need to focus on three basic aspects:

1. Recognition;
2. Measurement;
3. Useful life.

Accordingly, Table 1 shows the main differences between IAS 38 and OIC 24.

Table 1: Comparison of intangibles reporting principles between IAS and OIC

Themes	*IAS 38*	*OIC 24*
Recognition	More restrictive definition (only intangible assets)	Wider definition (intangible assets and long-term costs)
Measurement	After the first entry it is possible to choose between: cost model or revaluation model	The cost model is always applied.
Useful life	Assets with finite useful life: Amortisation and Impairment test Assets with indefinite useful life: Impairment test	Assets with finite useful life: Amortisation Assets with indefinite useful life: Amortisation

1) Recognition of intangible assets

Regarding *recognition*, according to IAS 38, a firm has to recognize intangible assets (both in the case of purchased and internally generated assets) if it is likely that these assets will provide distinguishable future economic benefits to the firm and their cost can be measured with reliability.

The standard prescribes that an intangible asset must be recognized if: (i) the asset is identifiable, that is if it either is separable or arises from contractual or other legal rights; (ii) it is probable that future economic benefits of the assets will flow to the enterprise; (iii) the cost of the assets can be reliably estimated.

As a result of these provisions, recognition criteria are supposed to be met for intangibles assets acquired by separate purchase or as a part of a business combination. As a consequence, the internally generated intangible assets are expensed when they are incurred.

Additionally, IAS 38 makes a distinction between the research phase and the development phase of an internal project and it prescribes that under certain circumstances, expenditures classified as development expenditure can be capitalized.

More specifically, no intangible asset arising from the research phase shall be recognized. By this way, expenditure on the research phase of an internal project must be recognized as an expense when it is incurred.

Differently, an intangible asset arising from the development phase of an internal project shall be recognized and capitalized if an enterprise can demonstrate: (i) technological feasibility of completing the asset so that it will be available for use or sale; (ii) intention to complete the asset; (iii) ability to use or sell the asset; (iv) how the asset will generate probable future benefits; (v) availability of resources to complete the asset; (vi) ability to measure the expenditure attributable to the asset. If these criteria are not met, the expenditure of this intangible item must be recognized as an expense when it is incurred. This approach looks for a correlation between cost and generation of an asset.

As a result of existing limitations to recognizing the internally generated intangible asset in a company's balance sheets, disclosure has gravitated towards the narrative format. Generally speaking, firms can publish a description of their intangible assets in the Intellectual Capital Statement; however, this practice has not taken root and most companies include this information as a part of their broader narrative reporting (for example a section of the Management Discussion and Analysis). In addition, several pieces of research highlight how a great deal of Intangible Asset information is communicated in company road shows and private meetings between companies, investors and analysts (Bushee, Jung and Miller, 2013).

Conversely, OIC 24 recognizes as intangibles 1) items acquired and protected by law and 2) deferred charges. Generally speaking, these assets could be capitalized if: (i) future economic benefits are ascertainable; (ii) there is a clear relationship between costs and expected future benefits; (iii) the costs are identifiable and measurable.

The first category has all these requirements and it must be capitalized; the second one (deferred charges) does not

have the third requirement and then it may alternatively be capitalized or charged to operations when incurred. According to the provisions of the 4th and 7th accounting directives, OIC 24 prescribes that companies can choose whether or not, under certain conditions, to capitalize the cost arising from the research and development phases. As a consequence, the Italian GAAP approach points out a correlation between the cost and generation of an asset.

Moreover, it is interesting to point out that, the recent European Accounting Directive (EAD), which will enter into force in July 2015, adopts the same approach as IAS 38. In particular, it is oriented towards recognizing and capitalizing only the intangible asset arising from the development phase. As a consequence, expenditure on the research phase of an internal project must be recognized as an expense when it is incurred. In addition, where national law authorizes the inclusion of the costs of development under “Assets”, with these costs not having been completely written off, Member States shall require that no distribution of profits take place unless the amount of the reserves available for distribution and profits brought forward is at least equal to that of the costs not written off. Thus, Italy will have to change the recognition criteria concerning deferred charges.

This first divergence between IAS 38 and OIC 24 implies a reduction of the useful information provided to investors. In fact, deferred charges (such as start-up costs, research and advertising costs) and research internally generated brands, trademarks, patents and licenses would be excluded from the firms’ assets.

2) Measurement of intangible assets

Regarding the measurement of the intangible assets in the financial statements, after the initial recognition at cost, the IAS 38 admits a choice between cost and revaluation model. The first model implies that the intangible assets are initially measured at cost, and after are carried at cost less any amortization and impairment losses; the second implies that the intangible assets, after initial recognition, are carried at a revalued amount based on fair value determined by reference to an active market, less any amortization and impairment losses. Conversely, OIC 24 provides only the historical cost model.

Generally speaking, this second difference between the IFRSs and Italian rules is the adoption of a fair value criteria for some items and the abandonment of the historical cost criteria. In fact, the application of fair value represents one of the main changes about the international accounting harmonisation. Moreover, it produces some effects about the methods of income determination and financial communication (Pizzo, 2000). In fact, the primary purpose of assessment at fair value is to provide information on company performances, capital structure and financial position, with greater attention to the present and orientation to the future at each accounting period (Lionzo, 2005). Thus, the introduction of IAS/IFRSs seems to modify the main user of the financial statement (from the creditors to the investors).

3) Useful life of intangible assets

Regarding the useful life, IAS 38 draws a distinction between the accounting for an intangible asset with a finite useful life and the accounting for an intangible asset with an indefinite useful life.

In particular, a finite useful life intangible asset should be amortized on a systematic basis over its useful life, while it should be tested for impairment only when there is any indication that an asset may be impaired. Differently, an intangible asset with an indefinite useful life (including goodwill) should be tested for impairment annually and whenever there is an indication that the intangible asset may be impaired. Therefore, amortisation of such an asset is not required or permitted.

Conversely, according to the 4th and 7th directives, OIC 24 prescribes that intangible assets shall be written off over their useful economic life. In exceptional cases where the useful life of goodwill and development costs cannot be reliably estimated, such assets shall be written off within five years. Moreover, the new EAD prescribes that the amortization period shall not be shorter than five years and shall not exceed 10 years.

This last distinction points out another significant difference between the IFRS and Italian GAAP (and, in turn, with the EADs) relating to the evaluation of intangible asset with an indefinite useful life (including goodwill), since the impairment test (according to IAS 38) replaces the systematic amortisation required by OIC 24.

Regarding goodwill, the IASB observes that the useful life of acquired goodwill and the pattern in which it diminishes generally are not possible to predict, since its amortisation depends on such predictions. As a result, the amount amortised in any given period can at best be described as an arbitrary estimate of the consumption of acquired goodwill during that period.

Therefore, the Board agrees that if a rigorous and operational impairment test could be devised, more useful information would be provided to the users of financial statements under an approach in which goodwill is not amortised, but rather tested for impairment.

Thus, IAS 38 provides that prudence cannot in any case lead to an unrealistic definition of an excessively short useful asset life. This approach links with the logic of the IAS/IFRSs about the importance of the economic substance of the events emerges, while the prudence does not appear to be emphasized.

Generally speaking, even if prior studies suggest that the value relevance of goodwill has improved with the introduction of the impairment test (Hirschey and Richardson, 2002; Churyk, 2005; Chen et al., 2006; Hayn and Hughes, 2006; Bens et al., 2007; Chambers 2007), other studies point out that this solution may involve a problem of assessment due to the possible influence of the goodwill internally generated on the value of the goodwill acquired externally (Bisogno, 2008; Teodori and Veneziani, 2005). Furthermore, the replacement of amortization with the impairment test will tend to make the financial performances of the Italian firms more volatile. In this case, an adequate company disclosure demonstrates the correctness of the assessment process and enhances the relationship with the investors at the same time (Teodori, 2006).

In addition, others scholars suggest that the greater discretion of the impairment test could also facilitate opportunistic behaviours, especially in the absence of strong control exercised by the corporate governance system (Beatty and Weber 2006; Ramanna, 2008). In fact, the implementation of the impairment test for goodwill may be affected by firms' reporting and local institutional factors behaviour (Ball et al. 2000; Ball et al. 2003; Ball, 2006). In the case of Italy, the value relevance of goodwill is influenced by potential managerial opportunistic behaviour due to the presence of a codified law and stakeholder model of corporate governance.

As a result, according to the above-mentioned studies, an impairment test procedure does not impede earnings management behaviour; as such, the differences between IAS 38 and OIC 24 (and, in a broader view, with EADs) concerning the accounting treatment of intangible assets are not justifiable. In fact, it is interesting to point out that the evaluation of the intangibles with an indefinite useful life is open to debate.

Recently, in July 2014, the Accounting Standard Board of Japan (ASBJ), the European Financial Reporting Advisory Group (EFRAG) and the Italian Standard Setter, the Organismo Italiano di Contabilità (OIC), issued a discussion paper entitled: "Should Goodwill still not be amortised?" in order to stimulate the debate on accounting and disclosure requirements of acquired goodwill before the IASB formally considers a standard-setting initiative. In particular, the research group proposes the reintroduction of the amortisation of goodwill; it also suggests extending amortisation to other intangible assets with an indefinite useful life. Both preparers and auditors are concerned with the cost and subjectivity of impairment testing.

In addition, in response to this discussion paper, the Research Group received twenty-nine comment letters; as a result, it issued in February 2015 a feedback statement that describes the main comments about the accounting for goodwill. According to the study, the majority of respondents (about 66%) supported that amortization of goodwill should be reintroduced; they also pointed out a number of difficulties related to the impairment approach and provided some suggestions on what should be improved.

Regarding IAS 38, many respondents considered that, if the IASB would require the amortization of goodwill, the same requirements should be applied to other intangible assets with an indefinite useful life. Moreover, many respondents also suggested that the IASB should reconsider the requirement to recognize separately intangible assets, especially if the Board decides to reintroduce the requirement regarding the amortization of acquired goodwill.

5. CONCLUSIONS AND FURTHER DEVELOPMENT OF THE STUDY

The aim of the paper was to analyse the international accounting harmonisation process, comparing IAS 38 and the Italian accounting standard (OIC 24) on the recognition and evaluation of intangible assets, in order to understand the level of compliance between them.

The review of the literature has pointed out that accounting for and related disclosure under the IAS 38 are far from uniform; in fact, scholars have documented a high level of disparity of information and what appears to be non-compliance, across a broad international set of firms, with mandatory disclosure requirements in IAS 38. All in all, it seems to validate the idea that country-specific institutional characteristics and national reporting environments influence the effects of the application of IFRSs.

In a similar way, an accounting disharmony between IAS 38, on one hand, and OIC 24 (and, in a way, with EADs) on the other has been documented, highlighting the main differences concerning the recognition, measurement and useful life of intangible assets. Moreover, this paper has pointed out that the impairment test procedure, which is mandatory for indefinite useful life intangible assets instead of amortisation, does not impede earnings management behaviour. As such, this different accounting treatment does not seem justifiable, as emphasised by the above-mentioned study conducted by the Accounting Standard Board of Japan (ASBJ), the European Financial Reporting Advisory Group (EFRAG) and the Italian Standard Setter (OIC). As a result, it could be argued that the accounting disharmony concerning intangible assets

could derive mainly from political reasons (Zeff, 1978).

From this viewpoint, many of the conceptual as well as empirical studies mentioned in the previous sections, even though they recognize that the international accounting harmonisation is a very difficult task, highlight that, sometimes, there are no valid reasons justifying differences across countries.

Along this path, further developments of the present research could follow two directions: firstly, comparing accounting treatments concerning other topics (such as Business combinations or Financial instruments); secondly, providing an empirical support through an analysis of financial statements disclosure drafted in accordance with IFRSs and EADs (event though, this study has been built on findings of previous empirical studies).

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