# GLOBAL RESEARCH ANALYSIS

ISSN No 2277 - 8160

Listed & Indexed with

ISSN Directory, Paris



Multi-Subject Journal

Volume : 1 | Issue : 2 | July 2012 | ₹ 250/-

GLOBAL RESEARCH ANALYSIS

ISSN No 2277 - 8160

# GLOBAL RESEARCH ANALYSIS

Editor In-Chief :

**Dr. Khansa Memon**
SARA Publishing Academy

| | | |
|---|---|---|
| **Dr. Ashok S. Pawar**<br>Associate Professor,<br>Dept. of Economic<br>Dr. Babaasaheb Ambedkar<br>Marathwada.University,<br>Aurngabad.(MS-India)-431004 | **Dr.(Prof) Vijay Kumar Soni**<br>Principal,<br>Jai Meenesh College, Phagi,<br>Jaipur, Rajasthan | **Dr. A.R. Saravankumar**<br>Assistant Professor in Education<br>DDE, Alagappa University,<br>Tamilnadu |
| **Dr. R. Ramachandran**<br>Commerce DDE<br>Annamalai University<br>Tamilna | **Dr. R Ganpathy**<br>Assistant Professor in Commerce<br>Directorate of Distance Education<br>Alagappa University<br>Karaikudi. | **Dr. Amit Bandyopadhyay**<br>Assistant Professor<br>Department of Physiology<br>University of Calcutta |
| **Dr. V. Kumaravel**<br>Professor and Head<br>Vivekanandha Business School for Women<br>Tiruchengode, Namakkal Dist | **Dr. K. Prabhakar**<br>Professor,<br>Department of Management Studies,<br>Velammal Engineering College,<br>Chennai - 600 066. | **Dr. Sunita J. Rathod**<br>Maharashtra Education<br>Service Group-B<br>DIET Dist. Jalna |

## SUBSCRIPTION DETAILS

| Period | Rate | Discount | Amount Payable |
|---|---|---|---|
| One Year (12 issues) | 3000/- | Nil | 3000/- |
| Two Years (24 issues) | 6000/- | 200/- | 5800/- |
| Three Years (36 issues) | 9000/- | 300/- | 8700/- |
| Five Years (60 issues) | 15000/- | 600/- | 14400/- |

You can download the Subscription form from website www.theglobaljournals.com. You will require to print the form. Please fill the form completely and send it to the Editor, GLOBAL RESEARCH ANALYSIS along with the payment in the form of Demand Draft/Cheque at Par drawn in favour of GLOBAL RESEARCH ANALYSIS payable at Ahmedabad.

- Thoughts, language, vision and examples in published research paper are entirely of author of research paper. It is not necessary that both the editor, and editorial board agrees with the author. The responsibility of the matter of research paper/article is entirely of author.
- Editing of the Global Research Analysis is processed without any remittance. The selection and publication is done after recommendations of atleast two subject expert referees.
- In any condition if any National/International University denies accepting the research paper published in GRA, then it is not the responsibility of Editor, Publisher and Management
- Only the first author is entitle to receive the copies of all co-authors
- Before re-use of published paper in any manner, it is compulsory to take written permission from the Editor-GRA unless it will be assumed as disobedience of copyright rules
- All the legal undertaking related to Global Research Analysis is subject to Ahmedabad Jurisdiction.
- The research journal will be send by normal post. If the journal is not received by the author of research paper then it will not be the responsibility of the Editor and publisher. The amount for registered post should be borne by author of the research paper in case of second copy of the journal.

**Editor,**
**GLOBAL RESEARCH ANALYSIS**
3, SUHANA, Near. Ruby Apartment, B/h NID, Rajnagar Road, Paldi Ahmedabad – 380007. Gujarat (INDIA)
Cell : +91 98247 02127, 8866 00 3636

# INDEX


| Sr. No. | Title | Author | Subject | Page No. |
|---|---|---|---|---|
| 1 | Application of One Way ANOVA and Tukey's HSD Post Hoc test to Ecological Data | T B Mruthunjay, Dr. Shankar P Hosmani | Biotechnology | 1-3 |
| 2 | "New Area and Management Through Value Based" | Dr. Pankaj. K. Trivedi | Commerce | 4-5 |
| 3 | E-Supply Chain Strategies | Dr. Vipul Chalotra | Commerce | 6-7 |
| 4 | Socio-economic and Cultural factors in health, health services and prevention: An over view | Jaibarath Mageshkar | Economics | 8-9 |
| 5 | A Discriminant Analysis on Demographic Factors and Satisfaction Level of Credit Card Users in Coimbatore City | Dr.Malarvizhi.V | Economics | 10-12 |
| 6 | Effects of Socio-Cultural Determinants on Fertility | Prof. Dr. K.J. Thankachan | Economics | 13-15 |
| 7 | "Need of Effective Communication Model in Teaching Learning Process" | Dr. Mujibul Hasan | Education | 16-18 |
| 8 | Awarness on Special Education for B.Ed Students | Dr. S. K. Panneer Selvam | Education | 19-20 |
| 9 | Quality Improvement in Elementary Teacher Education | Ramesh B. Sakhiya | Education | 21-22 |
| 10 | Mobile operating system: A Case study on Symbian and Android | Vidyasagar S.D. | Engineering | 23-25 |
| 11 | IIR Filter Design to remove noise from ECG signal | Aarti J Patel | Engineering | 26-28 |
| 12 | Assessment of Godavari River Water For Sustainable Utilization. | I. B. Ghorade, S. S. Patil, M.D. Wagh | Environment Science | 29-32 |
| 13 | Shiksha, Saksharta aur Media | Dr Subodh Kumar | Journalism | 33-34 |
| 14 | Television Viewing Behaviour of Rural Women | Dr. H.Ramakrishna | Journalism | 35-36 |
| 15 | Female Foeticide and PNDT Act: Issues and Challenges | Dr. Anu, Dr. Pawan Kumar | Law | 37-38 |
| 16 | Product Invasion from foreign Competitors Whether Indian Product will win this Competition? | Dr. Ashish Singh | Management | 39-40 |
| 17 | "Role of State Wise Employment Exchanges on Condition That Employment In India." | Mr. Vimal P. Jagad | Management | 41-43 |
| 18 | A Study for The Growth of Micro, Small, Medium Service Enterprises Thorugh Tourism Development | Prof. Nikita Gupta, Prof. Parag Gadve, Prof. Farha Hussain | Management | 44-45 |
| 19 | To Study The Need of Capacity Building for Rural Tourism | Prof. Parag Gadve, Prof. Nikita Gupta, Prof. Farha Hussain | Management | 46-47 |
| 20 | CRM and Information Technology | Prof KVSN Jawahar Babu | Management | 48-49 |
| 21 | Strategies for Seizing Rural Markets- A Checklist for Fmcg Firms | Prof KVSN Jawahar Babu, N Meena Rani | Management | 50-52 |
| 22 | Implementation of Adaptive Controller based on FPGA for Flow System | Ankit V Bhaiya, Prof. Vandana V. Patel | Management | 53-55 |
| 23 | "A Study of Evaluation of Operating Performance of Selected Mutual Fund in Global Era" | Mital R Menapara, Bhavesh P Chadamiya | Management | 56-57 |
| 24 | "Remarks on the Measurement, Valuation and Reporting of Intangible Assets" | Dinesh C. Dhoniya | Management | 58-59 |

| Sr. No. | Title | Author | Subject | Page No. |
|---|---|---|---|---|
| 25 | Corporate Social Responsibility: Micro and Macro level | Parul Jain | Management | 60-61 |
| 26 | Role of Management Schools in Transformation of Rural India | Dr. H.Ramakrishna | Management | 62-64 |
| 27 | A Study on Customer Experience in Modern Retail Stores with Reference to Big Bazaar, Hyderabad | N Meena Rani | Management | 65-67 |
| 28 | Impact of Satellite Television on Adolescent Girls of Silchar Town in Southern Assam | Dr Partha Sarkar | Mass Communication | 68-70 |
| 29 | Quality Assurance Procedure for Computerised Tomography Scanners(Test Followed In India) | Suresh Sukumar, Sushil Yadav | Medical Science | 71-74 |
| 30 | Magnetic Resonance Imaging of Routine shoulder protocols | Suresh Sukumar, Sushil Yadav | Medical Science | 75-76 |
| 31 | A Simple Teaching Module for Brain Sections: Integration of Traditional Teaching Methods and Modern Computer Technology. | Dr. Archana U. Shekokar, Vandana A. Tendolkar | Medical Science | 77-78 |
| 32 | Effects of Mand Training on Negative Behaviours and Verbal Behaviour Development: A Case Study | Prasanna V, Sunila John, B Rajashekhar | Medical science | 79-81 |
| 33 | Effectiveness of Videotaped/Photographs in Teaching Handling Techniques for Caregivers of Children with Spastic Cerebral Palsy | V.Guruprasad, KR.Banumathe, T. BalaKrishnan | Medical Science | 82-84 |
| 34 | Comparision of Thresholds of Single Frequeny and Muti Frequency Auditory Steady State Responses in Normal Hearing Adults | Sadanand Gore, Hari Prakash P | Medical Science | 85-87 |
| 35 | Clinical applications of Speech Evoked Cortical Auditory Potentials (SECAPs) in Pediatric Hearing assessment & Aural habilitation- A case report | Ayas Muhammed, Archana, Kishan, Hariprakash, Prajakta Prabhu | Medical science | 88-89 |
| 36 | Rudimentary horn pregnancy: A Case Report | Dr Ashwini Avinash Yelikar , Dr Vidya Vijender Ambatkar, Dr Kishore Hol, Dr G S Shekhawat | Medicine Science | 90-91 |
| 37 | A rare case: Typhoid fever with ARDS | Dr. Ramakrishna Ghubde, Dr. Archana Shekokar | Medicine Science | 92-93 |
| 38 | Motivation, Well-Being & Adjustment of Economic Downturn Survivors: An Empirical Study in a Manufacturing Industry | Vijaya.R, Dr.M.Y.Manjulat | Psychology | 94-96 |
| 39 | Diversity of cladocerans, copepods and ostracods of Kapsi Lake Kapsi, Akola (MS) India | P. P. Ade | Zoology | 97-100 |
| 40 | Study of macromolecular contents of different tissues of Channa punctatus under stress condition | Pooja S. Thakur | Zoology | 101-102 |
| 41 | Spider diversity of Katepurna Sanctuary District Akola (MS) India | Shegokar M.M. | Zoology | 103-106 |

Volume : 1 | Issue : 2 | July 2012 • ISSN No 2277 - 8160

Research Paper | Management

# "Remarks on the Measurement, Valuation and Reporting of Intangible Assets"

**Dinesh C. Dhoniya** Commerce & BBA College, Junagadh

**ABSTRACT**

*Intangible assets are both outsized and significant. The first approach is based on accounting for the investments in research and development (R&D), software, brand development, and other intangibles. The second utilizes the wages and salaries paid to "creative workers," those workers who make intangible assets. The third approach, which is quite inventive, examines the changes in operating margins of firms—the difference between sales and the cost of sales. As an exemption to the general rule regarding intangible assets, Financial Accounting Standards Board (FASB) Statement 86 mandates the capitalization of software development costs incurred from the point of "technological achievability." The forces of the position are enormous and are fighting against meaningful vary, still today.*

**Intangible Assets, Conservative Accounting**

## 1. Introduction

Intangible assets are both large and important. However, current financial statements provide very little information about these assets. Even worse, much of the information that is provided is partial, inconsistent, and confusing, leading to significant costs to companies, to investors, and to society as a whole. Solving this problem will require on-balance-sheet accounting for many of these assets as well as additional financial disclosures. These gains can be achieved, but only if users of financial information insist upon improvements to corporate reporting.

## 2. The Magnitude of Intangible Assets

In a recent paper, Leonard Nakamura of the Federal Reserve Bank of Philadelphia uses three different approaches to estimate the corporate sector's amount of investment in intangible assets. The first approach is based on accounting for the investments in research and development (R&D), software, brand development, and other intangibles. The second uses the wages and salaries paid to "creative workers," those workers who generate intangible assets. The third approach, which is quite innovative, examines the changes in operating margins of firms—the difference between sales and the cost of sales.

## 3. The Myth of "Conservative Accounting"

Five or six years ago, when I began discussing the problems caused by the accounting system's mismeasurement of investment in intangible assets, the common wisdom was that the immediate expensing of intangibles was good because it was "conservative." (Conservative in the accounting sense means that you underestimate earnings and the value of assets.) However, the lives of the assets, their creation costs, and the cash flows generated have a time dimension, which is fixed. Therefore, if you are "conservative" in some periods, you will end up being "aggressive" (inflating earnings) in others. The exhibit that I have included shows the results of a model that two colleagues and I developed that relates the rate of growth in R&D spending to three popular measures of company performance: return on equity, return on assets, and growth in earnings (what analysts call "momentum"). The solid line in the exhibit shows corporate performance if the R&D spending is capitalized; the dashed line shows the performance resulting from the immediate expensing of R&D or other intangibles.

Companies with low growth rates actually report aggressively. For these companies, the reported levels of return on equity, the return on assets, and the growth in earnings appear to be much better than they really are. The inflection point occurs when the rate of spending growth is equal to the company's cost of capital.

## 4. Related Accounting Problems

As an exception to the general rule regarding intangible assets, Financial Accounting Standards Board (FASB) Statement 86 mandates the capitalization of software development costs incurred from the point of "technological feasibility." However, many software companies are not following the rule. Companies that are very profitable, like Microsoft or Oracle, do not capitalize software expenditures, deferring profits to the future. Less profitable companies tend to capitalize significant amounts of software development. Thus, you have an accounting rule that is followed by some and not by others, making it very difficult for outsiders to rely on reported financial information.

In addition, the accounting methods for purchased intangible assets are inconsistent with the accounting methods for internally generated intangible assets. Expenditures to build a brand name are immediately expensed. Expenditures to purchase a brand name, either directly or while acquiring a company are capitalized. Further confusing the issue, expenditures to acquire in-process R&D is expensed, even in arm's-length transactions. The accounting rules for intangibles do not make much economic sense or common sense, and companies have been inconsistent in their application of the rules, creating significant mismeasurement and misreporting issues. To gauge the size of this problem, note that during the 1990s, thousands of acquisitions were made primarily to obtain technology.

## 5. Consequences

A consequence of the mismeasurement and deficient reporting of intangible assets is a significant deterioration in the information content of key financial statement items. To judge the information loss, Paul Zarowin and I estimated the information content of earnings announcements based upon the correlation between the announcements and the change in stock prices around the time of the announcements. We found that there has been a constant decrease in the magnitude and stability of the role that earnings, the change in book values (net assets on the balance sheet), and operating cash flow announcements play in investors' decisions. If equity prices reflect all the information that investors receive from all sources, the contribution made by earnings and other financial measures has been decreasing throughout the 1980s and 1990s. Furthermore, our paper shows that firms with significantchanges in R&D spending are the ones for which theinformation deterioration is the worst.

Another clear indication of deterioration in theinformation content of financial reports is that manager's arefeverishly looking for alternative measures of corporateperformance for internal purposes. The need for alternative sexplains the recent popularity of "balanced scorecard" systems,in which nonfinancial measures are added to financialmeasures in order to set goals and gauge performance.

## 6. Remedies

To understand what can be done to improve the situation, it is important to discuss both "recognition" and "disclosure" issues. Recognition means that the item affects the balance sheet or the income statement; disclosure is the provision of information, usually in footnotes, without affecting the balance Sheet or the income statement. To resolve the current problem, both more recognition and more disclosure are required. The battle in the mid-1990s over accounting for stock options clearly shows the difference between recognition and disclosure. Managers vehemently objected to recognizing employee-manager stock options as an expense in the income statement. They won the battle, and the standard called only for Footnote disclosure. Although extensive stock option information was disclosed in a large footnote in every financial report—Bears Stearns even provided its customers with a list of companies' earnings, adjusted to reflect the costs of stock options a widespread under appreciation of the importance and costs of stock options still resulted.

To provide as much information with as much clarity as possible, I propose a new comprehensive balance sheet that recognizes the creation of those intangible assets to which you can attribute streams of benefits. A comprehensive balance sheet—like the comprehensive income statement, which is now required under Generally Accepted Accounting Principles—adds information to a financial statement (or, if investors wish to retain the previous balance sheet, it adds a new statement). With a comprehensive balance sheet, investors will have clear information about the company, both with and without the capitalization of intangible assets. The proposed capitalized intangibles will include R&D, patents, brands, and sometimes organizational capital. However, this is not to say that disclosure is unimportant.

Two colleagues and I have created a disclosure index for biotech companies, based on information in the companies' prospectuses regarding patents, the results of clinical tests, prospective market shares for their products, and other factors. We found that the index provided considerable additional information about future market performance.

**7. Going Forward**

I would like to sum up by posing a key question: How can we accomplish the main objective I have described today— namely, promoting improvements to the reporting of intangible assets?

Much depends on you. I work intimately with the FASB— which, by the way, is currently working on an intangibles disclosure project—and the accounting industry's other standard-setters. As they add items to the agenda and develop accounting rules and standards, these standard-setters solicit feedback. Managers, CEOs, and accountants from accounting firms usually comment extensively, because they are the Individuals most directly affected by any changes. However, to the best of my knowledge, the FASB rarely hears from policymakers and those in charge of national income accounting—individuals who are interested in obtaining good, objective information. If users of financial information are to receive the information that they need, they must become more involved in accounting standard-setting.

The forces of the status are immense and are fighting against meaningful change, even today. The involvement of you and your colleagues can therefore make an important difference in the outcome.

## REFERENCES

1. Aboody, D., and B. Lev. 2000. " Information Asymmetry, R&D, and Insider Gains." Journal of Finance 55, no. 6 (December): 2747-66. | | 2. Chan, L., J. Lakonishok, and T. Sougiannis. 2001. "The Stock Market Valuation of Research and Development Expenditures." Journal of Finance 56, no. 6 (December): 2431-56. | | 3. Lev, B. 2001. Intangibles: Management, Measurement, and Reporting. Washington, D.C.: Brookings Institution Press. | | 4. Lev, B., and P. Zarowin. 1999. "The Boundaries of Financial Reporting and How to Extend Them." Journal of Accounting Research 37, no. 2 (autumn): 353-85.




Sara Publishing Academy

**GLOBAL RESEARCH ANALYSIS**

Multi-Subject Journal

Editor,

**GLOBAL RESEARCH ANALYSIS**

3, SUHANA, Nr. Ruby Apartment,
B/h NID, Rajnagar Circle, Paldi, Ahmedabad - 380007

Printed at Unique Offset, Novatsing Rupam Estate, Opp. Abhay Estate, Tavdipura, Shahibaug, Ahmedabad

Designed By : AdVoice Inc. +91 9824484447