



4th International Conference on Corporate Social Responsibility
London Metropolitan University
7 – 9 September 2005

Book of abstracts

Companies and professional boards' reactions to new M&A accounting in the USA

Humberto Ribeiro, London Metropolitan University, UK & Bragança Polytechnic, Portugal & David Crowther, London Metropolitan University, UK

Following G4+1 recommendations issued after a meeting in 1998, the Financial Accounting Standards Board (FASB) reshaped dramatically in 2001 the accounting for business combinations, which had remained unchanged for thirty years in the USA. With the publication of SFAS 141, FASB dropped pooling of interests method in favour of purchase method and with SFAS 142 amortization of goodwill recognized as result of a business combination was replaced by impairment tests.

Business combinations includes a wide range of deals, such as mergers and acquisitions (M&A), and is arguably one of the most polemic accounting topics ever. AICPA APB opinions issued in 1970 seemed to have praised almost everybody – difficult task given the different views about the most appropriate practice to adopt – although some prominent authors, such as Stephen Zeff, remained opponents of pooling of interests. Others always defended that pooling was the fair method for the *real and true* mergers and therefore strongly disagreed with G+1 and FASB views, stressing that the new rules would turn impracticable some mergers deals with specific characteristics.

The FASB certainly did not intend to change the M&A market dynamic through its new set of accounting rules. Nevertheless, the critical voices raised against the pooling method ban suggested that the M&A activity could have been affected. Therefore, the authors of this paper considered relevant to discuss potential impacts of this new standards. Preliminary results obtained with questionnaires sent to firms included in S&P 500 index will be also presented.