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Brand Valuation: Recognizing the brands as strategical assets in the balance sheet of the companies

Avaliação da Marca: Reconhecendo as marcas como ativo estratégico no balanço das empresas

Francisco Clairton Araujo[1]
Fernando José Ferreira Lucas[2]
Mitsuru Higuchi Yanaze[3]

Abstract

The brand continues representing an important and strategic asset for companies. After adoptation of norms (IFRS/FASB), the brand was approved to be recognized as intangible assets in the balance sheet of the companies. The purpose of this paper was investigating how the big multinationals companies recognized the brand valuation in the financial statements and respective consequences. This paper discusses about several aspects involving the brand valuation process and relationship with EMH Theory focusing to have more communication and transparency with stakeholders. The results showed that all companies recognized substantial intangible assets in the balance sheet, but only Google, Coca-Cola, Samsung and Facebook recognized trademarks, although it is more associated with intellectual properties, copyrights and not exactly brands. Amazon and Microsoft bought several companies in 2018, but the brands were not duly recognized or disclosure in the financial statements.

[1] PhD in Information System by Universidade Nova de Lisboa, Universidade Nova de Lisboa, divisão IMS, Information Management School, Campus de Campolide, 1070-124 – Lisboa, Portugal.
E-mail: araujo@mestrearaujo.com.br Orcid: https://orcid.org/0000-0001-7909-0843
[2] Ph.D in Information Management pela Universidade Nova de Lisboa Universidade Nova de Lisboa, divisão IMS, Information Management School, Campus de Campolide, 1070-124 – Lisboa, Portugal.
E-mail: bacao@novaims.unl.pt Orcid: https://orcid.org/0000-0002-0834-0275
[3] Ph.D. in Communication Sciences from Universidade de São Paulo, Universidade de São Paulo, divisão ECA, Escola de Comunicação e Marketing, Av. Prof. Lúcio Martins Rodrigues, 443, Butantã, São Paulo - SP, CEP: 05508-020. E-mail: mitsuruyanaze@uol.com.br Orcid: https://orcid.org/0000-0002-9103-6759

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Resumo

A marca continua representando um ativo importante e estratégico para as empresas. Após adoção das normas (IFRS / FASB), a marca foi aprovada para ser reconhecida como ativo intangível no balanço patrimonial das empresas. O objetivo deste trabalho foi investigar como as grandes multinacionais reconheceram o valor financeiro das marcas nas demonstrações financeiras e respectivas consequências. Este artigo discute vários aspectos que envolvem o processo de valoração da marca e sua relação com a teoria de EMH, focando em melhor comunicação e transparência com as partes relacionadas. Os resultados mostraram que todas as empresas reconheceram substanciais ativos intangíveis no balanço, mas apenas Google, Coca-Cola, Samsung e Facebook reconheceram marcas, embora estejam mais associadas a propriedades intelectuais, direitos autorais e não exatamente marcas. A Amazon e a Microsoft compraram várias empresas em 2018, mas as marcas não foram devidamente reconhecidas ou divulgadas nas demonstrações financeiras.

Palavras-chave: Avaliação financeira de Marca. Valor da Marca. Valor Contábil da Marca. IFRS 3.

Introduction

1.1 Research background

The brand as intangible asset is very important and strategical for the companies as per several reasons, mainly because create expectation, emotions, experiences and can influence in an acquisition decision of the customers (Wasserman, 2015; Peres and Fama, 2006). These experiences go beyond the mere usage of the product or service and lead to a higher-level engagement with them (ISO 20671, 2019).

A brand is a unique source of competitive advantage as branding enables a firm to create value for stakeholders efficiently and effectively in a way that competitors of the firm are not able to create (Barney, 2001). It makes sense continue to discuss about the brand valuation because the brand contributes to generate future cash flow for the company.

The marketing and accounting professionals should work together to minimize some polemical issues and explore advantage came from the brands looking forward to maximizing the business units and global results of the company. For Yanaze (2013) the major challenge along the last decades was always to measure the return on investment in communication and to identify confidently how much of total company expenditures relates to or increment the brand value. Knowing the brand value allows the company acting strategically.

Along the time the brand and intangible assets values overtook the companies´ s tangible assets and brand's value may represent from 20% to 75% of the negotiation value in merger and acquisition here denominated as M&A; the brand management is gaining strong acceptance among business administrators, brand managers and most recently financial managers as evidenced in studies made by (Ringland and Young, 2006; Bahadir; Bharadwaj and Srivastava, 2008; Franzen and Moriarty, 2009; Kitchen, 2010), among other authors. It occurs that the financial valuation of a brand is complex due to the conflict of interests involving the non-financial issues as: image, consumer perception, brand-awareness and quality among other variables as pointed out by (Shuba and Dominique, 2009; Sgoda and Freitag, 2015).

Throughout many decades brand accounting recognition was prohibited by the accounting rules, and certainly one of the main reasons for such was the diversity among the valuation methods for the brand financial value as pointed out by the studies made by (Willmott, 2010; Mizik 2010; Gelb and Gregory, 2011; Silva, 2012).

Otherwise such prohibition leads to the following thinking: How to adequately valuate a company's market value without knowing its brand's fair value? For Kirk, Ray and Wilson (2013), Henisz, Dorobantu and Nartey (2014), Melo and Galan (2011), the brand value also exerts significant influence on the shareholders' interests since its value reflects in the company's stocks valuation therefore how is it possible to believe in the net worth of a share traded at the stock exchange?

Recently due to the importance, acceptance and influence of the brand's value in companies, society, and stock market among other stakeholders the regulatory authorities that issue accounting norms (IFRS/FASB) have finally decided to recognize brands as intangible assets. This is the ground base for the formulation of the target problem of this research that will guide the efforts which are as follows: Are the companies recognizing their brands came from M&A as intangible assets in the balance sheet? Do the notes to the financial statements disclose the criteria or methodology used to measure the brand value?

This paper contributes to discussion part of the issues and hypothesis raised by Sinclair and Keller (2017), and therefore the objective of this paper is to investigate how the international companies with strength brands have adopted the IFRS to recognize the brand values came from M&A in the financial statements and future consequences. It was selected Top 10 companies came from the 2018 global brand ranking by experts in brand valuation: Interbrand, Brand Finance and Kantar-Millward Brown. In addition, it will also be assessed whether in the communication and publishing process of their financial reports including their boards' annual report, financial statements and notes it is transparent and there is-reference to their brands and the latter's market value.

The sources utilized in this research were primarily and secondarily obtained through the website of the companies and of SEC (Security Exchange Commission) form 10K. By means of the already mentioned sources the complete financial statements were obtained including the published board annual reports. Out of the companies´ s balance sheets it was possible to identify the intangible assets accounts and their related values as of 2018. As one following-step cross references were trailed by the sequential numbers of the notes to the financial statements. These notes brought up complementing information which aimed at clarifying in a transparent way the results and economic-financial status of the company. They are a legal requirement provided by the Corporations Act.

This study is justified based on fulfilling the conditions proposed by Severino (2013) as originality, importance and feasibility. The originality of this article is characterized by the gathering of studies in marketing linking finance-accounting to the point of closing the gaps between those knowledge areas aiming at minimizing questions involving measurement and recognition of a brand's value. With respect to the referred importance, according to the Bloomberg global M&A market review report, the deal volume reached $3.0 Trillion USD, totalling 32.253 transactions. The brand value was for sure present during the whole economic valuation process of those companies.

In accordance with American Marketing Association (2019) brand may be defined as a name, an expression, a design, a symbol, a drawing or a combination of such elements that should identify the goods and services of a company or group of companies differentiating them from the competition. Aaker (1991,1996) states "brand as being not only a strategic asset but also the main source of competitive advantage for a company that is vision centred in the business". Still Aaker (2011) complements his own definition above: "The intangible sum of a product's attributes: Its name, packaging and price, its history, its reputation as well as the way it is advertised" and he concludes further that "A brand is a company's promise made to its clients and the unique emotional liaison the clients make with the company whenever such promise is consistently delivered in each interaction".

For Kotler (2016) "… Many companies think that their brand building work is done when they have established a brand's name and logo. True, they have developed the beginning of their brand's identity. Their brand will have an identity on the shelves of the supermarket. Anyone going through a supermarket will see thousands of brand identities. And within any category, such as beers, one will see many identities. But they won't mean much to customers who are uninformed."

It´s clear that brand represents a complex universe with many variables linked with physiology issues of the market and consumers, for this reason we can note the ratios evolution of intangible assets. Based on studies came from Ocean Tomo (2017), the intangible assets proportion was 84% and 16% for tangible assets according to the S&P 500 market value of the companies listed.

This study is structured in six sections the first having an introductory characteristic. The second and four sections approaches the conceptual, norms and technical content of the study. The five section will discuss about the correlation brands and EMH theory. The six section presents an analysis of the results. It ends with the consideration, discussion and references.

Brand Valuation

The brand valuation quantifies the benefits of the brand equity to owner of the brand (Cravens and Guilding, 2001). Before discussing about brand valuation it is very important to remind the importance of the brand equity literature, it because the brand valuation reflects the results of brand equity´s antecedents as discussed by (Keller, 2016; Canli, Hayran and Gulen, 2016; Keller and Lehman, 2003; Tiwari, 2010; Shocker and Weitz, 1988; Simon and Sullivan, 1993; Aaker, 1991) among other researchers.

Brand Valuation definition gained more acceptance through the contribution by Aaker (1996) and Feldwick (1996), when they stated that brand equity is the brand net worth and brand valuation is the financial representation of the brand's value. With the growth in M&A transactions in the 80's Brand Valuation began to be intensively discussed among the parties involved in those deals since they perceived that intangible assets as for example a brand can introduce a strong strategic value in the negotiation. From then onwards the first brand valuation techniques came up and the discussion on its adequacy to the companies accounting started as per (Nunes and Haigh, 2003; Louro, 2000) among other researchers.

According to Stewart et al (2016, p. 183), brand value is the discounted incremental future cash flows accruing from products and services bearing the brand name compared with a (fictitious) situation in which the firm offering had no brand name, in other words, it´s impact directly the bottom-line of the company.

2.1 Dimension of Brand Valuation

There are many methods to calculate the brand valuation, but in the market, there are three dominant companies Interbrand based in London, Brand Finance and Millward Brown based in the US. According to Sinclair (2016), Pandit and Srivastava (2016), Salinas and Ambler (2009), Huang (2015), among other researches the fundamental brand valuation methods are outlined as follows:

(i) Valuation based on Cost Approach: the brands can be valued at either the actual cost incurred in the acquisition, development or maintenance of the brand or at the cost which would be incurred in case of recreating the brand in the current business and economic conditions. In other words, the idea of this method is to accumulate all historical cost and expenditures on the brand until the moment of the valuation (Barwise, 1989). The weakness of this method is that if we measure on the basis of actual cost it is not of much relevance with throughout time and in case of the replacement basis it is very complex to arrive at exactly the same cost of recreating a brand under current situation. As additional information, with IFRS´s adaptation the assets and liabilities should be adjusted according to the fair value and not to the acquisition cost.

(ii) Valuation Based on Market Value Approach: It's based on the objective market value and this method is in accordance with accounting principles – fair value - but it occurs that there is no liquid market value for a brand transaction. For Fischer (2007) the discussion on this method is because the brand value is implicitly included in the market value of the company and the challenge is to separate the brand value from the company´s market value and the applications are limited to publicly listed firms.

(iii) Valuation Based on Income/DCF Approach: The discounted cash flow method is an income-based approach to valuation that is based upon the theory that the value of a business is equal to the present value of its projected future benefits (which is assumed to continue perpetually). The amounts for the projected cash flows and the terminal value are discounted to the valuation date using an appropriate discount rate, which encompasses the risks specific to investing in the actual company being valued. This method there has direct and indirect sub-methods (i.e. direct: royalty relief, price and volume premium, incremental cash flow and indirect: income split; multi-period excess earnings). The relief-from-royalty method is much appreciated in the market and used especially by banks' experts in M&A, accountants and lawyers specialized in trademarks. According to Salinas (2009) this method is based on the notion that a company would have to pay a royalty to a third party for using the trademark if the company did not own it, in another words, the idea is that a trademark´s value could be capitalized at the present value of the future economic benefits from saving the royalties payments, because the company owns it. The others sub-methods will not be discussed because they are not focused by this research. The figure 1 as follow will demonstrate of the dimension of brand valuation.

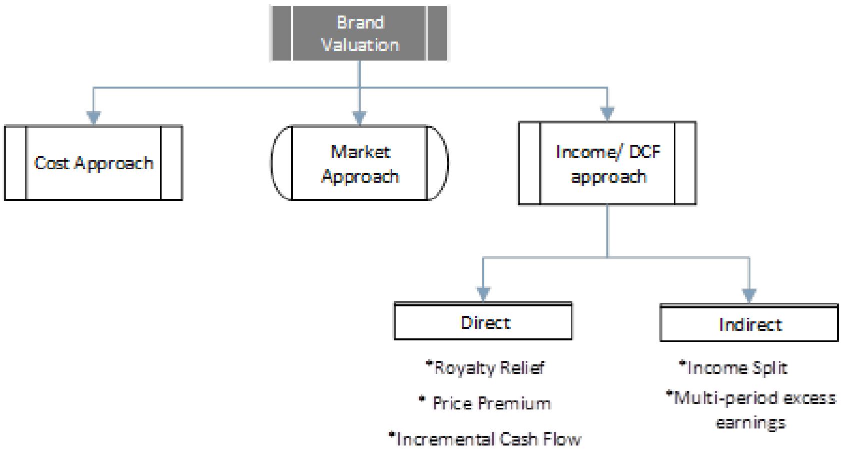

Figure 1. International Standard of Brand Valuation
Source: created by authors based on ISO 10.668.

2.2 Brand Valuation According to the Expert Consulting Companies

As mentioned before there are three dominant firms offering products brand valuation in the market: Interbrand based in London, Brand Finance and Millward Brown based in the US. Although ISO 10.668 and ISO 20671 were implemented to standardize and reduce the disparity of brands values. The accounting standards and the guidelines of the International Valuation Standard Council imposed a specific hierarchy in the valuation criteria: market and income methodology. If none of these could be used, then the replacement cost methodology would be applied. It is possible to realize that those disparities continue as follows in table 1.

		Brand Value (USD M) - Year 2018						
		(1) Interbrand		(2) Brand Finance		(3) Kantar MillwardBrown		Average
Company	**sector**	**Ranking**	**$**	**Ranking**	**$**	**Ranking**	**$**	**(∑ 1+2+3)/3**
	technology	1	214,480	2	146,311	2	300,595	220,462
Google	technology	2	155,506	3	120,911	1	302,063	192,827
amazon	e-commerce	3	100,764	1	150,811	3	207,594	153,056
Microsoft	technology	4	92,715	6	81,163	4	200,987	124,955
Coca-Cola	beverage	5	66,341	37	30,378	14	79,964	58,894
SAMSUNG	electronics	6	59,890	4	92,289	33	32,191	61,457
TOYOTA	vehicles	7	53,404	15	43,701	36	29,987	42,364
	vehicles	8	48,601	13	47,936	46	25,684	40,740
	social network	9	45,168	7	76,526	6	162,106	94,600
	restaurant	10	43,417	44	24,872	8	126,044	64,778
			880,286		**814,898**		**1,467.215**	**1,054.133**

Table 1 Top 10 brand´s values ranking list – disparity between experts consulting companies
Source: created by authors based on global ranking of the companies

The ranking position are similar for Apple, Google, Amazon and Microsoft and totally different for the other companies listed in the ranking position.

The three main global consulting companies specialized in brand valuation whose methodology was developed many years ago. Basically, such methodology assume the valuation steps: (i) the brand must be local even though the controlling shareholder is foreigner; (ii) the company must present to the market or publish financial statements; (iii) it must publish results individually for each brand; (iv) it generates economical profit and then identify and apply the discount rate (the best rate to expresses the risks involved). After that, it´s possible to calculate the NPV (net present value) of the future cash flow and consequently the financial brand value, of course always looking forward to the companies' s eyes.

The consulting companies have different methodologies, the details of the variables and formulas will be not discussed, mainly because this issue has been discussed during last decade since (Mizik, Fischer, 2007; Silva, 2012) among other researches.

The big challenge behind of these methodologies is to harmonize or standardize the methodologies segregating the cash flow forecast based on future demand of the brands. It is needed to reduce the subjectivity level often associated with brand cash flow forecasted (Ailawadi et al, 2003).

For this reason, banks, accountants and lawyers specialized in M&A and trademarks prefers to use income method, especially relief from royalty to measure brand valuation as mentioned by (Salinas 2009 and Sinclair 2017), among other researches. The royalty relief method consists in sales forecast linked with brand, after is necessary to determine the royalty rate and then multiply this rate with sales forecast and so we find the cash flow corresponding to the brand. The last step, it is necessary to determine a proper discount rate which must include the risk associated with the valued asset and finally, it would suffice to update the cash flows and find the sum of the updated assets whose result would correspond to the brand's value (Rubio, Conrado and Hérnandez, 2016)

When compared the total amounts mention in the global ranking is possible to verify that Brand Finance shows inferior total valuation when compared with other players, it maybe because they adopted the Relief from Royalty method.

After understanding the concept behind of methodologies proposed by consulting companies, let´s will discuss about the accounting aspects involving the brand recognition as intangible assets.

IFRS-FASB: Brand Value Recognition

Before the new accounting guidance, the brand value could not be accounted for in the financial statements due to a legal provision from the Corporations Act.; since it did not contemplate the recognition of intangible assets. Besides this its accounting principles were based on the historical or acquisition cost. Therefore, the amount of the difference between the accounting books (purchase prices) and market value valuation (exit prices) always was booked as goodwill – that means expected future profitability (Copeland, 1988 and Wasserman, 2015), among other researches.

The adoption of the International Financial Reporting Standards (IFRS 3, ASC 805 in US about Business Combination) stablishes principles and requirements for how an acquirer should recognize and measure the assets and liabilities acquired came from business combination (i.e. recognize and measure goodwill and disclosure the financial effects in the financial statements). Specifically about the intangible assets (SFAS 142; IAS 38), allowed the recognition of intangible assets provided there is the fulfilment of the following conditions: "An asset fulfils the criterion to be identified within the definition as intangible asset when: (a) it is segregated, that is, may be separated from the entity and sold, transferred, licensed, rented or exchanged individually or jointly with an agreement, related asset or liability independently from the intended use by the entity; or (b) results from contractual rights or other legal rights independently from those rights being possibly transferred or separated from the entity or from other rights and commitments".

Still in accordance to the norms one class of intangible assets is a group of assets with the nature and with similar usage in the entity's activities. Among the examples of various types there are: (a) brands; (b) titles of periodic publications; (c) software; (d) licenses and franchises; (e) author's rights, patents and other intellectual property rights, for services and operational; (f) recipes, formulas, models, projects e prototypes; and (g) intangible assets under development.

An entity shall assess whether the useful life of an intangible asset is finite or indefinite and, if finite, the length of, or number of production or similar units constituting, that useful life. An intangible asset shall be regarded by the entity as having an indefinite useful life when, based on an analysis of all the relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows for the entity.

The term 'indefinite' does not mean 'infinite'. The useful life of an intangible asset reflects only that level of future maintenance expenditure required to maintain the asset at its standard of performance assessed at the time of estimating the asset's useful life, and the entity's ability and intention to reach such a level. An intangible asset with a finite useful life is amortized and intangible asset with an indefinite useful life is subject to impairment test in accordance with norm IAS 36 (Impairment of Assets). The impairment test compares the asset's recoverable amount with it carrying amount: (a) annually or and (b) whenever there is an indication that the intangible asset may be impaired.

Also the IFRS 13, determinate how the fair value of the assets should be measurement, basically establish one hierarchy with three levels of inputs: level 1- inputs are quoted prices in active markets for identical assets; level 2 - are inputs other than quoted prices included within level 1, that are observable for the asset, either directly or indirectly and level 3 - inputs are unobservable inputs for the asset or liability, but these inputs will have to be used to measure fair value whenever relevant observable inputs are not available.

Other aspects are very important to understand the application of the norms on intangible assets as follow: (i) it is probable that expected future economic benefits that are attributable to the asset will flow to the entity (i.e. cash flow) and (ii) the cost of the asset can be measured reliably. Regarding to business combinations, the norm mentioned that each asset should be identified, measured by fair value at the moment of the transaction (i.e. the asset should be evaluate at the purchase moment) and they should be posted to the balance sheet under appropriate intangible accounts, on this case the purchase price allocation disclosure is needed. The goodwill generated internally cannot be recognized as an asset because it is not an identifiable resource controlled by the entity (i.e. it is not separable, nor does it arise from contractual or other legal rights) that can be measured reliably at cost. In this case cost is fair value at the transaction moment.

It was clarified by the referred norm that the intangible assets including brands came from M&A transactions may be recognized as assets in the balance sheet, since they can be identified separately and generate future results for the company.

After analysed the financial statements and notes of the selected companies it was possible to confirm that they recognized the intangible assets in the balance sheet. As table 2, the trademarks accounted 24%, technology based 10%, marketing related 11%, contract based 3%, customer related 7% and highlights for other 46% and goodwill 69% of the total intangible assets. In the account "other" highlight for Mercedes and Samsung that registered assets developed internally.

No	Company	Trademarks	Technology based	Marketing related	Contract based	Customer related	Other	Sub-Total	Goodwill	Total
1		-	-	-	-	-	-	-	-	-
2	Google	448	1,731	-	-	41	-	2,220	17,888	**20,108**
3	amazon	-	564	2,111	1,206	229	-	4,110	14,548	**18,658**
4	Microsoft	-	2,202	2,935	90	2,826	-	8,053	35,683	**43,736**
5	Coca-Cola	6,777	-	-	-	34	196	7,007	10,263	**17,270**
6	SAMSUNG	3,806	-	-	-	-	4,426	8,232	5,302	**13,535**
7	TOYOTA	-	-	-	-	-	-	-	-	-
8		-	-	-	-	-	16,453	16,453	1,298	**17,751**
9		352	131	-	-	-	811	1,294	18,301	**19,595**
10		-	-	-	-	-	-	-	2,331	**2,331**
	Total	**11,383**	**4,628**	**5,046**	**1,296**	**3,130**	**21,886**	**47,369**	**105,614**	**152,984**
	Var. %	**24%**	**10%**	**11%**	**3%**	**7%**	**46%**	**100%**	**69%**	

Table 2 Breakdown of the intangible assets and goodwill – values expressed in USD millions
Notes: Toyota´s financial statement reported in ¥ Mio and Mercedes-Benz in €, both converted to USD
Source: prepared by the authors-based on footnotes of the financial statements (10k) of the companies

Brand Valuation and correlation with M&A transaction

Thousands of merger and acquisitions (M&A) involving expressive amounts have taken place every year around the world (Bloomberg, 2019 and Mergermarket, 2019) among other sources. According to VŨ and MOISESCU (2013), there are several critical aspects during the M&A process and the same occurs with brands. The brands always are critical assets because the company buyer pays significant prices to acquire targeted brands (Keller and Lehmann, 2003; Rao et al, 2004). Studies conducted by Bahadir (et al 2008), were attributed to brands 49% of the market value, when Gillette was bought, and less than 1.51% was attributed to the brand value in the acquisition of Latitude by Cisco Systems.

Based on the accounting norms the intangibles assets should be identified, measured and registered in the accounting books when intangible assets came from M&A transaction. The studies conducted by Lokey (2013), ESMA (2014), Markables (2015), show that three types of intangible assets are more frequent: (i) customer-relationship, (ii) trademarks and (iii) technology during the M&A transactions.

As regarding to table 3, the four companies jointly invested largest amounts in M&A transactions totalling $12,810 billion USD in 2018, the other companies related invested internally in the other investments not related with M&A, for this reason were not mentioned in the related table, but will be commented.

No	Company	Note	M&A	Investment	Cash Acquired	Intangible Assets	Goodwill	Liabilities P&L
2	Google	7	HTC	**1,673**	20	460	1.227	-34
3	amazon	4	Ring, Pillpack	**1,649**	-	421	1.228	-
4	Microsoft	9	GitHub Inc	**8,448**	purchase price allocation was not informed			
5	Coca-Cola	4	Philippine bottling	**1,040**	1,060	-	-	-20
			Total	**12,810**				

Table 3 M&A (purchase price allocation breakdown)-values expressed in USD millions
Source: prepared based on footnotes of the financial statements (10k) of the companies

Google completed the acquisition of team of engineers and a non-exclusive license of intellectual property from HTC totalling $1.673 billion USD. The purchase price allocation was distributed as follow: $20 million in cash acquired, $460 million as intangible assets, $1,227 billion were registered as goodwill and $34 million was liabilities. Amazon bought Ring by $839 million and Pillpack by $753 million and $ 57 million with other acquisitions totalled $1,649 billion. The purchase price allocations were registered as $421 million as intangible assets and $1,228 billion was registered as goodwill. Coca Cola bought Philippine bottling by $ 1,040 billion and the allocation was $ 1,060 billion as cash acquired and $ 20 million as recognized as P&L. The Microsoft bought GitHub Inc by $7,5 billion and $ 948 million with other business combination totalled $8,448 billion, but the purchase price allocation was not informed in the footnotes as well Facebook.

As additional information, Microsoft in 2017 completed the LinkedIn´s acquisition by $27 billion USD and $7,887 billion was registered as intangible assets and $16,803 billion was registered as goodwill, the difference between acquisition price, intangible assets and goodwill was allocated with other assets. Specially, about the intangible assets were classified as customer, marketing, technology and contract-based totalling $3,607; $2,148; $2,149; $23 million respectively. When occurred the business combination, the LinkedIn´s brand value was evaluated in approximately $12–$14 billion USD, as global ranking list of the brands published by consulting companies.

Although the brands and other intangible assets came from M&A transaction can be recognized in balance sheet of buyer – always will have difference between the market value of the companies when compared with their accounting books (Péon, Antelo and Calvo, 2019). The finance´s theory can explain the reason for this phenomenon involving the brand values (Araujo et al 2016; Sinclair and Keller et al 2017).

Efficient Market Hypothesis Theory

The Efficient Market Hypothesis Theory (EMH) was written by Professor Eugene Fama at University of Chicago Booth School of Business in 1969 and in 1970 was Nobel winner. According to EMH theory it is described that when investors face with new set of information they can overreact, and some may under react to the forthcoming situation. In these scenario investors reactions are random behaviour and trace a normal distribution pattern so that the net effect on market prices may not be reliably explored to make an abnormal profitable situation, when considering transaction costs. In other words, if the equity market is working efficiently, the prices will show the intrinsic values of the equity and in reply, the limited savings will be allocated to the productive investment sector optimally in such a way that will provide stream of benefits to the individual investors and economy. This theory remained popular for the last three decades and has been discussed and improved by other finance researchers, but this theory continues valid although Prof. Richard Thaler (winner 2017 Nobel Prize in economics) has contributed to explain how people, investors and stakeholders can take irrational decisions.

The efficient market hypothesis assumes that markets are efficient. However, the efficient market hypothesis (EMH) can be categorized into three basic levels:

- •The weak level: when the stock prices incorporate historic information about the company and the investors cannot devise an investment strategy.
- •The semi-strong level: when that current stock prices reflect not only historical price information but all publicity available information relevant to a company´s securities the stock price can change responding immediately.
- •The strong level: when all information is known to any market participant about a company is fully reflected in market prices, it might be considered inside or privileged information.

The brand information is fully related to the EMH theory, it because when companies publishing information about their business combination, M&A, jointly brands, products, market, etc.; the investors and stakeholders react immediately influencing the stock prices.

The Findings and Discussion

The top 10 list of most valuable brands of the world, there are four companies Apple, Google, Amazon and Microsoft who leads the global ranking and they are almost in the same position (see table 1 Appendix 2). These four companies encompassing 66% of the total, representing $691 billion (calculated by average brand value). It is followed by social network 9%; automotive industry representing 8%, and the remaining segments jointly represent 18% of total is distributed through beverage, electronics and restaurant.

The all companies related have strength brands and cannot be disassociated of the companies; therefore, the financial values of their brands cannot be recognized as intangible assets in the balance sheets. On the other hand, the brand value and intangible assets came from M&A transaction can be recognized in the balance sheet of the buyer company (IAS 38).

Analysing the financial statements and footnotes of the companies, was observed that all the researched companies, exception for Apple and Toyota, recognized the total amount of $ 152,9 billion USD as intangible assets (see again table 2 appendix 3). Highlighted for Goodwill total amount of $105,6 billion USD representing 69% of the grand total. The trademarks showed total amount of $11,3 Billion USD equivalent 24% of the total, etc.; In the column “Other” there are significant amounts accounted by Samsung and Mercedes, it refers intangible assets generated internally.

No intangible asset was reported by Apple and Toyota. It´s very interesting for companies known to push technologies. The Google, Coca-Cola, Samsung and Facebook recognized trademarks, although is more associated with intellectual properties, copyrights, etc.; than Brands.

Amazon and Microsoft bought several companies in 2018, but the brands were not duly recognized or disclosure in the financial statements. It was confirmed that all investments associated with M&A, where companies published the purchase price allocation notes, were recognized as intangible assets and they were classified as finite life and therefore will be amortized considering the weighted average life - between 3 to 20 years (each company adopted different average life for intangible assets). It means that one monetary portion of the brands acquired came from M&A will be disappear every year of the balance sheets, impacting directly in the profit and loss of the companies. It really does not make sense for strength brands, mainly when the buyer will work forever or long time with brand acquired in the market.

The brand´s universe is very specific, because each brand is unique and have indefinite useful life, therefore should be exposed for impartment test adjustments, but the focal point of this discussion is that companies researched does not segregated the brand´s value of the global valuation of the companies acquired. Basically, the assets acquired were consolidated in the balance sheet of the buyer considering the main intangible accounts: marketing, customer or technology related (i.e. revisit the LinkedIn´s case as mentioned before). Microsoft is owner of the LinkedIn´s brand and it was not found in the financial statements any disclosure or supplementary report about the Microsoft´s brands. The same occurs for the other companies researched.

The feeling is that one expressive portion of goodwill recognized could be attributed to brand values. Do not make sense, goodwill continues with expressive amounts, now that intangible assets were approved in the financial statements, again every asset should be identified, measured and added in the balance sheet.

Other important aspect to be discussed is about the accounting limitation involving the brands. The accounting science cannot accept the economic volatility involving brands in the market, in other words, after added the brand’s value in balance sheet the values will be only adjusted by impairment test, affecting the profit and loss of the companies. According to the accounting principle concept the assets should be underestimated, and liabilities should be overestimated (Hendriksen and Van Breda, 1999). Also, the relief from royalty method is accepted by accounting principles, but no contemplate the brand strength (Sinclair and Keller, 2017). This valuation methodology should be improved together by accountants and marketing professional.

6.1 Considerations, limitations and future research directions

The accounting norms (IFRS/USGAAP) have presented a great advancement concerning management and net worth measurement since they introduced innovative concepts as market value, fair value, net realizable value, intangible asset and mainly essence beyond form which means that the economic essence must prevail in relation to its documental form whenever this latter does not well represent the reality of facts (Martins and Martins, 2007). The Accounting science advances contributed towards the rapid processing and accounting visualization of management's strategic actions thus allowing enhanced transparency and economic-financial reality for the market and for the stakeholders.

One finding was that the expenditures and investments made internally by the companies, in-order-to strengthen and increase their brand's value transforming them into a highly valuable-asset as disclosed by the companies and advisors, still cannot be recognized in the balance sheets. As per Gelb and Gregory (2011) the non-recognition in the balance sheet of a brand generated internally generates a distortion in the value of the investment with the brand valuation. One should not continue ignoring the value of a brand generated internally (Wasserman, 2015).

According to the widely known financial theory (EMH) by Prof. Fama (1969), the published information is processed rapidly and soon generates impact among all stakeholders. This happens especially in the researched companies that are present in the stock market due-to-the-fact that the company recognizes their brand's market value and publish such information as soon as that market assigns a premium to their stock value. Thus, the recognition of the internally generated brand would simply be the formal realization of the hidden economic phenomenon mentioned earlier in this study and also by (Araujo et al, 2016) and (Sinclair and Keller, 2017) who named this phenomenon as Moribund Effect, that means, accounting phenomena by which the value of a brand that is acquired, measured, and when added to the balance sheet by a company remains unchanged no matter how well the brand might perform for that company over time, therefore we the phenomenon could be mapped in two parts (i) recognize the brands as assets in the balance sheet and (ii) after recognized the brands, it's very important to evaluate this assets according to the fair value and not maintain the net brand´s value as per purchase price less impairment or amortization instalments.

In accordance to ESMA (2017) the accounting norm (IFRS 13, Fair Value Measurement Requirements) this standard defines fair value on the basis of an "exit price" notion and uses a "fair value hierarchy", which results in a market-based, rather than entity-specific, measurement, therefore all assets and liabilities should be evaluated by fair value and then, how is it possible to publish the financial statements to market, stakeholders, among others without the brands value? Certainly, because it is not yet in the radar of the top management, including CMO´s-chief of marketing officer, accountants and external auditors.

There are not standard to report the financial statement, notes, etc.; it was very complexity to consolidate the information and developed this paper. The marketing supplementary report could be helpful. Many of the companies studied has extensive brand portfolio and marketing professionals are working hard to keep them competitive in the market, but this job is not being properly evaluated and shared with accountants.

This current article can be considered having fulfilled its purpose and answered the central question since it clearly evidenced the companies and conditions in which the brands were registered as intangible assets in their financial statements. With respect to the notes to the financial statements besides what was already exposed due to the brands importance it would also be recommended the publishing of a supplementary report jointly with the annual report and the consolidated financial statements. With such it would be possible to provide further clarification to stakeholders with respect to the brands portfolio, valuation method, and their impairment among other information considered necessary. This job could be leaded by marketing professionals and support the accountants on the impairment adjustments, etc. Its impossible to accountants assume the all responsibilities involving the accounting world.

This research was limited to study the top 10 companies listed in the global brand ranking published by experts' companies in brand valuation. For future studies the suggestion is to make a similar research using the empirical data covering merger and acquisition transactions occurred in the other countries where IFRS was recently adopted. Such research would analyse whether the acquiring companies evaluated the brands separately from the general economic valuation of the company itself aiming at identifying the methodology employed and its recognition in the balance sheet and financial statements.

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