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METHODOLOGY FOR REFLECTING GOODWILL, INTANGIBLE ASSETS, AND INVESTMENTS IN CONSOLIDATION

Maxmudova Nargiza Davlyat qizi
Doctoral Student, Samarkand
Institute of Economics and Service
Tel.: +998 93 052 39 64

Abstract. This article examines the scientific, theoretical, and methodological foundations for reflecting goodwill, intangible assets, and investments in consolidated financial statements. The research focuses on the measurement of acquired businesses; investments in subsidiaries, associates, and joint ventures; the recognition of goodwill and separately identifiable intangible assets within group assets; and the assessment of impairment in subsequent reporting periods. The methodological framework is developed on the basis of IFRS 3 *Business Combinations*, IFRS 10 *Consolidated Financial Statements*, IFRS 11 *Joint Arrangements*, IFRS 12 *Disclosure of Interests in Other Entities*, IFRS 13 *Fair Value Measurement*, IAS 28 *Investments in Associates and Joint Ventures*, IAS 36 *Impairment of Assets*, and IAS 38 *Intangible Assets*. As a result of the study, a step-by-step methodological model is proposed for the recognition, measurement, consolidation, impairment testing, and disclosure of goodwill, intangible assets, and investments in consolidated financial statements.

Keywords: goodwill, intangible assets, investments, consolidated financial statements, business combination, impairment, fair value, equity method, subsidiaries, associates, joint ventures.

Аннотация. В данной статье исследуются научные, теоретические и методологические основы отражения гудвилла, нематериальных активов и инвестиций в консолидированной финансовой отчетности. Основное внимание уделено оценке приобретенных бизнесов, инвестициям в дочерние, ассоциированные и совместно контролируемые организации, признанию гудвилла и отдельно идентифицируемых нематериальных активов в составе активов группы, а также оценке их обесценения в последующих отчетных периодах. Методологическая база исследования сформирована на основе требований МСФО (IFRS) 3 «Объединения бизнесов», МСФО (IFRS) 10 «Консолидированная финансовая отчетность», МСФО (IFRS) 11 «Совместная деятельность», МСФО (IFRS) 12 «Раскрытие информации об участии в других организациях», МСФО (IFRS) 13 «Оценка справедливой стоимости», МСФО (IAS) 28 «Инвестиции в ассоциированные организации и совместные предприятия», МСФО (IAS) 36 «Обесценение активов» и МСФО (IAS) 38 «Нематериальные активы». В результате исследования предложена поэтапная методологическая модель признания, оценки, консолидации, тестирования на обесценение и раскрытия информации о гудвилле, нематериальных активах и инвестициях в консолидированной финансовой отчетности.

Ключевые слова: гудвилл, нематериальные активы, инвестиции, консолидированная финансовая отчетность, объединение бизнесов, обесценение активов, справедливая стоимость, метод долевого участия, дочерние организации, ассоциированные организации, совместные предприятия.

INTRODUCTION

In contemporary corporate governance, the activities of business entities are increasingly organized in the form of corporate groups. In such groups, a parent company may have control, significant influence, or joint control over one or more subsidiaries, associates, joint ventures, and other investment objects. Consequently, for users of financial statements, consolidated financial statements that present the economic position, financial performance, and cash flows of the entire group as a single economic entity have become more informative than the separate financial statements of individual companies. This issue is especially relevant for countries implementing International Financial Reporting Standards in order to improve the transparency and comparability of corporate reporting[1].

1 President of the Republic of Uzbekistan. (2020, February 24). Resolution No. PQ-4611 On additional measures for the transition to International Financial Reporting Standards. National Database of Legislation of the Republic of Uzbekistan. https://lex.uz/uz/docs/-4746047

One of the most complex areas of consolidated financial reporting is the reflection of goodwill, intangible assets, and investments. Unlike ordinary assets that are generally measured by reference to cost or current carrying amount, these items are closely connected with business combinations, the existence of control, fair value measurement, future economic benefits, impairment risk, and the legal or economic status of the investee. IFRS 10 establishes the principles for preparing consolidated financial statements when an entity controls one or more other entities; therefore, control is the central criterion for determining the consolidation perimeter[2].

The methodological complexity of goodwill and intangible assets also arises from their economic nature. Goodwill is not a separately transferable resource; it reflects expected synergies, market position, customer loyalty, management competence, and the capacity of an acquired business to generate excess returns. Intangible assets, in contrast, may be recognized separately when they are identifiable, separable, or arise from contractual or other legal rights. For this reason, the proper identification of intangible assets directly affects the amount of goodwill recognized in consolidation.

LITERATURE REVIEW

The accounting treatment of goodwill is directly related to the methodology for reflecting business combinations. In accordance with IFRS 3, the acquirer recognizes and measures the identifiable assets acquired, the liabilities assumed, and any non-controlling interest in the acquiree. Goodwill is measured as the excess of the aggregate of the consideration transferred, the amount of any non-controlling interest, and the fair value of any previously held equity interest over the net amount of the identifiable assets acquired and liabilities assumed. If the resulting difference is negative, the transaction gives rise to a bargain purchase gain rather than goodwill[3].

A key methodological feature of IFRS 3 is that goodwill acquired in a business combination is not amortized in subsequent periods. Instead, it is tested for impairment in accordance with IAS 36. This approach increases the importance of professional judgment in estimating future cash flows, selecting discount rates, identifying cash-generating units, and determining whether the carrying amount of goodwill is recoverable.

The principal methodological source for intangible assets is IAS 38 *Intangible Assets*. The standard defines an intangible asset as an identifiable non-monetary asset without physical substance. Such an asset is identifiable if it is separable or arises from contractual or other legal rights. Examples include software, licenses, trademarks, patents, copyrights, customer-related rights, and technological know-how. In consolidation, intangible assets arise in two main ways: first, as intangible assets already recognized by group companies; and second, as previously unrecognized identifiable assets discovered and measured during a business combination[4].

The reflection of investments in consolidation depends on the level of influence that the investor has over the investee. If the parent controls the investee, the investee is treated as a subsidiary and consolidated in full. If the investor has significant influence, the investment is accounted for using the equity method in accordance with IAS 28. Under the equity method, the investment is initially recognized at cost and subsequently adjusted for the investor's share of the profit or loss and other comprehensive income of the associate or joint venture[5].

Joint arrangements require separate classification under IFRS 11. A joint arrangement exists where two or more parties have joint control, and joint control exists only when decisions about relevant activities require the unanimous consent of the parties sharing control. If the arrangement is a joint venture, the investment is normally accounted for using the equity method under IAS 28; if it is a joint operation, the parties recognize their rights to assets, obligations for liabilities, revenues, and expenses in accordance with the arrangement[6].

Disclosure is also an essential component of the consolidation methodology. IFRS 12 requires entities to disclose information that enables users to evaluate the nature of, and risks associated with, interests in subsidiaries, joint arrangements, associates, and unconsolidated structured entities, as well as the effects of those interests on financial position, financial performance, and cash flows. Therefore, recognition and measurement should be complemented by transparent disclosure of assumptions, risks, and estimation uncertainty[7].

2 IFRS Foundation. (2026). IFRS 10 Consolidated Financial Statements. IFRS Accounting Standards Navigator. https://www.ifrs.org/issued-standards/list-of-standards/ifrs-10-consolidated-financial-statements/

3 IFRS Foundation. (2026). IFRS 3 Business Combinations. IFRS Accounting Standards Navigator. https://www.ifrs.org/issued-standards/list-of-standards/ifrs-3-business-combinations/

4 IFRS Foundation. (2026). IAS 38 Intangible Assets. IFRS Accounting Standards Navigator. https://www.ifrs.org/issued-standards/list-of-standards/ias-38-intangible-assets/

5 IFRS Foundation. (2026). IAS 28 Investments in Associates and Joint Ventures. IFRS Accounting Standards Navigator. https://www.ifrs.org/issued-standards/list-of-standards/ias-28-investments-in-associates-and-joint-ventures/

6 IFRS Foundation. (2026). IFRS 11 Joint Arrangements. IFRS Accounting Standards Navigator. https://www.ifrs.org/issued-standards/list-of-standards/ifrs-11-joint-arrangements/

7 IFRS Foundation. (2026). IFRS 12 Disclosure of Interests in Other Entities. IFRS Accounting Standards Navigator. https://www.ifrs.org/issued-standards/list-of-standards/ifrs-12-disclosure-of-interests-in-other-entities/

Fair value measurement connects the accounting treatment of business combinations, identifiable intangible assets, and non-controlling interests. IFRS 13 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, and it establishes a general measurement framework for fair value estimates. This makes fair value a cross-cutting methodological category in consolidated financial reporting[8].

RESEARCH METHODS

This article applies the methods of theoretical generalization, comparison, grouping, systematic analysis, logical analysis, induction, and deduction. Through the deductive approach, the requirements of IFRS Accounting Standards are examined as a general normative and methodological basis, and specific procedures are developed for reflecting goodwill, intangible assets, and investments in consolidated financial statements.

The inductive approach is used to derive general methodological conclusions from the analysis of separate accounting objects, including goodwill, brands, patents, software, customer contracts, investments in subsidiaries, interests in associates, and investments in joint ventures. The comparative method is applied to distinguish full consolidation, the equity method, and financial asset classification. The systematic method is used to present goodwill, intangible assets, and investments not as isolated accounting elements, but as interrelated objects within the consolidation process.

ANALYSIS AND RESULTS

The reflection of goodwill, intangible assets, and investments in consolidation includes several sequential stages. At the first stage, the consolidation perimeter is determined by assessing whether the reporting entity has control, significant influence, or joint control over the investee. At the second stage, if a business combination exists, the acquisition date is determined, and the acquired assets and assumed liabilities are identified. At the third stage, intangible assets are separated from goodwill whenever they meet the identifiability criteria. At the fourth stage, investments are classified for consolidation purposes as subsidiaries, associates, joint ventures, or financial assets. At the fifth stage, goodwill and intangible assets with indefinite useful lives are tested for impairment.

In this process, goodwill and intangible assets are mainly associated with business combinations and fair value measurement, whereas investments are classified according to control, significant influence, and joint control. Consequently, the same investee may be reflected differently in separate and consolidated financial statements: as an investment in the parent company's separate financial statements, and as the assets, liabilities, income, and expenses of the subsidiary in consolidated financial statements (Table 1).

Table 1
Criteria for Reflecting Goodwill, Intangible Assets and Investments in Consolidation[9]

Accounting object	Recognition basis	Measurement criterion	**Reflection in consolidation**	**Main methodological issue**
Goodwill	Arises from a business combination	Positive difference between the acquisition consideration and the fair value of net identifiable assets	Recognised as an asset; not amortised; tested for impairment	Forecasting cash flows and selecting an appropriate discount rate in impairment testing
Identifiable intangible assets	Separability or contractual/legal basis	Fair value at acquisition or initial cost	Recognised separately as assets when the criteria are met	Fair valuation of brands, customer bases, licences and technologies
Investment in a subsidiary	Existence of control	Acquisition cost and consolidation adjustments	Fully consolidated on a line-by-line basis	Eliminating intra-group transactions and measuring non-controlling interests
Investment in an associate	Existence of significant influence	Initial cost adjusted by subsequent equity changes	Accounted for using the equity method	Determining the investor's share of profit or loss
Investment in a joint venture	Existence of joint control	Initial cost adjusted by equity-method changes	Accounted for using the equity method under IAS 28	Correct classification of the joint arrangement

8 IFRS Foundation. (2026). IFRS 13 Fair Value Measurement. IFRS Accounting Standards Navigator. https://www.ifrs.org/issued-standards/list-of-standards/ifrs-13-fair-value-measurement/
9 Author's development based on IFRS 3, IFRS 10, IFRS 11, IFRS 13, IAS 28, IAS 36 and IAS 38.

Table 1 shows that the economic substance of each object and the degree of influence exercised by the parent company determine the accounting method used in consolidation. Goodwill represents the residual value of expected future economic benefits that cannot be separately identified, while identifiable intangible assets require separate recognition when the relevant criteria are met. Investments are classified by reference to the investor's power over the investee and the rights arising from the investment arrangement.

The following methodological formula is used to calculate goodwill:

Goodwill = consideration transferred + non-controlling interest + fair value of previously held interest − fair value of net identifiable assets acquired

This formula is designed to reflect not the book value of the acquired entity, but the fair-value-based economic potential of the acquired business. A positive difference results in goodwill, whereas a negative difference results in a bargain purchase gain. The main feature of goodwill is that it cannot be sold or separated from the business on its own; rather, it reflects synergies, customer loyalty, market reputation, managerial experience, and the possibility of earning excess future returns.

The separate recognition of intangible assets in a business combination directly affects the amount of goodwill. For example, if the acquired entity has an internally generated brand, a license, a patent, software, or long-term customer contracts that were not recognized in its separate financial statements, these assets may be identifiable and measurable at fair value at the acquisition date. In such cases, the amount of goodwill decreases because part of the expected future economic benefits is recognized as a separate intangible asset. Conversely, failure to identify such assets may artificially increase the reported amount of goodwill.

Consolidation should not be understood as a purely technical aggregation of accounting balances. It is a methodological process based on economic control, fair value measurement, intra-group eliminations, and disclosure. First, the structure of the group is identified. Then, the status of each investee is determined. After that, assets, liabilities, intangible resources, and goodwill are measured. At the final stage, consolidation adjustments, eliminations, and note disclosures are prepared.

Impairment testing is especially important in the subsequent accounting for goodwill and intangible assets. Under IAS 36, goodwill acquired in a business combination, intangible assets with indefinite useful lives, and intangible assets not yet available for use are tested for impairment at least annually; other assets are tested when there is an indication of impairment. Since goodwill does not generate independent cash flows, it is allocated to cash-generating units or groups of cash-generating units. The main methodological difficulty is to ensure that cash-flow forecasts, growth rates, discount rates, and sensitivity analyses are sufficiently reasonable and evidence-based[10] (Table 2).

Table 2
Methodological Procedures for Goodwill, Intangible Assets and Investments in Consolidation[11]

No.	Methodological procedure	Purpose of application
1	Determining the consolidation perimeter	To identify which entities should be fully consolidated
2	Determining the acquisition date	To establish the date on which control was obtained in a business combination
3	Identifying assets and liabilities	To present the acquired net assets at fair value
4	Separating intangible assets	To recognise assets that might otherwise be incorrectly included in goodwill
5	Calculating goodwill	To determine the difference between acquisition consideration and net identifiable assets
6	Measuring non-controlling interests	To present the portion of equity not attributable to the parent
7	Eliminating intra-group investment and equity	To remove the parent's investment against the subsidiary's equity
8	Applying the equity method to associates and joint ventures	To recognise the investor's share of profit or loss and changes in net assets
9	Conducting impairment testing	To ensure that goodwill and intangible assets are not carried above recoverable amount
10	Disclosing information in the notes	To provide users with sufficient information on valuation, risk and key assumptions

10 IFRS Foundation. (2026). IAS 36 Impairment of Assets. IFRS Accounting Standards Navigator. https://www.ifrs.org/issued-standards/list-of-standards/ias-36-impairment-of-assets/

11 Author's development based on consolidation procedures generalised from IFRS Accounting Standards.

Table 2 demonstrates that consolidation procedures for goodwill, intangible assets, and investments are not completed through a single calculation at the acquisition date. They include initial fair value measurement, subsequent review, intra-group eliminations, annual impairment testing, and disclosure of assumptions in the notes to the financial statements. Non-controlling interests, internal dividends, intra-group sales, internal loans, and related income or expenses may directly affect the carrying amounts of goodwill and investments.

The methodology for investments may be grouped into three main directions. First, an investment in a subsidiary is presented as an asset in the parent company's separate financial statements, but it is eliminated in consolidated financial statements, while the subsidiary's assets, liabilities, income, and expenses are added line by line. Second, investments in associates are accounted for using the equity method, whereby the investor's share of profit or loss increases or decreases the carrying amount of the investment. Third, investments in joint ventures are also accounted for using the equity method after the arrangement has been correctly classified.

In the author's view, the methodology for reflecting goodwill, intangible assets, and investments in consolidation can be improved through the following approach: fair value measurements at the acquisition date should be documented separately for each business combination; identifiable intangible assets should not be aggregated within goodwill when they meet the recognition criteria; goodwill should be tested annually for impairment by cash-generating units; investments should be classified according to control, significant influence, and joint control; and the notes to the financial statements should disclose valuation assumptions, discount rates, growth forecasts, and sensitivity analyses.

CONCLUSIONS AND RECOMMENDATIONS

In conclusion, the reflection of goodwill, intangible assets, and investments in consolidation has important methodological significance for the faithful presentation of the financial position of corporate groups. Goodwill reflects synergies and future economic benefits arising from business combinations. Intangible assets represent the technological, legal, intellectual, and market advantages of the group. Investments indicate the degree of control, significant influence, or joint control that the group has over other entities.

The results of the study show that the main challenges in accounting for these objects are related to determining fair value, separating identifiable intangible assets from goodwill, conducting objective impairment tests, fully eliminating intra-group transactions, and correctly classifying investees. Since goodwill is not amortized but tested for impairment, its accounting requires a high level of professional judgment, evidence-based estimation, and prudence in financial reporting. For intangible assets, the key recognition criteria are identifiability, probable future economic benefits, and reliable measurement.

Based on the results of the article, the following recommendations can be proposed. First, corporate groups should maintain a consolidation perimeter register that clearly indicates the status of each investee as a subsidiary, associate, joint venture, or financial asset. Second, a goodwill calculation schedule should be prepared for each business combination, separately presenting the acquisition consideration, non-controlling interest, previously held interest, identifiable net assets, and final goodwill amount. Third, a checklist of identification criteria for intangible assets should be introduced, including brands, licenses, patents, software, customer bases, and contractual rights. Fourth, an impairment testing model should be developed for goodwill and intangible assets with indefinite useful lives, including cash-flow forecasts, discount rates, growth assumptions, and sensitivity analysis. Fifth, the notes to consolidated financial statements should provide broader disclosure of valuation assumptions, risks, impairment indicators, and methodological approaches.

Overall, improving the methodology for reflecting goodwill, intangible assets, and investments in consolidation contributes to the reliability, comparability, and investment attractiveness of financial statements. This, in turn, supports the development of IFRS-compliant consolidated reporting practices, strengthens communication with foreign investors, and increases transparency in access to international capital markets.

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