EFTERLEVNAD AV IFRS3 I SVENSKA BÖRSNOTERADE FÖRETAG

COMPLIANCE WITH IFRS3 IN SWEDISH LISTED COMPANIES

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Abstract

In this study, we have investigated compliance with IFRS 3 in Swedish listed companies in the Health Care and Industrial sectors, and if there are any industry-related factors that can affect how the companies in the two investigated sectors report business acquisitions and allocate the acquisition price.

To reach the purpose of this study, we have interviewed 7 companies representing one of the two selected sectors and conducted a content analysis of secondary data in the form of annual reports and a database of all acquisitions made by Swedish companies listed on the Stockholm Stock Exchange since the introduction of IFRS 3.

Our study shows that there is insufficient compliance with IFRS 3 in the two investigated sectors and that most of the acquisition price is allocated to goodwill in the two sectors. Furthermore, we have not been able to find any industry practice when it comes to the accounting for business combinations. How IFRS 3 is implemented and how far-reaching companies are with the identification of intangible assets and the price allocation depends largely on company-specific factors rather than on industry affiliation.

Sammanfattning

I den här undersökningen har vi undersökt efterlevnaden av IFRS 3 i svenska börsnoterade företag inom Hälsovårds- och Industrisektorn och huruvida det finns några branschrelaterade faktorer som kan påverka hur företagen i de två undersökta sektorerna redovisar företagsförvärv och fördelar förvärvspriset.

För att uppnå syftet i denna studie har vi intervjuat 7 företag som representerar en av de två utvalda sektorerna och genomfört en innehållsanalys av sekundära data i form av årsredovisningar och en databas över alla förvärv som gjorts av svenska företag noterade på Stockholmsbörsen sedan introduktionen av IFRS 3.

Vår studie visar att det inte finns tillräcklig efterlevnad av IFRS 3 i de två undersökta sektorerna och att större delen av förvärvspriset fördelas på goodwill i de två sektorerna. Dessutom har vi inte kunnat hitta någon branschpraxis när det gäller redovisning av företagsförvärv. Hur IFRS 3 implementeras och hur omfattande företag är med identifieringen av immateriella tillgångar och prissönderdelningen beror till stor del på företagsspecifika faktorer snarare än på branschtillhörighet.
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Abbreviations

IASB - International Accounting Standards Board
IAS - International Accounting Standard
IFRS - International Financial Reporting Standard
IM - Immateriella tillgångar
G - Goodwill
GICS - Global Industry Classification Standard
GAAP - Generally Accepted Accounting Principles
SFAS - Statement of Financial Accounting Standards
1. Introduction

The first chapter describes the background and the main problem of the study. The purpose of the study, research question and the delimitations are then stated.

1.1 Background

Accounting has been developing for a long time at the national level, and there are major differences in accounting between countries. These differences have proved to be a problem when the economic exchange between countries began to increase. Due to economic development around the world and globalization of capital markets, there has been increasing requirements for enabling comparison of financial information of companies in different countries, especially in the stock market where investors found it difficult to compare companies from different countries (Marton, Ludqvist & Pettersson 2016). According to IASB’s (2010) Financial Reporting Framework, the usefulness of financial reports plays a crucial role for corporate investors and other external stakeholders, including credit institutions and government agencies. IASB defines usefulness as the ability of stakeholders to make comparisons between different companies based on the information contained in their external financial reports. This led to an increased necessity for harmonization of accounting rules, which should be equally implemented (Glaum et al., 2013). For this reason, IASB issued an International Financial Reporting Standard (IFRS), which is now used by nearly 120 countries. Since 2005, all listed companies within the EU must prepare consolidated statements in accordance with the IFRS. The new standard has entailed several changes in accounting practice including new rules for the accounting of business combinations IFRS 3, an area that has kept the standard setters busy for a long time (Marton et al., 2016). A business combination is generally when a company acquires another company, with the intention of either strengthening its position on the market or for accessing new technology, specific knowledge, etc.

Of the 267 companies listed on the Stockholm Stock Exchange, 103 have carried out at least one business acquisition in 2015 (Gauffin, Hagström & Nilsson, 2017). Mergers and acquisitions are often seen as a major part of a company’s investment activities, as they often have a large financial impact on companies and have a significant impact on the financial
position of the business. Information on such transactions therefore has a key impact on evaluating the effects on the acquisition's future earnings and cash flows (Shalev, 2009). Accounting for a business combination under IFRS 3 begins with the initial valuation of acquired assets and liabilities, i.e. the purchase price. After the acquisition, the acquirer shall allocate the purchase price to identifiable tangible and intangible assets, and liabilities based on their individual estimated value. The rest, which represents the difference between the purchase price and the total fair value of net identifiable assets, is reported as goodwill (Shalev et al., 2013). As business acquisitions usually involve large amounts of money and have an important strategic meaning, disclosures about these transactions are particularly relevant to the current and future investors of the companies (Glaum et al., 2013). Investors must thus rely on the information presented by companies in their annual financial reports. However, several accounting issues may arise in connection with a business combination such as how to allocate the purchase price, and how and what assets to identify and evaluate.

Previous studies have shown that it is primarily the identification and valuation of intangible assets that have been the cause of different applications of the international accounting standard (Glaum, Schmidt, Street & Vogel 2013; Carvalho, Rodrigues, & Ferreira, 2016). It has been found that companies may sometimes choose not to fully comply with IFRS 3. Companies may choose not to identify intangible assets in the acquired unit as IFRS 3 requires due to weak recognition criteria that the standard prescribe, for identifying previously unrecognized intangible assets, as there may be several incentives for this, i.e. management's own interest.

1.2 Problematization

Business acquisitions are an important part of the growth of larger companies. During acquisitions, especially major acquisitions, the application of IFRS 3 may be considered to be complicated. In the case of major acquisitions, the process of identifying intangible assets is time-consuming and a lot of work is needed, and this requires time and resources (Glaum & Wyrma2011).

The introduction of IFRS 3 has significantly changed the accounting rules for business combinations (Hamberg & Beislad, 2014). The most prominent changes have been a ban on the pooling method (which explains that two companies merge into one rather than one company acquiring the other one) and the abolishment of goodwill amortization. According to IFRS 3,
this means goodwill arising from a business combination shall no longer be subjected to systematic depreciation. Instead, companies must conduct an annual impairment test. If the fair value of goodwill is below its book value, then the company should make a value adjustment in the form of a write-down according to IAS 36. Whether there is a need for a value adjustment is primarily determined by the management's subjective assessment (Hellman, Andersson & Fröberg, 2016). To reduce the risk of companies posting excessive values as goodwill in a business combination, IFRS 3 prescribes that management should identify as many specific assets (e.g. patent or trademark) in the acquired entity as possible, so that these assets can be accounted for separately as intangibles in the acquiring companies’ balance sheets. The main purpose of this requirement is to allocate as much as possible, of the acquisition price to identifiable intangible assets, which in turn, depending on their nature, should be amortized systematically over a limited period up to 20 years. Corporate managers shall also provide all necessary information regarding the acquisition. In addition, IFRS 3 requires that all identified tangible assets and liabilities are reported at fair value. The same is applied to intangible assets and contingent liabilities (Hamberg & Beisland, 2014; Hilleman et al., 2016).

The driving force behind the new IFRS 3 accounting standard is the globalization of capital markets, which has led to increased demand from investors, analysts, and regulators for transparent and internationally comparable financial reports. However, whether the introduction of IFRS 3 really increases transparency and comparability depends on how the standards are implemented (Glaum et al., 2013). As IFRS 3 is a principle-based standard, there is scope for subjectivity and ambiguity (Dagwell & Windsor, 2007). This may lead to the risk that companies would not fully apply the standard or that the standard will be interpreted in different ways, which may affect the quality and usefulness of the financial reports (Rehnber, 2012). Helleman et al. (2016) illustrates an example of different accounting choices that companies can make by interpreting IFRS 3 in their own ways. Managers of an acquiring company can choose not to recognize identifiable intangible assets or underestimate their fair value which will lead to a large goodwill amount. In turn, this will affect future income statements. This is due to the fact that those intangible assets with finite lives will be amortized over a useful life in accordance with IAS 38 while goodwill will not be amortized but instead periodically tested for impairment in accordance with IAS 36 (Helleman et al., 2016). This mismatch in treatment of assets impacts the future income statements of the companies.
Goodwill has long been an asset that has been questioned and debated. Companies’ acquisition reports have been seen as inadequate since large portions of the acquisition amount have been allocated to just goodwill (Cavalo, Rodrigues 2016). In Gauffin, Nilsson & Hagström’s (2017) study companies on the Stockholm Stock Exchange were shown to have increasing goodwill amounts over the period of 11 years since the adoption of IFRS 3 in 2005. According to Hamberg & Beisland (2014), goodwill in Swedish companies has increased by 50% since the introduction of the new standard. In a study by Gauffin et al. (2015), where they analyzed acquisition reports from 103 companies that made acquisitions that year, showed the average distribution of acquired assets as follows: 44% to tangible and financial assets; 16% to identified intangible assets such as trademarks, patents, customer relationships, ongoing research and development etc; and the remaining 40% were allocated to goodwill. Overall, goodwill value has been in the range of 40-61% relative to the acquisition price during the eleven years that were studied (Gauffin et al., 2017). Further, their study showed that the impairment of acquired goodwill of the companies surveyed was significantly low. In 2015, the write-downs amounted to SEK 6.4 billion, corresponding to 0.9%. It has furthermore been pointed out that 66% of the companies studied did specify more precisely what acquired intangible assets consisted of and how the fair value of intangible assets was divided between the different components in accordance to the requirements of IFRS 3 (Gauffin, Nilsson & Hagström 2017).

Previous research by Glaum et al. (2013), which examined how IFRS 3 is applied in 17 European countries, showed substantial non-compliance with IFRS 3. Companies chose to allocate significant parts of the acquisition price to goodwill and refrained from identifying depreciable assets. In addition, companies provided incomplete information in their disclosures regarding the valuation and identification of assets held. Similar results are shown by Carvalho, et al. (2016) where 197 acquisitions made by Portuguese companies listed on Euronex Lisbon were analyzed. The analysis showed that values allocated to goodwill were very high while the values of identifiable intangible assets continue to be very low, indicating that companies do not make sufficient efforts to identify and measure intangible assets in a business combination in accordance with IFRS 3. To make matters more unclear, disclosures in these companies’ financial statements were inadequate and lacked any essential information. According to Rehnberg (2012), in order for investors to receive a more complete perspective of a
company, more relevant descriptions of assessments are required in their financial statements. These relevant descriptions should include specific terms used to identify intangible assets by their meaning and not just classified under one broad term called goodwill. If there are acquired intangible assets and they are presented or classified as only goodwill, no complete perspective of a company can be obtained. (Rehnberg, 2012). Such poor or incomplete perspective can therefore lead to poor decision making.

Compliance with IFRS 3, according to Glaum et al. (2013) can be determined both by company and country-specific factors. Country-specific factors can for example be, accounting traditions and size of the national market, while company-specific factors can be company size, choice of audit company and industry. Other factors that may affect compliance with IFRS 3, according to Carvalho, et al. (2016) are that the rules are complicated and difficult to apply. One additional aspect that can be used as the basis for non-compliance with the IFRS 3 is earning management. Identified intangible assets are often subject to annual depreciation while goodwill is only subject to impairment tests, which determined by managers and are highly subjective. A greater part of the acquisition cost can then be allocated to goodwill, which reduces future expenses in the form of depreciation. Consequently, this leads to expectations of improved earnings reported by companies in the future (Carvalho, et al., 2016).

The studies described above clearly show that the application of IFRS 3 and the identification of intangible assets is a problematic area. Following the revision of the standard that was originally published in June 2015, identification problems have been assigned a high degree of significance, indicating that there is a need for more investigations to be done (PIR IFRS 3, 2015). A study conducted by Helleman et al. (2016), found that allocation of the acquisition amount has a major impact on analysts' assessments and decision making that can be reflected in the share value of a company. According to the ISAB Conceptual Framework (2010), the primary users of financial reports are current and potential investors who use that information to make decisions about buying, selling or holding shares, or to decide on other forms of financial instruments. Primary users need information about the company's resources, not only to assess the company's future prospects for future net cash flows, but also to assess how effectively management has fulfilled its responsibility for using its existing resources (IASB, CFFR, 2010). Accounting for and disclosing information about acquisitions is particularly relevant to investors, as acquisitions involve large sums of money and can therefore have a significant strategic importance (Glaum et al., 2013). It is therefore both important and
interesting for us to investigate this area regarding industry practices from the investor’s perspective.

1.3 Research Purpose and Question

The implementation of IFRS 3 by the IASB was intended to make information for financial reporting clearer. The studies mentioned above have shown that companies have not particularly implemented the practice of IFRS 3 easily due to varied possible reasons. Even though IFRS 3 was introduced in 2005, the progress in implementing and practicing it has been rather slow. Due to this, the financial reporting of intangibles and goodwill has not necessarily been improved over time. The reporting of these assets has not been more useful for the users of financial information. Obviously, this affects the users of financial information. The users of this information are vast. Nevertheless, users of information appreciate accurate and honest information as it affects their decision making. Inaccurate or unclear information often mislead and cause sub-optimal decisions. Investors, in particular, are one of the most significant groups who appreciate accurate and useful information. Because investing decisions often involve a huge amount of resources (e.g. time and money), making the wrong investing decisions due to inaccurate information can be detrimental. In view of this, the intention of this study is to investigate the extent to which Swedish listed companies comply to IFRS 3. More specifically, the purpose of this study is to investigate if different industries within Sweden differ in their compliance to IFRS 3. With this purpose, our research question and sub-questions are as follows:

Main research question:
How do different industries in Sweden comply to IFRS 3?

Sub-questions:
- How do different industries in Sweden allocate and classify their acquisition purchase price?
- What difficulties do Swedish listed companies face in complying with IFRS 3?

By asking the questions above, we hope to contribute by making the understanding and reporting of intangibles less fuzzy.
1.4 Delimitation

This study concentrates only on companies listed on the main market of the OMX Nordic Exchange Stockholm between the years 2005-2016. Companies listed on First North are not a part of the study. The companies that we are focusing on are involved in the Health sector and the Industrial sector.

We have chosen the Health sector due to the large amount of intangibles and the Industrial sector because of its high quantity in acquisitions made within the industry (The Institute for Mergers, Acquisitions and Alliances).
2. Conceptual framework

This chapter will describe important concepts to promote the reader’s understanding of the study. The theories chosen for analyzing our empirical data will also be described. The chapter will begin with defining what the International Accounting Standards Board (IASB) is, due to its central role in this study. There are also several other concepts related to the IASB; therefore this will be the starting point of this chapter.

2.1 International Accounting Standards Board

The International Accounting Standards Board (IASB) is an independent, group of experts that develops and approves International Financial Reporting Standards (IFRS, which will be described later in this chapter). The IASB operates under the oversight of the IFRS Foundation. The IASB was formed in 2001 to replace the International Accounting Standards Committee (IASC) (iasplus.com). The IASB group has an appropriate mix of recent practical experience in setting accounting standards, in preparing, auditing, or using financial reports, and in accounting education. Broad geographical diversity is also required. The IFRS Foundation Constitution outlines the full criteria for the composition of the IASB, and the geographical allocation can be seen on the individual profiles. Board members are responsible for the development and publication of IFRS Standards. The IASB is also responsible for approving Interpretations of IFRS Standards as developed by the IFRS Interpretations Committee (IFRS, 2017)

Under the IFRS Foundation Constitution, the IASB has complete responsibility for all technical matters of the IFRS Foundation. The IASB’s role also covers three areas:

- Full discretion in developing and pursuing its technical agenda, subject to certain consultation requirements with the trustees and the public.

- The preparation and issuing of IFRSs and exposure drafts, following the due process stipulated in the Constitution.

- The approval and issuing of Interpretations developed by the IFRS Interpretations Committee (IAS 2010)
2.1.1 International Financial Reporting Standards

International Financial Reporting Standards or IFRS is an international principle-based framework to be applied by all listed companies. The rules are also used by other companies that are either subsidiaries of listed companies in Sweden, or abroad, or by companies that want a quality of their accounts comparable to listed companies. Within the EU, companies that have listed securities and prepare consolidated accounts must apply international accounting standards (FAR, 2017). IFRS Standards contribute in three aspects to accounting; it brings transparency by enhancing the international comparability and quality of financial information, it enables investors and other market participants to make informed economic decisions. IFRS Standards also strengthens accountability by reducing the information gap between the providers of capital and the people to whom they have entrusted their money. The standards provide information needed to hold management to account. As a source of globally comparable information, IFRS Standards are also of vital importance to regulators around the world. Finally, IFRS Standards contributes through economic efficiency by helping investors to identify opportunities and risks across the world, thus improving capital allocation. Use of a single, trusted accounting language lowers the cost of capital and reduces international reporting costs for businesses (IFRS, 2017). This study will mainly focus on one part of IFRS, that is IFRS 3 Business Combinations. This part of IFRS has been selected because of the fact that the companies in this study will be examined in terms of their business acquisitions, to a certain extent.

2.1.2 Principle-based standard

The IASB wants to develop principle-based and not regulatory-based accounting standards. The idea of principle-based standards is based on the principles in the “Conceptual Framework for the configuration of financial reports”. The Framework describes the basic concepts of financial statements for external users. The Framework also serves as a guide to the IASB in developing future IFRSs and as a guide for resolving accounting issues (iasplus.com). A principle-based standard provides relatively little guidance on how to apply the principles in a specific situation. Instead, the reporting companies will make professional assessments and interpretations within the accounting principles. Principle-based standards have, to a greater extent, qualitative principles, such as "to a greater extent," where a subjective assessment has to be made. On the contrary, regulatory-based accounting systems have a more quantitative form, where principles such as "to more than X percent" occur. Regulatory-based standards, therefore has no room for
subjective assessments and interpretations. As IASB advocates a principle-based accounting and standardization, there are a few examples of how the standards should be applied (Marton, Lundqvist & Pettersson, 2016).

2.1.3 IFRS 3 - Acquisitions

As stated in the previous chapter, the purpose of the implement of IFRS 3 is to make information for financial reporting clearer. The study by Caravalho et al. (2016) mentioned that companies have not implemented IFRS 3 easily. Even though IFRS 3 was introduced in 2005, the progress in implementing and practicing it has been rather slow. For the reader to gain a greater understanding of this section of the study some key definitions within IFRS 3 will be presented:

**Acquirer**: The entity that obtains control of the acquiree.

**Acquiree**: The business or businesses that the acquirer obtains control of in a business combination.

**Acquisition**: A transaction or other event in which an acquirer obtains control of one or more businesses.

2.1.4 Overview

IFRS 3 provides a framework to accounting for a company acquisition where the acquirer obtains control over the acquired company. This method is called the "the acquisition method", which generally requires acquired assets and liabilities to be measured at fair value on the acquisition date. IFRS 3 seeks to enhance the relevance, reliability and comparability of information provided about acquisitions and their effects. It sets out the principles on the recognition and measurement of acquired assets and liabilities, the determination of goodwill and the necessary disclosures (iasplus.com).

2.1.5 The Acquisition method

In conjunction with all acquisitions, the acquirer must report in accordance with the acquisition method. This method is divided into four stages. The first step involves identification of the acquirer; what does the company want to achieve by acquiring the business. The second step involves determining the date of the acquisition. The third step includes the accounting and valuation of all acquired assets, undertaken liabilities and any non-controlling interest. The last
and fourth step in the acquisition method is mainly about goodwill. In this section, the accounting and valuation of goodwill or profit arising from acquisitions with a low price shall be clarified (IFRS 3 p. 5) (iasplus.com). After the acquisition method has been accomplished, the acquirer must follow the disclosure requirements of IFRS 3 and provide information about the acquisition, which is important for shareholders. This may be in terms of the valuation of how goodwill has been carried out and how the purchase price has been allocated to tangible and intangible assets. This leads to the ability of the user of financial statements to analyze the company's financial impact of the acquisition, and what effects it may have on the future of the company (IFRS 3 pp. 73-74), (Sundgren, Nilsson & Nilsson, 2013, p 132-137)

2.2 IAS 38 Intangible Assets

Several authors, such as Stewart (1997) and Lev (2001), have argued that intangible assets have begun to play an increasingly important role in a company's capital and are, in fact, becoming more important than tangible assets. According to Lev (2001), wealth and growth in today's economy has been driven mainly by intangible assets, mainly due to the fact that today's economy has become more knowledge-based. However, it has not been either clear or simple when it came to how the accounting of these assets is managed. IAS 38 is a wide-ranging standard for intangible assets. This is the first comprehensive standard of intangible assets (Marton et al., 2016).

An important issue that may arise is, in which situations intangible assets should be reported in the balance sheet? In this respect, internally worked up and acquired intangible assets are dealt with in different ways. Internally generated intangible assets shall not be recognized in the balance sheet. Only the acquired assets can be entered in the company’s balance sheet. Intangible assets recorded in the balance sheet are usually amortized systematically over the useful period. In the case of intangible assets with indefinite useful lives, no depreciation is made, instead, these assets shall be tested annually for impairment in accordance with IAS 36 (Marton et al., 2016).

IAS 38 sets out the criteria for recognizing and measuring intangible assets and requires disclosures about them. An intangible asset is defined as an identifiable non-monetary asset without physical substance (IAS 38 p. 8) The standard describes three criteria that must be met for an asset to be considered as intangible. These criteria are: identifiability, the incurrence must be through a contract or other legal rights, and the asset shall contribute to future economic benefits for the company. To meet the first criterion of identifiability the asset must be
detachable, which means the company can sell it separately. The second criterion means that the company must have control over the asset, for example through a purchase contract. The last criterion means that the asset should generate or contribute to economic benefits, which can occur through increased sales, increased production, or cost reduction (IFRS, 2018).

If an intangible asset is acquired as part of an acquisition, certain assessments must be made, because the valuation of assets and liabilities must be completed at fair value in a business combination. This means that the purchase price of the acquired asset should reflect its fair value. The fair value of the acquired asset shall be determined by estimating market expectations of the asset’s expected future economic benefits that the company will receive. The problem of valuing an intangible asset in a business combination can arise because several assets are being purchased at the same time, making it difficult to determine how the acquisition price should be distributed between the various assets. This requires that an estimate and assessment of the fair value of the various assets is made properly (Marton et al., 2016).

2.3 Goodwill

Goodwill is often described as a payment for expected future positive cash flows, which cannot be identified individually or reported separately. Lev (2001) defines goodwill as an excess of the cost of an acquired business over the sum of identifiable net assets. Goodwill is the most common non-identifiable intangible asset. While identifiable assets can be acquired separately (see 2.2) or as part of a company, non-identifiable assets cannot be acquired individually (Lev, 2001). This means that goodwill cannot generate cash flows regardless of other assets and often contributes to cash flows for several cash-generating units.

The major change that IFRS 3 brought about was the value management of goodwill when the annual impairment test replaced the systematic depreciation method. According to the new standard, goodwill acquired in a business combination should not be depreciated but tested annually for impairment or when events or circumstances show that its value may have been affected (IAS 36, p. 80). This also means that according to IFRS 3, goodwill can only arise in connection with a business combination, which means that internally generated goodwill cannot be recognized as an asset in the balance sheets (Hamberg & Beisland, 2014). Acquired goodwill shall also be allocated to cash-generating units directly at acquisition date. The allocation shall be made to all cash-generating units or groups of units that the acquirer has, which are likely to benefit from the synergies of the acquisition (Marton et al., 2016). To reduce the risk of companies entering excessive values as goodwill in a business combination, IFRS 3 prescribes
that management should identify as many specific assets in the acquired entity as possible. The approach within IFRS 3 is that these additional cash flows, that acquired goodwill are expected to generate are due to assets that are available in the acquired business at acquisition date, which makes it important to determine what kind of asset it is about and what this asset is worth (Hamberg & Beisland, 2014; Hilleman et al., 2016).

Valuation tests and impairment of goodwill shall be carried out in accordance with IAS 36. Companies must evaluate their operating units based on assumptions about future economic development, in other words, the valuation is based on, for example, expected cash flows that the unit may generate (Chalmers et al. 2011; Hellman et al., 2016). Glaum et al. (2013) argues that accounting and disclosure of acquisitions are particularly relevant to investors and other stakeholders as acquisitions involve large sums of money and can therefore have an important strategic importance. As we stated in 2.1 the comprehensive disclosure requirements of IFRS 3 are intended to provide investors, analysts, and other users of financial reports with important and transparent information that will enable them to analyze the acquisition and the economic impact it has on a company. The company shall, among other things, report the costs of the acquisition, notes about acquired assets and liabilities, and provide information on how the acquisition will affect revenue and expenses. In addition, IAS 36 requires companies to explain how they affect their impairment test and the methods used. It should be noted that impairment tests are entirely based on the subjective assessments of business executives, therefore, the IASB has stipulated that management should provide such information that could enable users to review and assess the reliability of estimates used by the management to assess and support the reported value of goodwill (Glaum, et al., 2013).

Dagwell & Windsor (2007) claim that despite the claimed benefits of the new goodwill accounting method, it is fraught with subjectivity that will have serious implications in several critical areas. One of these critical areas is management's ability to use a subjective judgment when applying IAS 36/ IFRS 3 regarding the valuation of goodwill, an area that has been heavily criticized. This is largely since valuation of goodwill is based primarily on management forecasts of future cash flows which are unreliable and may be subject to manipulation. In addition, such forecasts are difficult to evaluate (Bloom, 2009). Such an opportunity, according to AbuGhazaleh et al. (2011) get the management to use the unverifiable forecasts to improve the accounting figures and thereby provide incorrect information to investors about the underlying economy, thus using the goodwill impairment in an opportunistic manner. Betty &
Weber (2006) found for example that companies with performance-based bonuses tend to make significantly less goodwill impairments.

Another problem that is often discussed and has arisen in connection with IFRS 3 is the constant growth of the goodwill item in the balance sheet (see Carvalho, et al., 2016; Gauffin, Nilsson & Hagström 2017; Hamberg & Beisland 2014). In the study by Haberg, Paananen & Novak (2009), using Swedish data, it was shown that after the adoption of this standard in January 2005 the amount of capitalized goodwill increased substantially. Goodwill impairments under IFRS are considerably lower than goodwill amortizations and impairments made under Swedish GAAP.

2.4 Institutional theory

Institutional theory looks into how special organizational forms are adopted to achieve legitimacy for an organization (Deegan & Unerman, p 361, 2011). The organizations are not always similar to each other. Newly established companies seem to have different structures and approaches compared to other companies at a similar level. When the same companies grow and become well established on the market, they tend to be drawn toward homogeneity (Deegan & Unerman, 2011). In other words, they adapt to their competitors, society or other strong groups to maintain their legitimacy. Companies who do not do this could eventually have problems with legitimacy (Deegan & Unerman, 2011). With relevance to this study, institutional theory has become a great theoretical perspective both in organization theory but it has also increased in being applied to accounting research in order to study the practice of accounting in organizations. Institutional theory gives a complementary perspective to stakeholder- and legitimacy theory in understanding how organizations understand and respond to changing social and institutional pressures and expectations. Because of this, institutional theory is relevant to researchers who are studying corporate reporting practices (Deegan & Unerman, p. 361, 2011).

2.4.1 Isomorphism

Deegan & Unerman, (2011) discuss two primary parts explaining why companies adapt to other organizational forms within their industry. The first part is isomorphism. Isomorphism is a process in which a unit within a population is forced to imitate other units that have a similar set of environmental conditions (Deegan & Unerman, page 362, 2011). There are three different
types of isomorphism; the first is *coercive isomorphism*. This type of isomorphism is based on power and political influence in the sense that it arises from organizational change due to pressure from the most important stakeholders of the company. Coercive isomorphism is mainly connected to the managerial issues where corporate reporting disclosure is used to address the economic, social, environmental and ethical values for the stakeholders that have the most power to influence the company. (Deegan & Unerman p 363, 2011). The second part is *mimetic isomorphism*. This part has its core in uncertainty. When organizations are uncertain they tend to model themselves after other organizations. Mimetic isomorphism involves the copying of other organization’s institutional methods with the purpose of gaining legitimacy. Generally, without coercive pressure from stakeholders it is a low chance that there would arise any pressure to mimic the institutional practices of other companies (Deegan & Unerman, p 365, 2011). The last form is *normative isomorphism*. This associates with the pressure arising from group norms to adopt institutional practices. In the perspective of corporate reporting, the general opinion is that accountants shall comply with for example IFRS. This general opinion acts as some kind of normative isomorphism for the organizations in which the accountants work to make the accounting reports. Pressure in this type of isomorphism could arise from both formal and informal groups where managers belong, associated with culture and working practices in the workplace environment (Deegan & Unerman, 2011).

2.4.2 Decoupling

Another aspect of institutional theory is decoupling. Decoupling could be explained as a situation where the formal structure or practices of an organization differs significantly from the actual way the organization acts in structure or practice matters. This means that the formal approach of the organization relates to the image that the organization wants to mediate rather than the actual operations of the organization. The goal of organizations is ideally to reach economic efficiency and to develop balance between activities within the organization, but sometimes they encounter obstacles that compel their actions to decouple from the normal way of institutional theory. This leads to rationalized elements being incorporated into the formal structure and practices to maintain appearances and sustain legitimacy (Deegan & Unerman, p 369, 2011).

2.5 Agency theory

When we choose to investigate our problem area from the perspective of shareholders, we choose to assume the agent-principal theory.
2.5.1 Agent-principal theory

Agent-principal theory developed by Jensen & Meckling (1976) explains the problem between two parties in a contract. The theory describes one party as principal (the shareholder). The Principal uses the other party to be named as the agent (the management) to carry out assignments for the principal. The agent is given decision-making power by the principal to act in the company's interest. The Principal and the Agent's own interests and goals for the business may differ from each other and the parties' own interests usually outweigh the other party. As a consequence, the agents can act opportunistically. In order to counteract the agents from acting opportunistically, a mechanism in the form of contracts can be introduced. These contracts will ensure that actions that benefit the individual also benefit the company (Deegan & Unerman, 2011).

2.5.2 Linking to the issue of the study

The owners (principal) have a long-term view while management (agent) has a more short-term view. The management’s performance is usually directed and assessed by performance-based incentives. An example could be that investors require higher return on invested capital. This yield requirement can be obtained by reducing annual depreciation. This in turn motivates management to allocate a greater value to goodwill instead of identifying depreciable intangible assets. As a consequence, the risk in the company may increase. Intangible assets are subject to annual depreciation while goodwill only is subject to impairment tests. These tests are performed by managers (the agent) and are very subjective. Therefore, a greater part of the acquisition cost can be allocated to goodwill, which reduces future expenses in the form of depreciation. Through the large sum allocated to goodwill, the management could achieve bonus-based performance targets. Consequently, this leads to expectations of improved earnings reported by companies in the future (Carvalho, et al., 2016).
3. Method

This study is carried out with a qualitative and deductive approach. We have chosen a qualitative approach to describe and explain a phenomenon (Bryman & Bell, 2011). There are two distinct methodological parts to this study. The first part is a content analysis of secondary data and annual reports, and the second part consist of interviews with respondents from companies. All of these parts are explained later in this chapter, but first a description is given of qualitative method and why it has been chosen.

3.1 Choice of method

This study was initiated by taking part in a general discussion about IFRS 3 by reading articles in a popular Swedish magazine within accounting called *Tidningen Balans*, where we could create an understanding of the issues surrounding this accounting standard. To create a deeper understanding of the problem area we have, among other things, taken note of documents from the IASB, and have read articles in accountancy journals and papers from accounting agencies concerning this subject. With the collected information on that field, we were able to determine our area of interest and then formulate our purpose and research questions. With a determined purpose and aggregate information, the study's conceptual framework was developed. Our conceptual framework has its core in earlier studies and partly on ISAB's implementation framework since the preparation and publication of the IFRS 3 by ISAB was based on that framework. There are also two theories, agency theory and institutional theory that are described in our conceptual framework which help us to interpret and understand the study’s results. The research questions raised in this study are relatively extensive and requires quite some time to complete. With this in mind, we have chosen to limit our survey to only two sectors on the Stockholm Stock Exchange. These sectors are Health Care and Industrial that comprise a total of 71 companies, including 16 Health care and 55 Industrials. The reason these two sectors were chosen is that they mostly consists of companies that are acquisition intensive, which is essential for the study of IFRS 3 Business Combinations (Investopedia, 2018; Share Savings, 2014).

From the outset, our ambition was to build our research upon existing studies, made by, among others, Glaum et al. (2013), Carvalho et al. (2016), Gauffin et al. (2017) but instead focus on Swedish listed companies and, in particular, investigate whether there are any industry-influencing factors when it comes to the implementation of IFRS 3. We conducted a content analysis of the annual reports of the Swedish listed companies with regard to industry
affiliation. We managed to use secondary data from Professor S-A Nilsson, who had earlier performed a more general study together with his colleagues, with regards to the same subject matter. Since the data we received from Professor Nilsson relate to the years 2014-2016, we decided to perform our study for these years also. The data related to these three years are the latest available.

Professor Nilsson works at Deloitte and is also a guest professor at Linköping University. He and his colleagues have since the introduction of IFRS (i.e. 2005) investigated how companies report business combinations according to IFRS 3. They examined how companies on the Stockholm Stock Exchange allocate their acquisition prices and how assets are identified. Their results have been published yearly in the Swedish accounting magazine Tidningen Balans, through which we encountered. Their studies are very extensive since they studied all companies listed on the Stockholm stock exchange, i.e. 280 companies in total were studied. In their studies, information about acquisitions from the company's annual reports were collected and then compiled in Excel for each year. In the compiled database, each acquisition note was considered as only one acquisition. This meant that several acquisitions, carried out by one company in the same year, were joint and counted as one acquisition. This was also done in our study.

The data we received was however not perfectly suitable for our study, as it was very extensive, so we had to adjust it for our purpose, which meant selecting only the companies belonging to the sectors that were chosen for this research. However, it has been found that to only have a content analysis approach was. This led to a decision to investigate the phenomenon further through interviews with a number of companies and individuals within those companies who are well-informed about the subject. The purpose of the interviews was to supplement the material collected from the content analysis and to gain a deeper understanding of the acquisition and identification processes companies use to report intangibles in their financial reports. In addition, using interviews allowed us to obtain rich descriptions from respondents about how these processes work. Through a thorough analysis of secondary data and annual reports, a number of interesting companies were identified. This further provided the basis for the selection of respondents to the interviews. The collected material was then interpreted to provide a description of compliance and implementation of IFRS 3 in Swedish companies listed in the sectors of Health Care and Industrial. The study structure thus falls within the framework of a qualitative research method.
3.2 Qualitative method

When it comes to research methodology, essentially two methods, qualitative and quantitative, are frequently described. Quantitative research is considered a research strategy that emphasizes quantification when it comes to data collection and analysis. Qualitative research usually focuses on words and descriptions of different phenomena by the researcher's interpretation of information collected. This is however an extremely generalized distinction between these two methods. Bryman & Bell (2015) argue that a more specific difference between these two methods is often found in the approach to theory, since quantitative research usually contains a deductive approach, which means that the starting point of that method is existing theories that are tested by reality investigations. The qualitative method, on the other hand, is described as an inductive approach, which means that theories are generated. In other words, theory is created based on empirical reality where the purpose of the new theory is to explain the phenomenon that is being investigated. Qualitative research emphasizes the importance of allowing theoretical ideas to be determined from the data collected (Bryman & Bell, 2015).

Saldaña (2011) describes qualitative research as an umbrella term for a variety of approaches and methods. The information collected and analyzed is primarily, but not exclusively, of non-quantitative character, consisting of text materials, such as interviews, notes and documents. Outcomes are usually a compilation of essential representations and presentations of clear results from the analytical synthesis of data and may include: documentation of cultural observations, evaluation of the effectiveness of programs or policies, or criticism of existing social orders and the learning of phenomena. Qualitative method is about creating a deeper understanding of a problem. However, it is important to take into account the criticisms that is directed to the qualitative research method, since this method may seem too subjective, which means that the researcher who conducts a qualitative study is able to control what is interesting and important (Bryman & Bell, 2015). Another problem raised by Bryman & Bell (2015) is generalization, which means a study that was conducted on a particular group may not have the same result when being studied later. It is also difficult to replicate a qualitative study because there is rarely any standardized approach and sometimes it is difficult to understand how the study has been conducted (Bryman & Bell, 2015). In order to counteract the critical aspects, it is necessary to explain how the study is conducted, what delimitations it has and further motivation for these delimitations.
3.3 Inductive and deductive approach

There are two main ways to describe relationships between theory and practice, and then to draw conclusions about it, these are induction and deduction. Induction is based on assumptions that all knowing begins with a series of individual experiences. This means creating a general truth by collecting individual details. Bryman & Bell (2015) describes induction as going from empirical data to theory where the primary goal is to generate a theory or at least create an understanding of the context. Deduction is based instead on what is known in a certain area, and the theoretical considerations that concern this area will enable the researcher to deduce one or more hypotheses to be subjected to an empirical review. In other words, deductive approach is based on existing theories where assumptions are formulated and then tested on empirical material (Bryman & Bell, 2015). The deductive approach is usually attributed to a quantitative research method, Bryman & Bell (2015) claims, however, that some researchers argue that qualitative data may and should play an important role in reviewing and testing theories as well. This means that there is no reason qualitative research could not be used with a deductive approach to test the existing theories that are specified before the data collection has begun (Bryman & Bell, 2015). This study is characterized by the deductive approach since the work will be based on existing theories and principles that exist in the field and based on these theories, the results of the collected data will be interpreted. However, there is a certain criticism of the deductive approach that is important to consider, as there may be a risk that the researcher will only look for the information that they consider relevant. The information collected often supports the expectations at the beginning of the study (Bryman & Bell 2015). The criticism has been taken into account when collecting information for this research.

3.4 Selection of respondents

The selection of respondents to the interviews was a conscious choice, which means that our respondents and their companies were selected based on their suitability for our study. To determine which companies were best suited for the study, we initially set out several basic criteria which were:

- The companies had to be listed on the Stockholm Stock Exchange in the small- medium- or large sized lists in the period 2014-2016.
- Be active in the healthcare or Industrial sector.
- Have carried out at least one business acquisition since 2014
The selection was further based on the information obtained from partly the secondary data that we received from Professor Nilsson, which we then adjusted for our study, i.e. sorting companies by industry affiliation, but also by reviewing annual reports of companies that were seen as best suited for our purpose in those two chosen industries. Companies that were considered best suited for interviewing were companies that were acquisition-intensive and had the acquisition of other companies as one of their growth strategies, considering that these companies possess the experience when it comes to implementation of IFRS 3. It is important to note that the content analysis of the company's financial reports were conducted only on the 7 companies that were interviewed, as we were able to see which companies have carried out acquisitions through an analysis of the database obtained from Professor Nilsson. Financial reports of the interviewed companies were studied and analyzed with the intention of looking at the kind of information about acquisitions that the companies published in their external reports and to what extent. Information about how the companies motivated the allocation of the acquisition price, and to which identified assets the acquisition price was distributed was also examined. This information obtained from each company's financial reports helped us formulate the interview questions and conduct our interviews in general. With these criteria and the purpose of the study as a background, we were able to sort out and select companies that fit into our study. Then we contacted those companies to ask if they were willing to participate in our interviews. Our initial ambition was to interview at least 10 companies, including 5 from each sector. We requested interviews from 10 companies from each sector as we anticipated not all companies will allow us interviews. The companies selected for interviews were companies that met the above criteria and were included in the database obtained. Both the selected sectors comprise a total of 71 companies, of which 16 were from Health Care and 56 from the Industrial sectors respectively. All companies that met the above criteria were contacted alphabetically from the lists we compiled based on Professor Nilsson's data.

We managed to make contact with 7 companies which we then interviewed; 4 were from the healthcare sector while 3 were from the Industrial sector. Our initial aim was to interview companies from the large-, medium- and small cap lists. This was successful in the Industrial sector since companies from all three lists have been interviewed, but this was however not the case with the healthcare sector as we failed to get any interview with companies from the large cap list. However, this can be attributed to that there were only 4 Health Care companies within the large cap list on the Stockholm Stock Exchange. The majority of companies that we interviewed did not want their identities revealed. We have therefore chosen to use letter
combinations that represent the company's names. Companies are named in alphabetical order regardless of which list they are listed on. Letters I and H stand for industry affiliation where I stands for Industrial and H for Healthcare. We have also included a brief description of the companies and their activities, as well as a brief description of the respondents for each company.

**Interviewee A and Company A (I)**
Interviewee A is Group Chief of accounting and has worked with consolidated accounting for over 10 years and is very familiar with IFRS 3, which is relevant for this study.

Company A belongs to the Industrial sector. It operates in several service areas, such as ventilation, heating and building and also manufactures products such as metal parts, stainless steel pipes and valves. The company has a rich tradition of working with these products and has been active for over 100 years.

**Interviewee B and Company B (I)**
Interviewee B is a CFO at the present time and has been active in the Industrial sector for over 25 years, with different positions, and also has a background as an economist with experience in acquisitions.

Company B also serves in the Industrial sector and is active in several countries. Their main focus is on developing manufacturing companies with high quality and specialized products or solutions. This company has been active for over 30 years.

**Interviewee C and Company C (H)**
Interviewee C has worked with consolidated accounting for more than ten years and before that also worked as a CFO and as an accountant.

Company C is active in the Health Care sector and is initially a company in lab and process equipment as well as manufacturing dental products. Their history is long, and their focus is on reaching growth through acquisitions and at the same time be leaders in the market within their area. Company C is most involved with hospitals, laboratories, and universities.
Interviewee D and Company D (I)
Interviewee D has a broad education in economy and has been active in the Industrial sector for more than 30 years, which means that the interviewee has experience of accounting for business combinations before and after the introduction of IFRS 3.

Company D operates within the Industrial sector and more specifically the lighting industry, where they work with effective and innovative lightning solutions for all areas, both indoor and outdoor spaces. The company has been active for more than 50 years.

Interviewee E and Company E (H)
Interviewee E has a background as a consultant and has worked as a CFO for more than 15 years. The interviewee has relevant experience in working with the purchase price allocation methods (PPA).

Company E is included in the Health Care sector where they have its foundation in health and quality of life, medical and technical solutions and biomedical research. Pharmaceuticals are also a large area within the company. They want to grow through acquisitions where they take new market shares and develop existing areas within the company.

Interviewee F and Company F (H)
Interviewee F working as an accountant and has worked in an accounting firm both in Sweden and abroad. At the present time interviewee F is working as Group Chief of accounting and also has experience as a financial manager.

Company F has been active in the Health Care sector for more than 20 years. They have facilities in several countries where their main focus is on developing pharmaceutical services through high quality and far stretching technology.

Interviewee G and Company G (H)
Interviewee G has studied economics at university level and has 10 years of working experience in the car manufacturing industry and 18 years in pharmacological/MedTech companies where the working positions mainly consisted of business controlling or as a finance director. Interviewee G also has a lot of experience working abroad.
Company G who belongs to the Health Care sector specializes in the manufacturing and production of innovative medical technology product. The company is reputable in both developing and delivering its products to customers, and has been doing this for more than 60 years.

Reporting of business combinations under IFRS 3 is a difficult process that requires extensive knowledge of accounting, which means that respondents who represent the chosen companies must possess this knowledge. It is thus necessary that all respondents are knowledgeable in this area and are also well aware of the rules that apply to accounting for business combinations ie. IFRS 3. This means that it is very important to interview the right person in the chosen companies. We have therefore chosen to contact the CFOs of the companies because people who hold that position are involved in business combinations and are usually involved in different types of decisions regarding acquisitions. In some cases, we have been referred to controllers and account managers when the CFO of a contacted company considered that these people were more knowledgeable and could contribute with better answers.

3.5 Execution of this study

From the outset, the idea was that we would conduct direct interviews, ie face to face, but as our respondents all work at the corporate headquarters located in a number of different locations, we have instead chosen to conduct telephone interviews. According to Bryman & Bell (2015), the perception of what kind of interview is best has been changed recently. Direct interviews were previously considered more representative than telephone interviews, but now telephone interviews are considered to be either more or at least as representative as direct interviews. In addition, according to Bryman & Bell (2015), there are several benefits of telephone interviews. Telephone interviews are, for example, considerably cheaper and take less time, which is the case in our study, as travelling to our respondents would have required both time and money resources. Another advantage of telephone interviews that Bryman & Bell (2015) address is that in response to personal interviews, the respondent's response can be influenced by factors such as gender, age, ethnic background, and even the interviewer's presence can make respondents in a way that they believe the interviewer appreciates. The distance that telephone interviews offer can reduce the effects of these biasness.
All interviews have been conducted with a so-called conference phone which enabled both interviewers to participate and ask questions. The interviews have also been recorded with the help of a voice recorder. This has eased the transcription process, as the risk of missing something important becomes negligible. All respondents have obviously been informed that the conversation would be recorded, however none of our respondents had any objections to that.

According to Bryman & Bell (2015), interviews are probably the most widely used method of qualitative research because of the flexibility that an interview holds. Therefore, a study based on interviews constitutes an attractive alternative when it comes to the collection of qualitative data (Bryman & Bell, 2015). Qualitative interviews are usually divided into two main groups, unstructured and semi-structured interviews. Unstructured interviews occurs when the interviewer has a list or set of themes or general questions about what the interview intends to cover. These types of interviews resemble more or less like a conversation and the questions are put in an informal way, while the actual formulation and order of the questions often differs between the interviews. (Bryman & Bell, 2015). In the case of semi-structured interviews, the interviewer has a set of questions that has been formulated beforehand and can generally be described as question schedule, but the sequence of the questions can vary. However, questions are often asked in the original order. The questions are usually more widely formulated, and the interviewer also has room for supplementary questions to the answers that the interviewer considers to be important. During a semi-structured interview, the respondents have great freedom to design the answers in their own way.

In this study we chose to use semi-structured interviews since this study began with a clear focus and specific framing of questions, which according to Bryman & Bell (2015) are the key factors for choosing which interview type should be used. The study is based on an interview template that was designed in advance and had common ground with questions addressed to all respondents. During the interviews, a few follow-up questions were asked partly to clarify the answers but also to obtain more details about the answers that were interesting. This meant that the interviews had a common basis while respondents were able to express their specific personal opinions. In order for our respondents to understand and interpret the questions correctly, the interview questions were formulated as clearly and easily as possible. Bryman & Bell (2015) argue that in a situation where respondents do not understand the question, the interviewer can influence the answer given by reformulating the question. To avoid such a situation in the best possible way, our respondents were offered the opportunity to see the
questions before the interview so that they would have the opportunity to prepare in advance. However, only a few of our respondents wanted the questions beforehand. To further reduce the risk of misunderstandings and to get comprehensive answers, each interview was initiated with a brief explanation of the study and its purpose.

3.6 Secondary data/ Content analysis

According to Bryman & Bell (2015) secondary data is the information that is already available and may be useful as reference information. Secondary data may include information from websites, documents, newspaper articles, government information, results of previous research, etc. This information is usually made for another purpose, ie it has not been produced because researchers have asked for it, but it is available and can be collected and analyzed. However, this does not mean that the analysis of this information becomes less time-consuming or easier to implement than the primary data collected by the researchers themselves. Searching for data relevant to research can often be an elaborate and frustrating process. In addition, once the relevant documents are gathered, the researchers need some skill in being able to interpret it and read its meaning. (Bryman & Bell, 2015)

This study consists of both primary and secondary data since the starting point of the study is to investigate whether there are any differences in how companies in the two chosen sectors implement and comply with IFRS 3. In order to investigate and compare how the distribution of the acquisition price of assets appears in the two selected sectors, secondary data from a previous study’s database over the distribution of the acquisition price of companies on the Stockholm stock exchange, annual reports, articles and IASB’s own explanations of IFRS 3 have been used. It is based on this secondary data that a content analysis was conducted. The results of the analysis is presented in detail in Chapter 4.

According to Bryman & Bell (2015), an analysis of secondary data usually includes several benefits, especially for students who work with a smaller project such as the degree project. These benefits among others include time and money, as secondary data entails an opportunity to access qualitatively good data for a fraction of the costs and time that would be required if the data were to be collected during the course of the study. Another advantage is that secondary data is usually of high quality. Many of the sets of data that are useful for a secondary analysis are often of a high quality, as the data sets that are available have been created by experienced and skilled researchers, as is the case with our data which we received from experienced and skilled researchers (Bryman & Bell, 2015). This means that their selection process for this data
have been rigorous and the sample is as representative as possible. Another advantage of secondary data is that it can also contribute information from historical events. In our case, this relates to the three years that we investigated. Since the secondary data we have analyzed covers all the years under which IFRS 3 has been implemented it gave us the opportunity to look into and analyze our two selected sectors and their allocation of the acquisition price from 2014 to 2016.

The secondary data in the form of annual reports and the database from Professor Nilsson were examined through a content analysis. Since this study is a qualitative study, secondary data will thus be examined through a qualitative content analysis. According to Bryman & Bell (2015), a qualitative content analysis is the most common approach to qualitative analysis of documents. The purpose of a qualitative content analysis is to search for underlying topics in the material being analyzed (Bryman & Bell, 2017). By conducting a content analysis, we were able to answer one of our research questions, i.e.: How do different industries in Sweden allocate and classify their acquisition purchase price? We also compared the two selected sectors over 3 years and examined how the distribution of the purchase price was done in the two different sectors. In addition, we were able to see how companies in these sectors describe the acquisitions they have carried out and what information they chose to publish in their annual reports.

3.7 Trustworthiness

Although we have discussed in this chapter about various advantages and disadvantages of the qualitative method, it is important to discuss the quality of the study. Bryman & Bell (2015) argue that qualitative studies should be assessed and valued based on criteria other than those used in quantitative studies. The reason that criteria such as reliability and validity are not directly applicable to qualitative studies are, according to Guba & Lincoln (1994), that these criteria presuppose that it is possible to achieve a single and absolute picture of social reality. Instead, they claim that there may be more than one well-founded description of this reality (Bryman & Bell, 2015). According to Lincoln & Guba (1985), a fundamental criterion for qualitative research is trustworthiness which consists of four sub-criteria that are credibility, transferability, dependability, and confirmability.

When it comes to credibility, the description provided by the researcher must be acceptable to other people. This means that in order to create credible result, the research must have been carried out in accordance with rules that exist and the results are reported to those persons who
are part of the investigated reality. This should be done to confirm that the researcher has perceived the reality correctly. To increase the credibility of this study, we have therefore chosen to interview people who are well-aware of acquisition processes and have a good knowledge of IFRS 3. Bryman and Bell (2015) named this technique as validation. As mentioned above, credibility can be increased by reporting the results of the study to those who were a part of the social reality that has been studied so that they can have the opportunity to confirm that the study reflects the reality correctly. All our respondents have been asked if they wish to review and approve their responses before it is published. However, not everyone expressed the desire to review their answers and those who requested for their responses, received their answers by email. In addition, all interviews have been recorded using a voice recorder, which meant that the risk of missing something important was negligible.

Bryman and Bell (2015) argue that qualitative results focus on the contextually unique and on the importance of the aspect of the social reality studied. This could mean that qualitative research involves an intensive study of a small group or individuals who have the same characteristics. Qualitative research is therefore more about the depth and not the breadth of a phenomenon (Bryman & Bell, 2015). The interviews conducted in this study is aimed to create a deeper understanding through an intensive study of a small group of respondents. According to Guba & Lincoln (1994), it is therefore necessary to provide a comprehensive account of the details contained in what is being studied to enable others to determine how transferable the results of this study is to another environment (Bryman & Bell, 2015). In order for others to determine whether the study is transferable to other environments, we have included a as much details as possible about this study.

Dependability of a study can be ensured by the researchers having an exploratory approach, which provides for a complete and accessible description of all phases of the study process. An audit can be conducted by any third party who can act as auditor and assess the quality of the procedures chosen and applied (Bryman & Bell, 2015). With that in mind, it is therefore important to be critical of the material that has been collected. This means that some caution should be applied to the information received from the respondents since the respondents can act in a way that project the company they represent to appear better than they actually are.

However, to confirm, on the basis that there is no complete objectivity in social research, the researcher must ensure that they act in good faith. This means that the researcher should not consciously let his personal opinions and theoretical orientation influence the conclusions of an investigation (Bryman & Bell, 2015). In order to ensure the objectiveness of our study, we have
tried to formulate questions in a manner that would be as clear as possible for respondents, as well as starting each interview by briefly describing what our study is about and its purpose.

3.8 Ethical considerations

Discussions on ethics in business research actualize the role of valuations in the research process and deal with issues such as how to study the subjects and what activities the researcher should engage with in conjunction with the persons studied. Thereis therefore a number of ethical rules that should be taken into account. These rules usually involve volunteers, integrity, confidentiality and anonymity for those individuals or organizations directly involved in research (Bryman & Bell, 2015). There are thus a number of ethical principles that apply to, for example, Swedish research, these are information requirements, consent requirements, confidentiality and anonymity, utility requirements and false predictions (Bryman & Bell, 2015).

Information requirement means that the researcher should inform the persons involved in the study about the purpose of the research and what factors will be included (Bryman & Bell, 2015). In this study, the persons involved were composed of our respondents who represented the selected companies. Taking into account the information requirement, all respondents have before the interviews been informed about the purpose of the study and how it will be conducted. In connection with the requests for interviews, respondents have had the opportunity to choose themselves if they want to participate in the study by accepting the interview request. In this way consent requirements have been taken into account which means that participants participated in this survey voluntarily.

When it comes to confidentiality and anonymity requirements, information about all the participants included in the investigation are treated confidentially. This also means that information about participants must be kept in such a way that unauthorized persons cannot access them (Bryman & Bell, 2015). In this survey, as mentioned earlier, respondents have chosen to be anonymous. In order to guarantee their anonymity, we have chosen to have different letter combinations instead of names of the respondents and companies they represent. The recorded interviews have been handled in such a way that no unauthorized persons are able to access them. This means that we, who have worked with these studies are the only ones who have access to the information mentioned above. Furthermore, the data collected about the respondents and their companies have been used for the purposes of this study only. In this way, the utility requirement has also been taken into account.
Another principle that Bryman & Bell (2015) address in relation to research ethics is fake predictions. Researchers should not provide false information to people participating in the study. By informing our respondents about the purpose of the survey and giving them complete information on the subject studied, we have been able to guarantee that we have not in any way attempted to mislead those who have participated in this study. We have been open towards our respondents and provided all information about our study while we have tried to be as objective as possible during the execution of this study without attempting to angulate or affect the results in any way.
4. Empirical Findings

In this chapter the findings of the study are presented, starting with the content analysis and followed by the interviews.

4.1 Interpretation of findings

As mentioned earlier, this is a qualitative study and as such, we conducted an interpretation of our findings. This means that we tried making sense, give meanings and understanding to the phenomenon we study (Merriam, 2009, Saldana, 2011). This is mostly done for the interviews we have performed but also on the secondary data we relied on in relation to the findings from the interviews. With this, we were able to gather rich descriptions from the respondents to be able to better understand the reasons how companies comply with IFRS 3. Since there can be many varied reasons as to how the companies comply to IFRS 3, an interpretive approach allowed us a non-restrictive manner in which all possible reasons can be included. This enabled us to have a broader view of understanding how the companies in this study comply to IFRS 3.

4.2 Findings of the Content Analysis

It is explained earlier in the study that we have obtained secondary data, which we have adjusted to make it suitable for this study. The findings of the content analysis consisted of how the purchase price in the business combinations was allocated by the companies of the two chosen sectors over the three examined years; 2014, 2015 and 2016. We report below the amount of intangibles, other assets and goodwill from the business combinations. In this section we begin by separating the findings from each of the sectors and in conclusion state the coherent findings of the sectors. The first table shows the total number of companies on the Stockholm stock exchange, the total number of companies in the two selected sectors and the number of companies in each of two chosen sectors. It also shows the number of companies interviewed in each sector.
4.2.1 Number of companies from the different sectors

<table>
<thead>
<tr>
<th>Category</th>
<th>Number</th>
</tr>
</thead>
<tbody>
<tr>
<td>Companies in Prof. Nilsson’s original data</td>
<td>274</td>
</tr>
<tr>
<td>Companies in the Health Care sector from Prof. Nilsson’s original data</td>
<td>51</td>
</tr>
<tr>
<td>Companies in the Industrial sector that were in Prof. Nilsson’s original data</td>
<td>91</td>
</tr>
<tr>
<td>Companies in Health Care sector that made at least one acquisition between years 2014 and 2016</td>
<td>16</td>
</tr>
<tr>
<td>Companies in Industrial sector that made at least one acquisition between years 2014 and 2016</td>
<td>55</td>
</tr>
<tr>
<td>Companies in Health Care sector that we interviewed</td>
<td>4</td>
</tr>
<tr>
<td>Companies in Industrial sector that we interviewed</td>
<td>3</td>
</tr>
</tbody>
</table>

*Source:* Victor Röxner and Ruslan Ovsyannikov
4.2.2 Health Care-sector Findings

The following bar chart will show in percentage how the Health Care companies allocated their purchase price for their acquisitions made from 2014-2016.

The Health Care sector consists of companies engaged in pharmaceuticals, production of medical care equipment, development, biotechnology products and other healthcare related products and services (Avanza, 2018). Large companies within this sector are AstraZeneca, Getinge and Capio (va.se, 2018).

Figure 1

![The allocation of the purchase price year by year for the Health Care sector](image)

Authors: Victor Röxner and Ruslan Ovsyannikov

From a year by year basis, the total purchase price for the Health Care sector was mainly allocated to goodwill as we can see in 2015 and 2016, with the exception of 2014, where 94.8% of the total purchase price that year consisted of acquisitions conducted by AstraZeneca. This is an important part of the study because year 2014 played a major role when it came to the assessments of the purchase price for the Health Care sector. The fact that AstraZeneca's large acquisition accounted for such a big part of the total purchase price for the Health Care sector, namely 84.7%, had an impact for the rest of the years. This does not necessarily reflect the normal case how the rest of the companies in the sector report and allocate the purchase price.
for their acquisitions. To demonstrate this, a figure without the acquisition made by AstraZeneca is provided for later in this section. However, with AstraZeneca's acquisition included, we can see that the tendency for goodwill shows an upward trend, intangibles shows a downward trend and other assets has an increasing trend from 2014 to 2015 but then goes decreases again in 2016. As stated in the method chapter, all the companies have made at least one acquisition in one of the three years. The number of companies that made an acquisition in 2014 was 5 out of 16. In year 2015 and 2016 there was an increase in companies who made acquisitions; in 2015 this increased to 8 companies and in 2016 there were 12 companies. Together with this we can see an increase in goodwill.

Figure 2

The allocation of purchase price year by year without AstraZeneca's acquisition in 2014

Authors: Victor Röxner and Ruslan Ovsyannikov

Without the acquisition made by AstraZeneca in 2014 we can see that the percentage allocation changes. Instead of an upward trend in goodwill, it remains at a high level throughout the three years, and in fact never decreased to below 40%. Other assets decreases to a minimal level of 5% but intangibles remains over 40% which is not a big of a change compared to goodwill. Even though there are changes between other assets and intangibles as stated above, the most significant change is goodwill and this figure shows a clearer image of how the Health Care sector allocates its purchase price.
The item with the highest allocated value over the three years combined is Intangibles which amounted to over 50%. The Goodwill item is in this case the item with the least allocated value together with Other Assets which amounted to 24% and 25% respectively. Figure 3 has similarities with figure 1 in terms of the allocation of the assets. In this case the intangibles is by far the most allocated asset as in 2014 in figure 1 and as stated earlier is affected by AstraZeneca’s acquisition. Furthermore, figure 3 shows that other assets is larger than goodwill which is rare among the companies, individually speaking.

4.2.3 Industrial-sector Findings

The bar chart below shows in percentage how the companies in the Industrial sector allocated their purchase price for their acquisitions made from 2014-2016.

The Industrial sector consists of manufacturing and distribution of capital goods, including aerospace and defense industries, construction products, design and construction industry, electrical- and mechanical equipment for industry (Avanza, 2018). Large companies within this sector are for example Atlas Copco, Sandvik and Assa Abloy (va.se, 2018).
In the chart above, it clearly shows that goodwill is the largest item allocated by the Industrial companies every year of the three years examined. Intangibles stayed below 30 % for every year and is the least allocated asset for both 2015 and 2016. Other assets varied in terms of the value being allocated. Other assets differed only 8 % from being as equally allocated as goodwill in 2015. As in the healthcare sector, the companies of the Industrial sector also have made at least one acquisition out of the three years. The number of companies that made an acquisition in 2014 was 34, which was the same number in 2015, where there also were 34 companies of 55 who made an acquisition. There was a slight increase from 2015 to 2016 that is from 34 to 38 companies who made an acquisition. Taking this into account, we can see that it differed between 2014 and 2015 even though it was the same number of companies who made an acquisition; other assets increased by almost 30 % while goodwill only decreased by nearly 10 %.

Authors: Victor Rööner and Ruslan Ovsyannikov
The total purchase price for the Industrial sector amounted to 113 392 million SEK, where 62 107 million SEK were allocated to goodwill, which corresponded to 55 % of the total purchase price. The allocation of intangibles and other assets were similar to each other. The combined figure of the allocation reflects in part the year by year figure; in figure 5 we see that other assets was the least allocated asset whereas in figure 4 other assets was more allocated than intangibles in both 2015 and 2016.
4.2.4 Coherent Findings of both Health Care and Industrials

The diagram below shows in percentage how the companies of both the Health Care sector and the Industrial sector allocated the purchase price for their acquisitions made for each year from 2014-2016.

Figure 6

![The allocation of the purchase price year by year for the Health Care- and the Industrial sector together](image)

Authors: Victor Röchner and Ruslan Ovsyannikov

We see that there was an even distribution of goodwill over all three years, with an increasing trend from 2014-2016. The allocation of intangible assets decreased since 2014, which can be explained as in figure 1 with the large acquisition made by AstraZeneca. The allocation of other assets has a varying trend, which we can see in both sectors year by year.
Authors: Victor Röxner and Ruslan Ovsyannikov

The total purchase price for both sectors together was 194 007 million SEK. The largest item allocated was goodwill and it amounted to 81 445,8 million SEK, which was 42% of the total purchase price. Intangible assets amounted to 67 179,2 million SEK which made it 35% and the second most allocated item among the three. Other assets amounted to 45 382 million SEK, which was 23 % and was the least allocated item. As stated in earlier chapters as a potential problem among Swedish listed companies, the goodwill item has high values allocated to it.

4.3 Findings from the Interviews

4.3.1 Goodwill

Goodwill can be seen as risky and that was addressed among our respondents. Impairment tests and whether goodwill should be written down was also discussed among our respondents. Impairement tests and write downs are processes based on forecasts, which in turn are based on future expected cash flows. As respondent B commented to the question "Do you have any specific process for each forecast?": - “Yes, it is based on what we think will happen. We make assumptions from our budget and what activities we will do, as well as what revenues and costs they entail”. Although these are well-founded assessments, they are still a guess or estimate. Respondent E stated that it is the forecast that determines what decisions you make as a
company, even though there are several other models one can use, for example the WACC method that several respondents mentioned. These forecasts, combined with the fact that goodwill increased among Swedish listed companies may be associated with uncertainty and risk, as any future impairment losses may adversely affect earnings. This is something to avoid, according to all the respondents. Respondent C explained the importance of having a sound balance sheet where a large amount of goodwill is not collected on each acquisition. “As an acquisition-intensive company, building its growth on acquisitions, one has to think long-term and identify depreciable assets to reduce the risk in the balance sheet,” said respondent C. Respondent D had a similar view and stated: “Goodwill is a risk item especially if the company does not have a good and stable profitability, because only with a good and stable profitability the company will be able to manage a big write down. On the other hand, if a company that lies around zero on the result item and continues to increase on the goodwill item, I would be nervous. A good company is cautiously valued. If it is a bad year for business, nobody wants to make write-downs even though there is a need for it”. As respondent B also said: ”When the company has a down period it can put the company in a situation where it is a bad year for business plus the fact that it also has to manage a write down, it is tough”. Respondent E shared another view. Respondent E clarified that there is nothing that is infinite and then refered to goodwill, which involves much uncertainty. Furthermore, respondents E and C mentioned about the importance of diversity in the business that is being acquired. Respondent C mentioned that the acquisition of homogeneous companies makes the process easy when identifying intangible assets, as there are few sub-units or divisions within the company and therefore the identifying process becomes faster. Respondent E mentioned that when acquiring a heterogeneous company with many sub-units or divisions it becomes difficult to identify cash-generating units because the purchase price is integrated into the business. According to our respondents, this could be a considered factor to why goodwill often is a large item in acquisitions.

4.3.2 IFRS 3

IFRS 3 regulates business acquisitions and is a principle-based regulatory framework, which opens up an interpretation space for companies applying IFRS. One of the questions that was asked was if the room that IFRS 3 leaves for corporate assessments and interpretations in areas such as business combination can create any difficulties around the implementation of the standard and affect the way of how companies report a business combination and how they choose to allocate the acquisition price. Respondent A declared that there are no problems
implementing or complying with IFRS 3 as long as you set good standards and follow them. Respondent B agreed with Respondent A that if one finds its own way of working and its own principles, IFRS 3 can be implemented, but respondent B clarified certain changes in the regulatory framework that made business acquisitions difficult. "It's hard to know how to allocate the purchase price, for it all not to end up in goodwill. Generally, I think that one should have stuck with the previous standard where goodwill was depreciated because, as the situation is now, too much of the purchase price is allocated to goodwill". Respondent B further explained that it is costly as a small company to comply with IFRS 3 guidelines for identifying depreciable assets, which requires too much resources. Respondent C also claimed that the IFRS's regulatory framework is too fuzzy because it allows space for many interpretations, while the idea of having an excess value that does not need to be written down is seen as difficult. Respondent D had a similar opinion and also believed that IFRS 3 is fuzzy: “Nowadays it is up to the company to interpret how they will act and it is not certain that the balance sheet will decrease through depreciation costs because companies do not have to make systematic depreciation on goodwill. Before the introduction of IFRS 3, the companies had to perform depreciations in order to reduce the balance sheet.”. Respondent D also stated that today’s companies make acquisitions that they could never make before the introduction of IFRS 3. The acquisition methods that were used before the introduction of IFRS 3 were too expensive because they had a big negative effect on the company’s capital, partly due to goodwill amortization. Today, on the other hand, the negative effect on the company’s capital is not that large because of the changes that IFRS 3 brought about in the form of abandoned systematic depreciation of goodwill. Respondent E mediated with the idea of IFRS 3 as a good regulatory framework as it is based on principles but is critical of the IFRS standard as a whole, whether it is IFRS 3 or some other section. Respondent E described the reading of IFRS 3 as an "impenetrable mass" that takes much time to learn and even after a long time as a CFO still needed to discuss a lot with the professional accountants, who in turn needed to consult with their own experts. Respondent E said: “It is assumed that I should know everything about IFRS 3 when not even the auditor does, and I have more duties than just dealing with IFRS. The demands are gigantic, and you have to be realistic, IFRS cannot be implemented to 100%".

As mentioned in earlier chapters the information about the acquisitions is considered to be important and often required by investors. The respondents were asked about their views of the disclosure requirements that IFRS 3 prescribes. The respondents’ views are rather doubtful as respondent F stated: “You do want to follow IFRS 3 regarding the disclosures but at the same
time you do not want to provide too much information.” Further, respondent F stated that some information is not provided because that particular information can give a bad picture of the company. An example may be that you do not publish how the purchased unit has performed if its performance has been worse than expected after the acquisition. The majority of respondents considered that disclosure requirements are too detailed and sometimes even redundant. Respondent F argued that “the overflow of information required by the standard may make one wonder who will actually read all the information that has required so much work”.

4.3.3 Intangibles

Intangibles can be seen as hard to identify and value. We asked if the respondent’s companies have any particular process or model used to classify and identify intangible assets in an acquired entity and if so, to describe those methods. All respondents stated that their company had a developed model and process that they use in conjunction with acquisitions. A coherent view from our respondents is that worked-out models and a clear process within the company is important for identifying intangible assets. Respondents B, C and D spoke more in depth about this. They believed that their respective companies have managed to work out a way that makes it easy to identify intangible assets and respondent C said that "we try to have a simple process which is about knowing exactly what we are looking for in an acquisition and where we know what intangible assets the company we are going to acquire has. This will make the identification easy”. Several respondents continued and explained the importance of having this simple process for a company where the strategy is to gain growth through acquisitions. They also pointed out that the identification of intangibles should be carried out by the company itself without involving any external party. As stated by respondent C in 4.2.2, the identification of intangible assets plays a role depending on whether the company acquired is a homogeneous (with few sub-units) or heterogeneous (with several subunits) company. More subunits make the identification of intangibles more difficult. Another aspect that was brought up by respondent D was when it came to large acquisitions, the intangibles that the company possibly could identify is small compared to the total purchase price, that the companies do not make sufficient efforts to identify them. Regarding the identification process, Respondent E said that an important part was to identify what was depreciable and the company had to be able to quantify it. That is a problem according to Respondent E who stated: "What is connected to what? For example, maybe there are no specific contracts on the customer relations and then you have to merge several assets into one depreciable asset. That is where the problem pops up.
If you put several assets together, how do you know which one you are counting? The calculations can be wrong and are therefore difficult.”

However, three respondents stated that in the case of major acquisitions, they request the help of an external party when it comes to identifying intangibles. Respondent F mentioned having an external party that manages the identification on behalf of the company, but yet the company makes the final decision. Respondent F further added that it is necessary to bring in an external party due to the lack of that specific competence in the company. “It is worth the money and when the company is dealing with tens of millions of SEK they want good assessments and not much of the purchase price allocated to goodwill”, said Respondent F.

Several respondents mentioned about customer relations as an intangible asset that is difficult to value. Respondent B found customer relations the most difficult asset to value. Other respondents including respondent G claimed that customer relations are an important asset to the company. Respondent G further argued that customer relations are difficult to value since customers tend to change their preferences, which can lead to the asset, customer relations, losing its value.

4.3.4 Competitors

In order to find out if companies operating in the same industry tend to develop a common industry practice when it comes to the reporting of business acquisitions, we asked the following questions to our respondents: Do you take into consideration how your competitors report their acquisition? Does it have any effect on your way of accounting for acquisitions? The majority of our respondents claimed that even though they are aware of how and what their competitors do, when it comes to reporting of business acquisitions, however this does not affect their way of accounting for their own acquisitions. Since the main focus lies on what is relevant for their own companies and what it takes to meet their own goals and needs. However, two of our respondents, C and E, suggested that there is a similarity between how companies treat goodwill. They argued that the reason why goodwill represents such a large item in the companies' balance sheets is partly due to the majority of the acquisition price being allocated to goodwill, but also that companies generally make few goodwill impairments. Even though the ambition of the respondent’s own companies is to have as little goodwill as possible, they refrain from making extensive write-downs because none of their competitors do so. The reason for this is that none of the companies want to stand out from the crowd, since being an outsider is considered to be a bad thing.
5. Analysis and Discussion

In the section that follows the findings of the content analysis and the interviews are analyzed together with previous studies mentioned in the conceptual framework.

5.1 Comparison between how the two sectors allocated the purchase price

In the previous chapter, the distribution of different assets according to each sector and both sectors combined were shown. This was examined to answer one of our sub questions that deals with how companies in the different sectors allocate the acquisition price of their assets. However, it is important to note that the number of companies that have made acquisitions has varied over the three years. In the Health Care sector, there were significantly fewer companies than in the Industrial sector, which means that the number of acquisitions has varied between the two sectors. This can in turn affect the basis for comparisons between the two sectors. However, when it comes to the Health Care sector and Figure 1, 2014 stands out because over 50% of the total purchase price in that year was allocated to intangible assets. This is due to the fact that during that year there were only 5 companies out of 16 which made acquisitions, and the largest acquisition was made by AstraZeneca, which represented 94.8% of the total purchase price for the entire sector that year. However, we see that in 2015 and 2016, goodwill again represents the largest item of the three asset classes. This can be explained by the fact that in 2015 there has been an increase in the number of acquisitions, as 8 of 16 companies have completed acquisitions. By 2016, goodwill represented approximately 55% of the total purchase price for the Health Care sector, while 12 of 16 companies have completed acquisitions, which is an increase in the number of acquisitions, just as in the Industrial sector. An interesting observation is this is the same year when goodwill represents the largest asset among the three asset classes presented. However, it is important to note that because of AstraZeneca’s major acquisition in 2014, goodwill represents the smallest asset when looking at the three years in total in Figure 2. We believe that the most interesting observation can be made based on Figure 1 where goodwill increases in 2015 and 2016, while the number of companies making acquisitions increases as well.

The study shows however that companies in the two sectors distributed most of the purchase price to goodwill, which is consistent with previous studies made by Glaum et al. (2013) and Carvalho et al. (2016). When it comes to goodwill, the Industrial sector stands out mainly
because the proportion of the purchase price allocated to goodwill is not less than 45% for any of the three years. In Figure 4, which shows the distribution for the three years in total in the Industrial sector, it also appears that goodwill is by far the biggest item. Another aspect that is important is that the number of companies in the Industrial sector that made acquisitions have not varied between 2014 and 2015, as for both years, 34 of 55 companies have completed acquisitions. By the year 2016, however, there has been a slight increase to 38 companies. Furthermore, it can be seen from Figure 3 that the proportion of identified intangible assets in the Industrial sector has not exceeded 30% in any of the year on a per year basis. Comparing this to the Health Care sector, there is only a marginal difference when it comes to identified intangible assets, as the proportion of identified intangibles is slightly higher in the Health Care sector, this is if 2014 is excluded from comparison, since that year stands out because of a defined reason. Instead, if one compares the two sectors in total over the entire period, ie over three years, the Healthcare sector allocates 10% more of the purchase price to identified intangible assets. (This difference will be reduced if 2014 is excluded.)

5.2 Compliance and implementation with IFRS 3 in the two sectors

When it comes to intangible assets, this asset class can contain a variety of assets. Usually, the references to such assets are identified intangible assets, such as patents, customer relationships and trademarks. According to the study by Gauffin et al. (2017) where all companies on the Stockholm stock exchange were examined, identified intangible assets stood for an average of 16% of the total assets acquired. Our study, on the other hand, shows that 33% of the purchase price is allocated to identified intangible assets in both sectors combined. Our respondents suggest that intangible assets are difficult to identify despite having clear and developed methods for identification. They further argue that they try to have a simple process that means they know exactly what they are looking for and know in advance what intangible assets the acquiree has. The respondents also suggest that the identification processes can be costly and require a lot of time. This is also a point made by Glaum & Wyrma (2011) in their study. Furthermore, respondents say that identification processes are not always that easy to apply as there are some companies that consist of many sub units, which complicates these processes when identifying intangible assets. One factor that can determine how far-reaching companies are in identifying intangible assets is the size of the acquisitions. According to our respondents, it is not worth investing in trying to identify as many intangible assets as possible in a small acquisition because it is not considered economically justifiable or relevant. We have gained an overall picture that our respondents from each sector considers that they have effective
processes when it comes to the identification of intangible assets and that their ambition is to allocate as much as possible of the acquisition price to identified intangible assets. The majority of the respondents at the same time consider that there is a limit to the extent of which identification can be achieved when one is most often faced with the dilemma of what is relevant and economically justifiable. An asset that is discussed by our respondents in these situations is customer relationships, which our respondents consider difficult to evaluate.

Dagwell & Windsor (2007) argue that since IFRS 3 is a principle-based standard, there can be scope for subjectivity and ambiguity, which according to Rehnberg (2012) can lead to companies failing to fully implement the standard or to interpret the standard in different ways which in turn may affect the quality and usefulness of annual- and financial reports. We have therefore asked our respondents if this interpretation space within the regulations can affect how companies report on acquisitions and how they choose to allocate the acquisition purchase price. The majority of our respondents have a positive attitude towards a principle-based standard and most of all the space provided to the company's own assessments, which suggests that companies use this interpretation space to implement the standard in a way that suits them best. Respondent A, for example, considers that there are no problems with complying and implementing IFRS 3 as long as the company sets a good standard and follows it. Other respondents also agree with this reasoning. As long as the company finds its own way of working with the standard and is consistent, it is feasible.

There are however, some criticisms from the respondents. Respondent B argues that accounting for business combinations can be challenging because it is difficult to know how the acquisition price should be allocated in order for the full purchase price not to be allocated to goodwill. Respondent B further believes that it may be costly for a small company to fully comply with IFRS 3. Another respondent, C, claims that the regulations are too ambiguous and that the interpretation space may lead to the standard being used in different ways, which according to Rehnberg (2012) may affect the quality of annual reports and financial statements. Respondent C also has a negative attitude to an excess value in the form of goodwill in the balance sheet, which does not need to be written off. Respondent D has a critical approach to how IFRS 3 deals with goodwill. According to respondent F, IFRS 3 has made it easier for businesses to take it more effortlessly when it comes to major acquisitions, knowing that excess value can be booked as goodwill. This reasoning is in agreement with Helleman et al. (2016),
which also say that companies can choose to allocate most of the purchase price to goodwill and not make sufficient efforts to identify other intangible assets.

It appears that there is some ambiguity in the respondents' answers when it comes to their view of IFRS 3. On the one hand they consider it as a good regulation because it is a principle-based standard and allows companies to apply it their own way, but on the other hand, the regulations are considered to be difficult to interpret as well as to apply. While respondents believe that companies should develop their own way of working with the standard, they also argue that the standard is too ambiguous, and the flexibility that is given may lead to different implementation and application of the standard. This is also something that Rehnberg (2012) deals with in her thesis, emphasizing that too much flexibility in the regulations can cause the standard to be applied in different ways. This can in turn affect how the intangible assets are identified. It also appears that companies apply IFRS 3 differently when it comes to the size of the acquisitions.

Our respondents have stated that their companies are different in terms of identification of intangible assets. Since acquisition analysis require large resources and time, companies consider it not economically justifiable to try to identify as many intangible assets as possible in a smaller acquisition. It is important to point out that when it comes to the pros and cons of IFRS 3 as outlined above, there are no differences between respondents' views on the rules, since they share the same opinion regardless of the sectoral affiliation. This means that the choice of how far-reaching the company is with the implementation of IFRS 3 lies with the company itself rather than in the industry in which the company operates. Another important aspect that our respondents address regarding the view of the identification of intangible assets is that they have a good perception of what assets the acquired company has, which, according to respondents, can simplify identification processes. This is an area that can be linked to the fact that companies operating within a particular sector often acquire companies within the same sector, which means that identification processes are developed since they usually identify the same types of assets. The majority of our respondents have argued that complexity may vary between different types of intangible assets. An example of an asset that respondents considered to be most complex is customer relations, as it is difficult to value, which in turn require more resources.

As raised earlier in our findings, the respondents have mentioned about difficulties with implementing IFRS 3. According to previous studies made by Graeme Wines et al., (2007) potential difficulties with implementing IFRS could relate to the identifying of cash-generating units. The identification of a cash-generating unit could be difficult in cases where a company has acquired another entity that consists of a number of separate subsidiaries, divisions and/or
branches. The authors questioned if the cash-generating unit should be identified as a complete initial entity purchased or should a number of sub-units be identified. Via the answers of our respondents we can confirm that this is truly a problem, as our respondents C and E states in section 4.2.1. They say that it becomes more difficult to identify assets after an acquisition when the entity that is being acquired consists of several separate sub-units or divisions.

Another difficulty regarding the IFRS was discussed by our respondents, namely the amount of resources the new standard demands in order to identify as many depreciable assets as possible after an acquisition and comply with the IFRS disclosures. This is also a difficulty we can confirm through Wines et al. (p.865, 2007) who predict that “the new standard will require companies to spend additional time in complying with its requirements and thereby result in greater costs. A detailed valuation of every applicable asset and associated goodwill for each cash-generating unit will be required”.

In summary, the empirical findings show that IFRS 3 is considered to be difficult to interpret and difficult to apply. While respondents consider it to also have its advantages, and the biggest advantage is considered to be that the standard is principle-based, the standard leaves room for companies to interpret it in a way that suits them best. The problem is, however, subjective assessments and different interpretations of the standard may affect the quality of financial reports (Rehnberg, 2012, Wines, et al., 2017). It was found that companies are different in scope with the identification of intangible assets when it comes to the size of an acquisition. In the case of smaller acquisitions, companies do not spend resources and time on identifying intangible assets, but rather allocate the majority of the purchase price to goodwill. Respondent companies believe that extensive efforts on smaller acquisitions are not relevant, not for the company itself nor for the investors. The most important part to highlight when it comes to IFRS 3 is that the respondents' perceptions of the standard is the same regardless of which of the two investigated sectors the respondents belong to. All our respondents have argued that they have well-developed identification processes when it comes to acquisition analysis, since they usually perform acquisitions of homogenous companies, knowing in advance which intangible assets the acquired company has. In cases where acquisitions make up large sums and are considered to be significant, the identification process becomes more extensive and thus leads to companies allocating more value to intangible assets.

According to Glaum et al. (2013) and Carvalho et al., (2016), there is a lack of compliance with IFRS 3, especially when it comes to disclosure requirements. That is something we also observed in the companies studied, that companies do not provide detailed descriptions of
acquisitions. According to our respondents, disclosure requirements imply constant considerations between what information is to be published. According to Glaum et al. (2013), information about acquisitions is particularly relevant to investors, despite this, respondents argue that excess information may instead be considered frustrating for investors as well as for those who prepare the information in the annual report. In other words, companies try to publish the information that their investors are asking for and what they consider relevant to their investors.

5.3 Goodwill

Goodwill is often described as a payment for expected future positive cash flows that cannot be identified separately as identified assets, that can be acquired separately or as part of the company. Unidentified assets cannot be acquired separately, which means that goodwill cannot generate cash flows separately or independently of other assets. Goodwill contributes to the cash flow of other assets, and often contributes to cash flows for several cash generating units. The most disputed change that IFRS 3 has taken with respect to goodwill has been that goodwill will no longer be written off, and instead, companies will conduct annual value assessments, which, according to Hamberg & Beisland (2014), have contributed to that goodwill in Swedish companies have increased by 50% since the abolishment of the depreciation method. According to our findings, goodwill continues to be the item to which most of the acquisition price is allocated.

According to previous research by Carvalhos et al. (2016), by allocating the majority of the purchase price, companies can perform a so-called earnings management, since identified intangible assets are often subject to annual depreciation, while goodwill is only a subject of impairment tests. This means that future costs in the form of depreciation will decrease, leading to expectations of improved earnings by companies in the future.

5.4 Institutional theory

We have chosen to link institutional theory to our study to see if the different companies follow each other in the different industries. Institutional theory is based on how the organizational structure is adapted to achieve legitimacy. According to Deegan & Unerman (2011), when a company grows and establishes itself in the market, it tends to move towards homogeneity. This means that the company adapts to its competitors or the environment they operate in order to
maintain its legitimacy, because companies that do not act alike risk standing out from the crowd and losing their legitimacy.

Isomorphism is part of institutional theory that explains why companies in the same industry adapt to each other. There are three types of isomorphism that are addressed in the conceptual framework. The most relevant type of isomorphism for this study is normative isomorphism, as it explains the pressure arising from group norms to adopt institutional practices. For example, in the perspective of corporate reporting, the general opinion is that companies must comply with IFRS in specific ways, and this acts as some sort of group norm.

Based on our analysis, it appears that companies allocate their purchase price relatively similar in each sector. There have been some differences when it comes to identified intangible assets, as it was shown in our content analysis that the Health Care sector had a little higher portion of the purchase price allocated to intangible assets. However, our respondents have stated that their competitors' reporting methods have no impact on how they report their own acquisitions or how they draw up their acquisition analysis. Respondent C mentioned that focus is primarily on the company's own business, what is best for them and what it takes to fulfill the company's own goals and needs. Furthermore, none of our respondents from any of the sectors have considered that there is any specific industry practice when it comes to accounting for business combinations. On the other hand, it has been found by respondent E that there may be a certain industry practice when it comes to goodwill, as there is some similarity in how companies treat goodwill, since goodwill represents a large item in corporate balance sheets, partly because the majority of the purchase price is allocated to goodwill but also because the write-down period is slow. This is also true during periods when the profitability is good. Respondent C explains that there is a reason why companies do not write down goodwill despite the ambition to reduce that item. The reason is that nobody wants to stand out from the crowd. In other words, via normative isomorphism, companies follow each other. This cannot be linked to a specific industry, but instead it applies to the entire market.

5.5 Agency theory

Agency theory describes the problem that arises between two parties when there is a contractual relationship where one party consists of a principal (investors) and the other party an agent (management) (Jensen & Meckling, 1976). Principals employ agents to perform tasks on behalf of the principal, thereby conferring on the agent the power to make decisions. The agent will thus make decisions and direct the company on the course that benefits both the company and the principal. For this, the agent may receive incentives in the form of, for example,
bonuses. A problem can arise between the parties as the agent's goals may differ from the principal's goals and consequently, the agent can act opportunistically, that is, acting for his own interests at the expense of the principal’s interest.

In this study, shareholders are considered to be the most relevant group to be considered as principal when it comes to identification and valuation of assets in an acquisition. According to Carvalho et al. (2016), management can intentionally identify less depreciable intangible assets to allocate the majority of the purchase price to non-amortized goodwill, thereby improving earnings by reducing future costs in the form of depreciation. Betty & Weber (2006) argue that performance-based bonuses can be a factor that affects the majority of the purchase price allocated to goodwill. Betty & Weber (2006) also found that companies with performance-based bonus systems tend to make significantly less goodwill impairment. In other words, managers may want to influence the acquisition analysis so that it benefits their own interests.

Based on the respondents' answers, it is clear that goodwill is seen as a risky item in the balance sheet which companies prefer to avoid. We have not found any indications that the companies, through goodwill, would try to manipulate the findings, as all respondents in each sector see goodwill as an item one should be careful about. However, it should be noted that we have not examined the organizational structure of the interviewed companies and therefore have no knowledge of whether there is any performance-based bonus system in the interviewed companies. All the companies that were interviewed in the respective sectors had acquisitions as part of their growth strategy while indicating that they had developed methods when it came to acquisition and identification of intangible assets. However, none of the respondents have explained in detail the methods and processes developed.

Although the companies have given the impression that it would be highly inappropriate to manipulate the findings through major goodwill items and thus mislead the principals, it was found that information about acquisitions is usually insufficient while some information is retained completely. This is based on a response from respondent F who stated that the company wishes to comply with IFRS 3 when it comes to disclosure requirements but at the same time the company does not want to give too much information, since some types of information is not published because it may give a bad image of the company. According to the IASB Proposals Framework, information in financial statements should be relevant as it may affect the decisions taken by the user of these reports. Financial information can also cause a difference in decision whether it has the ability to predict or confirm. However, it is not the
information that predicts future outcomes, but the information content that allows the user to predict future outcomes (IASB, 2010). In this study, it was found that there is a certain information asymmetry between the principal and the agent.
6. Conclusion

The differences and similarities between both sectors in this study is summarized in this chapter. The practical implications, contribution and suggestions for future research are then mentioned.

6.1 Do different industries comply differently to IFRS 3?

After completing our study in the form of content analysis of secondary data and interviews with companies in the Health Care and Industrial sectors, we have come to the conclusion that when it comes to compliance and implementation of IFRS 3 we have not found any industry-specific factors which affects compliance with IFRS 3. All respondents from both sectors had similar views of IFRS 3 as a standard and how it should be implemented. Although our respondents have a good perception about the standard and how to implement it, it has nevertheless been found in the study that there is substantial noncompliance with IFRS 3. The non-compliance observed in this study, but also in other earlier studies consist of incomplete information about acquisitions, the allocation of most of the purchase price to goodwill and also weak identification of intangible assets.

The factors that affect compliance have been found to be the following:

Factor 1: IFRS is perceived to be difficult and redundant, which imposes high demands on those who are involved in preparing financial statements. We cite respondent E who described IFRS as an "impenetrable mass", where the respondent then argues that even the company's auditors need to consult their experts when it comes to implementation of IFRS 3.

Factor 2: Intangible assets are difficult to identify, and the process of identifying these assets requires large resources, which means that companies spend less time and resources on identifying depreciable intangible assets in smaller acquisitions, since it is not considered to be relevant or economically justifiable. This means that the size of acquisition can determine how far-reaching companies are in their identification processes. However, we have seen that the Health Care sector has allocated a larger share of the purchase price to identified intangible assets compared to the Industrial sector.

Factor 3: Extensive disclosure requirements. The respondents consider disclosure requirements too detailed and sometimes even irrelevant. This opinion was persistent among all respondents in both sectors. The respondents consider that disclosure requirements for acquisitions are
important to investors, but they also believe that the amount of information can be irrelevant. One of the respondents expressed: "The overflow of information required by the standard may make one wonder who will actually read all the information that has required so much work to produce". The issue that arises is how important it is to have detailed information about an acquisition and how much of this information is actually demanded by investors. As a business combination usually involves large sums of money and may affect the company's capital, the information is highly relevant to investors. However, it is unclear how much information is necessary and what information is relevant. Thus, this can only be decided by the investors themselves. Our respondents claim that they try to disclose the information that their investors perceive as relevant.

In conclusion, we can say that no significant difference has been found in how the two investigated sectors comply with IFRS 3.

6.2 How do different industries in Sweden allocate their acquisition purchase price?

Based on the findings of our survey of the two sectors, we note that goodwill is the asset class that the majority of the companies allocate most of their purchase price to. We also want to point out that there is a certain practice when it comes to how companies deal with goodwill. As previously stated, goodwill represents the largest item in the companies from both sectors and despite the fact that all respondents still expressed an ambition that goodwill should be written down and kept at low values. The reason none of the companies make major write-downs of goodwill is influenced by the common view of how to deal with goodwill, since none of the companies want to stand out of the crowd and reduce their goodwill.

With regards to intangible assets, we chose not to specify different types of such assets but instead to label this category as intangible assets. This category includes assets such as patents, customer relationships and trademarks. Other assets include financial assets and tangible assets. One of the reasons we have done this is that companies do not provide information about what type of assets they have acquired. Even though IFRS 3 stipulates that companies must identify as many intangible assets as possible in order to reduce the goodwill value, we have seen that this is not the case. Intangible assets constitute a rather small part of an acquisition for the companies in the two sectors. However, we have found a certain difference in the proportion of identified intangible assets between the two sectors. Companies in the Health Care sector
allocate a larger share of the purchase price to intangible assets compared to the Industrial sector. We have not found any differences in the respondents' answers regarding their view of the allocation of the various assets, since the respondents from each sector described the allocation process in a similar way. Another important aspect that has been observed is that companies sometimes want to limit work effort when it comes to identification and valuation of intangible assets, which may lead to the fact that the allocation of the purchase price may look different between large and small acquisitions. Respondents from both sectors have also argued that, as they acquire companies in the same sector, they know very well what assets the acquired company has. This means that companies often identify the same intangible assets as in previous acquisitions. Thus, it can be concluded that the allocation of the purchase price in the two investigated sectors is similar to each other.

Our empirical evidence has shown that there are some problems for companies in the two different sectors to follow and implement IFRS 3. These problems consist primarily of the fact that the standard is complex, difficult-to-interpret and leaves a great scope for subjectivity. Our main findings are that there are no significant differences between the sectors when it comes to compliance and implementation of IFRS 3. However, it should be noted that our study consists of a limited number of companies and only two sectors, which means that it can be difficult to generalize these findings. When it comes to allocating the acquisition price, we have found some small differences between the two investigated sectors, but we do not consider this to be specific to the sector itself. We rather tend to agree with Glaum et al. (2013), which describes that the implementation of IFRS 3 can be attributed to the company's specific factors, which means; based on their own situation and position on the market, companies find ways to work with IFRS 3 regardless of sector affiliation.

6.3 Practical implications

Although we have not been able to demonstrate that there is any industry practice when it comes to applying IFRS 3, we cannot rule out the existence of such practices. This has emerged in particular from the interviews conducted with the seven companies from the investigated sectors. It was found that there is a certain type of common accounting practice when it comes to business combinations and it is the management of goodwill. The companies indicated that they follow each other when it comes to goodwill and how this item is to be reported. More importantly, this practice applies to both sectors, which suggests that this approach is available to all companies on the market regardless of industry affiliation. This finding may be of value
to primarily investors, as they can gain a better understanding of how a company argues about this asset. This study has also shown that the rules about the reporting of business combinations are insufficient and leaves room for subjective and ambiguous interpretations of the IFRS 3 standard. This insufficiency causes the rules to be applied differently among the companies, which means that the comparability of financial reports and hence the comparability of companies reduces. This finding highlights the problems that exist in this area for both practitioners, investors and standard setters. The problems with subjectivity and different applications of the standard of companies are, according to this study, due to the fact that the standard does not give the companies sufficient guidance when it comes to valuation and identification of assets. It may therefore be urgent for standard setters to revise and possibly develop the IFRS 3 standard to further facilitate accounting processes for companies but also improve comparability for investors and other stakeholders who use companies’ financial reports in their decision making.

6.4 Contribution and suggestion to further studies

The purpose of this study has been to investigate how Swedish listed companies comply with IFRS 3. Due to time limitation, we chose to examine two sectors; Health Care and Industrial (Investopedia, 2018; Aktiespararna, 2014) as they are considered to be the most acquisition-intensive. By investigating these sectors through both content analysis and interviews, we examined how companies in these sectors comply with IFRS 3, what views they have on this regulatory framework and also if there are any industry-related factors that influence how companies implement IFRS 3. This study is useful as it explores and investigates an important issue in accounting since business acquisitions have become an increasingly common growth strategy. Not least, this issue is important for investors, but also for the standard setters. According to Glaum et al (2013), accounting for acquisitions and disclosure of information is particularly relevant to investors and other stakeholders as acquisitions involve large sums of money and can therefore have a significant strategic importance. It is also important for standard setters to gain insight into how companies implement and interpret the standards to possibly improve the IFRS 3 standard and provide better guidance to its users.

Our empirical findings show that there is insufficient compliance with IFRS 3 in Sweden in the two investigated sectors. It was shown that the companies that participated in the interviews have generally expressed the same opinions about the standard, since most of them considered that non-compliance with the standard could be attributed to as being too complex and difficult
to interpret, leaving large scope for subjectivity and ambiguity. We have also shown that the companies in the two sectors allocate most of the acquisition price to what the respondents considered as a “the risky item” ie. goodwill. The problem is that identification of intangible assets is expensive and requires a lot of time, which means that companies are not sufficiently far-reaching with the identification of depreciable intangible assets in a minor acquisition. In addition, it has been found that companies do not provide sufficient information about acquisitions and assets that have been identified, as companies consider this information as not always relevant to investors and, in addition, requires a lot of time to provide.

With that in mind our study provides empirical support for the application of the IFRS 3 requirements in the initial recognition of goodwill and other intangible assets in the Health Care and Industrial sectors, contributing to the literature which examines compliance with IFRS (Glaum et al., 2013; Carvahlo et al., 2016). Our study has also shown that there is no industry practice when it comes to the use of IFRS 3 business combinations, in the two sectors, which can contribute to a better perception for investors of how business acquisitions are implemented. In relation to the analysis of an acquisition, consideration should be given to company-specific factors, rather than the industry overall, as our study shows companies primarily focus on their own needs no matter which industry they belong to.

Since our study is relatively limited, a more extensive study of all industries on the Stockholm stock exchange could be interesting as a future research. One suggestion could be to build further on the findings made in this study. This would provide an even broader understanding of the acquisition analysis and how the regulations are perceived.
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Appendix 1

Participating Companies
Health Care Sector

Addlife
AstraZeneca PLC
Attendo
Capio
Elos Medtech AB
Getinge AB
GHP Specialty Care AB
Hansa Medical
Humana
Karo Pharma
Medcap
Probi AB
Recipharm AB
SECTRA AB
Vitrolife AB
Xvivo Perfusion

Total of 16 companies

Industrial Sector

ABB Ltd
Addtech AB
Ahlsell
Alfa Laval AB
Atlas Copco AB
ASSA ABLOY AB
AQ Group
Beijer Alma AB
Beijer Ref AB
Bergman&Beving
Bravida Holding

BTS Group AB
Bufab Holding AB
Christian Berner Tech Trade
Concentric AB
Consilium AB
C-RAD AB
Elanders AB
Eltel AB
Fagerhult, AB
Fingerprint Cards AB
Gunnebo AB

Instalco Intressenter AB
Inwido AB
ITAB Shop Concept AB
Lagercrantz Group AB
Lifco AB
Lindab International AB
Loomis AB
Mycronic AB
NCC AB
Nederman Holding AB
NIBE Industrier AB
Nolato AB
OEM International AB
Opus Group AB
Peab AB
Poolia AB
Rejlers AB
SAAB AB
Sandvik AB
Securitas AB
Semcon AB
Sensys Traffic AB
SKF, AB
SWECO AB
Svedbergs
Systemair AB
Trelleborg AB
Troax Group AB
Volati
Volvo, AB
XANO Industri AB
ÅF AB

Total of 54 companies
Appendix 2

Interview questions

1. How does the acquisition process work when you make a business combination? Is this process always the same for all acquisitions?

2. IFRS 3, which was introduced in 2005, leaves room for corporate assessments and interpretations in areas such as business combinations. Can this space affect how companies report a business combination and how they choose to allocate the acquisition price?

3. How is the value of the acquisition determined? Is there any process or model that you follow to determine the value of the acquisition? Please describe these processes / models.

4. Is there any particular process or model used to classify and identify intangible assets in a acquired entity? Which?

5. Do you look at how your competitors report their acquisition? Does it have any effect on your way of accounting for acquisitions? Do you follow any industry-practice of accounting for acquisitions and implementing IFRS 3, if there are any?

6. What is the company's view of IFRS 3? What are the challenges for implementing IFRS 3, and if so, what are these challenges?

7. What do you consider about disclosure requirements that IFRS 3 prescribes? Are they clear and easy to live?

8. Can these disclosure requirements affect the valuation and identification of intangible assets?

9. Do you consider it important to provide clear information about the acquisition in the company's annual reports? How clear the company needs to be in your acquisition notes according to you?
Interview questions (Swedish/Svenska)

1. Hur fungerar anskaffningsprocessen när ni gör ett företagsförvärv? Är denna process alltid densamma för alla förvärv?

2. IFRS 3, som infördes 2005, lämnar stort utrymme för företagens egna bedömningar och tolkningar inom områden som företagsförvärv. Kan detta utrymme påverka hur företag rapporterar ett företagsförvärv och hur man väljer att allokera förvärvspriset?


4. Finns det någon särskild process eller modell för klassificering och identifiering av immateriella tillgångar i en förvärvad enhet? Vilka?

5. Tittar ni på hur era konkurrenter rapporterar sina förvärv? Har det någon effekt på ert sätt att redovisa förvärv? Följer ni någon branschpraxis för redovisningen av förvärv och implementeringen av IFRS 3, finns det någon sådan praxis?

6. Vad är företagets syn på IFRS 3? Finns det några utmaningar att implementera IFRS 3, och i så fall vilka?

7. Vad anser ni om informationskrav som IFRS 3 föreskriver? Är de klara och lätt att efterleva?

8. Kan dessa upplysningskraven påverka värderingen och identifieringen av immateriella tillgångar?

9. Anser ni att det är viktigt att ge tydlig information om förvärvet i bolagets årsredovisningar? Hur tydliga måste företaget vara i sina årsredovisningar enligt er?