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THE IMPACT OF GOODWILL INFORMATION ON THE AVERAGE GROWTH OF MARKET VALUE OF COMPANIES LISTED ON VIETNAM'S STOCK MARKET

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Various researches in developed countries have demonstrated that goodwill information on financial statements affects the market value of listed companies (Chauvin, 1994; Qureshi and Ashraf, 2013; McCarthy and Schneider, 1995). This study was conducted to verify the impact of goodwill information stated in the consolidated financial statements on the average growth of market value of companies listed on Vietnam's stock market. The data of this study were collected from 109 companies over the period of 8 years from 2010 to 2017. The results of the study show that the companies that reported their increase of goodwill in the consolidated financial statements had a higher average growth of market value than the companies which did not have an increased goodwill. This suggests the companies should focus on disclosing their goodwill information.

Keywords: Goodwill, Average growth, market value

1. Introduction

In the context of Vietnam's developing economy, goodwill is not a new issue but it is still a very complicated issue, especially regarding goodwill measuring. Research by Doan Thi Hong Nhung (2019a) shows that the companies listed on Vietnam's stock market have not yet fully complied with the provisions on presentation and disclosure of goodwill information according to accounting standards No 11. In 2017, a very high proportion of companies that did not disclose information on the net asset value of the acquired company were used when calculating goodwill (67%); 5% of disclosure companies used the net book value of the acquired compa-

ny to calculate goodwill and 29% of disclosure companies used the fair value of the acquired company's net assets to calculate a goodwill. Studies in developed countries have shown that goodwill has a positive relationship with the market value of companies listed on the stock market (Chauvin, 1994; McCarthy and Schneider, 1995; Qureshi and Ashraf, 2013). Given the low level of compliance in the disclosure of goodwill information of companies listed on Vietnam's stock market, whether goodwill information affects the growth of market value of listed companies or not is still a question.

This study compares the average growth of market value of companies disclosing goodwill infor-

mation and companies not disclosing goodwill information to prove the impact of goodwill information on average growth in market value of companies listed on Vietnam's stock market.

2. Literature Review

A number of case studies assessing the impact of goodwill information on the market value of companies listed on the US stock market give fairly consistent results. Wang (1993) demonstrated that goodwill has a positive relationship with the market value of firms. The research results of Wang (1995) also show that the influence of goodwill on the market value of companies is stronger than that of other assets. However, the research results of Chauvin (1994) show that goodwill has a positive relationship only with the market value of non-manufacturing companies.

A study by Qureshi and Ashraf (2013) conducted on companies listed on the UK stock market has the same results as those in the US, that is goodwill has a significant influence on market value of listed companies. Thus, from the research results in developed countries with the high proportion of goodwill in total assets (average of 16%) (Giacomino và Akers, 2009), all come to a conclusion that goodwill has a positive impact on the market value of listed companies. This proves that investors have responded positively to goodwill information.

The research conducted in developing countries is still very modest and the research model is simple. Typically, the study of Zare et al (2012) also shows the existence of a positive relationship between goodwill and market value of listed companies. However, the model of this study has only one independent variable, the goodwill variable. Therefore, the research results do not have a high level of reliability. Doan Thi Hong Nhung (2019b) has also demonstrated the positive impact of goodwill information on the market value of companies listed on Vietnam's stock market.

An overview of the previous empirical studies shows that these studies have used the regression method on the market value of companies according to goodwill without considering the impact of goodwill information on the average growth of market value of companies over a long period of time. Therefore, this study was conducted to assess the difference in the average growth of market value between the companies disclosing goodwill information and those not disclosing goodwill information.

3. Research method

3.1. Data collection and sampling

Research data were gathered from the consolidated financial statements of 109 companies listed on Vietnam's stock market for 8 years from 2010 to 2017. According to the following basic criteria:

- The companies with minimum listing time from 2010 and will continue to be listed at least until the end of the first quarter of 2018.

- The companies were selected according to the ICB (Industry Classification Benchmark) industry standards including: Oil and Gas; Industry; Consumer goods; Medical; Consumer services; Telecommunication; Infrastructure services; Finance; Technology and Basic Materials.

The data on the number of common stocks were collected through the published audited annual financial statements of companies listed on Vietnam's stock market.

The closing prices of stocks on the first trading day of the 2nd quarter every year were collected on the websites of Ho Chi Minh City Stock Exchange, Hanoi Stock Exchange and other websites as www.ssi.com.vn; www.tvsi.com.vn...

The market value of year t is calculated by multiplying the number of shares in the first quarter of year $(t + 1)$ by the closing price of the first trading day of the second quarter of year $(t + 1)$.

Information about the company announcing the purchase price upon consolidation: The company announcing the purchase price will receive the value of 1, the company not announcing the purchase price will receive the value of 0.

Information disclosed by companies about the use of net assets value of the acquired company when calculating the value of goodwill: The company that discloses fair value will receive value of 2, the company uses the book value then the value is 1, the company does not publish this information, the value is 0.

$$\text{Average growth of market value} = [(MV_{2011} - MV_{2010})/MV_{2010} + (MV_{2012} - MV_{2011})/MV_{2011} + (MV_{2013} - MV_{2012})/MV_{2012} + (MV_{2014} - MV_{2013})/MV_{2013} + (MV_{2015} - MV_{2014})/MV_{2014} + (MV_{2016} - MV_{2015})/MV_{2015} + (MV_{2017} - MV_{2016})/MV_{2016}] / 7$$

In which: MV- Market value of companies corresponding to each year

With a sample size of 109 companies, the author used the Mann-Whitney non-parametric test to test the difference between the average growth of market value of the group of companies with increased goodwill in period and average growth of market value of the group of companies without goodwill during the period. In the group of the companies with increased goodwill, the author continued to use the Mann-Whitney test to examine the difference between the average growth of market value of the group of companies announcing the purchase price and the average growth of market value of the group of companies that did not disclose the purchase price. In addition, the author used the Kruskal Wallis test that assesses the difference between the average growth of market value of the three groups of companies when disclosing information about net asset value of the acquired company used when calculating goodwill include: the first group is the group of companies that disclose using the fair value of net

assets; the second group is the group of companies that disclose using the net book value of assets and the third group is the group of companies that do not disclose this information.

3.2. Research hypotheses

Hypothesis 1:

H0: There is no difference between the average growth of market value of the group of companies with goodwill increase in the period compared with the average growth of market value of the group of companies having no goodwill during the period.

H1: There is a difference between the average growth of market value of the group of companies with goodwill increase in the period compared with the average growth of market value of the group of companies without goodwill increasing during the period.

In the group of companies with increased goodwill during the period, the author continued to examine whether the disclosure of information related to increased goodwill affects the average growth of market value of the companies by testing hypothesis two and three.

The purchase price is often called the cost of the business combination. The purchase price includes fair value at the date of exchange of exchanged assets, liabilities incurred or acknowledged and capital instruments issued by the buyer in exchange for control the acquiree, plus (+) expenses directly related to the business combination (Ministry of Finance, 2005). Goodwill is the difference between the purchase price and the fair value of the net assets of the acquired company. Therefore, the purchase price has an effect on the outcome of determining goodwill. Therefore, the study was conducted to test the effect of disclosing the price information on the average growth of market value of companies with increased goodwill during the period.

Hypothesis 2:

H0: There is no difference between the average growth of market value of the group of companies

that announced the purchase price during the period compared with the average growth of market value of the group of companies that did not announce the purchase price during the period.

H1: There is a difference between the average growth of market value of the group of companies that announced the purchase price during the period compared with the average growth of the market value of the group of companies that did not announce the purchase price during the period.

The outcome of measuring goodwill depends on the fair value measurement of the assets of the acquired company (subsidiaries). However, the fact shows that a very high percentage of companies do not disclose information on the net asset value of the acquired company when calculating goodwill (Doan Thi Hong Nhung, 2019a). Therefore, the author examined the effect of the disclosure of information on the value of net assets of subsidiaries to the average growth of market value of the companies with goodwill increase during the period.

Hypothesis 3:

H0: There is no difference between the average growth of market value of the group of companies: the group announced using fair value of subsidiaries; the group announced using the book value of subsidiaries; the group did not publish the information.

H1: There is a difference between the average growth of market value of the group of companies: the group announced using fair value of subsidiaries; the group announced using the book value of subsidiaries; the group did not publish the information.

4. Results and discussion

To test hypothesis 1, the author used the Mann-Whitney test to test the difference between the average growth of market value of the group of companies with increased goodwill during the period and the average growth of market value of the group of

companies without goodwill increases during the period. The results in Table 4.1 show that there is a difference between the average growth of market value of the group of companies with goodwill increases during the period and the average growth of market value of the group of companies with increased goodwill during the period. The average total of group 1 (the group of companies with increased goodwill during the period) is 58.49. The average total of group 0 (the group of companies without increasing goodwill in the period) is 36.12. With a 5% significance level (p -value = 0.007) we can conclude that the group of companies with increased goodwill during the period have average growth in market value higher than average growth of market value of the group of companies did not have a goodwill during the period. As such, this results in further strengthening and asserting that goodwill is an asset and it contributes to the growth of market value of companies.

To test hypothesis 2, the author continued to use the Mann-Whitney test to examine the difference between the average growth of market value of the group of companies announcing the purchase price and the average growth of market value of the group of companies did not disclose the purchase price when these companies have increased goodwill during the period. The results are shown in table 4.2.

The table 4.2 shows that the average total of group 0 (the group of companies that do not announce the purchase price) is 41.59, while the average total of group 1 (the group of companies that announce the purchase price) is 54.88. With a 5% significance level (p -value = 0.021) we can conclude that the group of companies that announced the purchase price had an average growth of market value was higher than the average growth of the market value of the group of companies that did not announce the purchase price. This proves that investors are interested in purchase price informa-

Table 4.1: Mann - Whitney test results for the group of companies with increased goodwill and the group of companies without increased goodwill in the period

Descriptive Statistics								
	N	Mean	Std. Deviation	Minimum	Maximum	Percentiles		
						25th	50th (Median)	75th
Average growth	109	0.37412	1.17926	- 0.1571	12.0084	0.05587	0.16288	0.37725
Increased goodwill	109	0.84	0.364	0	1	1.00	1.00	1.00

Ranks				
	New transactions increase goodwill	N	Mean Rank	Sum of Ranks
Average growth	0	17	36,12	614,00
	1	92	58,49	5381,00
	Total	109		

Test Statistics ^a	
	Average growth
Mann-Whitney U	461,000
Wilcoxon W	614,000
Z	-2,681
Asymp. Sig. (2-tailed)	0,007

a. Grouping Variable: New transactions increase goodwill

tion when companies have increased goodwill in the period and they have responded positively to this information.

The author used Kruskal Wallis test to test hypothesis 3 to evaluate the difference between the average growth of market value of the three groups of companies when disclosing information about the net assets value of subsidiaries used when calculating goodwill, including: the first group is the group of companies that disclose using the fair value of net assets of their subsidiaries; the second group is the group of companies that disclose using the net book value of their subsidiaries and the third group is the group of companies that do not disclose this information. The results are shown in table 4.3.

Table 4.3 shows that the average total of group 0 (the group that does not disclose the value of subsidiaries when calculating goodwill) is 41.88, the

average total of group 1 (the group of announcement using the net book value of subsidiaries to calculate goodwill) is 60.14 and the average total of group 2 (the group disclosing the fair value of subsidiaries' net assets to calculating goodwill) is 53.31.

With a 5% significance level (p -value = 0.071) It can be concluded that there is no difference in the average growth of market value among the three groups of companies. The average growth of market value of the group of the companies which do not disclose the value of the subsidiary when calculating goodwill is not significantly lower than the other two groups. The average growth of market value of groups 1 and 2 is not too different. This proves that investors are not interested and do not discriminate against information on the net assets' book value or fair value of the subsidiary used to calculate goodwill. Obviously, investors are not aware of the dif-

Table 4.2: Mann-Whitney test results for the group of companies that announce the purchase price and the group of companies that do not announce the purchase price

Descriptive Statistics								
	N	Mean	Std. Deviation	Minimum	Maximum	Percentiles		
						25th	50th (Median)	75th
Average growth	109	0.37412	1.17926	-0.1571	12.0084	0.05587	0.16288	0.37725
Purchase price	92	0.37	0.485	0	1	0.00	0.00	1.00

Ranks

	Purchase price	N	Mean Rank	Sum of Ranks
Average growth	0	58	41.59	2,412.00
	1	34	54.88	1,866.00
	Total	92		

Test Statistics^a

	Average growth
Mann-Whitney U	701.00
Wilcoxon W	2,412.00
Z	-2.305
Asymp. Sig. (2-tailed)	0.021

a. Grouping Variable: Purchase price

ference in the use of net assets' fair value or book value of subsidiaries to calculate goodwill will affect the results of goodwill value. This will directly affect the economic decisions of investors and reflect on the market value of companies listed on Vietnam's stock market from 2010 to 2017.

5. Conclusion

The results of the study show that goodwill information affects the average growth of market value of companies listed on Vietnam's stock market. The degree of complexity of published information influences investor reactions. Investors easily identify simple information such as increased goodwill information and purchase price information. Therefore, this information affects the market value of listed companies. Meanwhile, with more complex information such as the value of net assets

of subsidiaries used to calculate goodwill, investors have not distinguished the difference between subsidiaries' fair value and book value so their response to this information is unclear. As result, the average growth of the market value of these groups are not different. The research results show that information on goodwill has a certain influence on the average growth of market value of companies. Investors show interest in goodwill information. Therefore, although goodwill is a difficult and complicated issue, companies listed on Vietnam's stock market should increase their awareness of the importance of full, honest and reasonable goodwill information disclosure and there should be improvements in the disclosure of goodwill information in the consolidated financial statements. Usually, only a small portion of Complicated infor-

Table 4.3: *Kruskal Wallis test results for three groups of companies*

Descriptive Statistics								
	N	Mean	Std. Deviation	Minimum	Maximum	Percentiles		
						25th	50th (Median)	75th
Average growth	109	0.37412	1.17926	-0.1571	12.0084	0.05587	0.16288	0.37725
Announce net assets value of subsidiary	92	0.64	0.897	0	2	0.00	0.00	2.00

Ranks			
	Announce net assets value of subsidiary	N	Mean Rank
Average growth	0	59	41.88
	1	7	60.14
	2	26	53.31
	Total	92	

Test Statistics ^{a,b}	
	Average growth
Chi-Square	5.283
df	2
Asymp. Sig.	0.071

a. Kruskal Wallis Test

b. Grouping Variable: Announce net assets value of subsidiary

mation is published by companies. This shows that accountants of companies may have difficulty measuring the fair value of the purchase price and the net asset value of the acquired company. Therefore, companies need to improve the professional qualifications of accountants by sending them to training courses on international accounting standards to understand how to measure the fair value of assets and liabilities.

Although the research has achieved certain results, there are still some limitations. As the sample is quite small, testing can only be performed by non-parametric method. However, the research results have made certain contributions to the overall research picture of goodwill in the world. ♦

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Summary

Nhiều nghiên cứu tại các nước có nền kinh tế phát triển đã chứng minh rằng thông tin lợi thế thương mại trên báo cáo tài chính có ảnh hưởng đến giá trị thị trường của các công ty niêm yết trên thị trường chứng khoán (Chauvin, 1994; Qureshi và Ashraf, 2013; McCarthy và Schneider, 1995). Nghiên cứu này được thực hiện nhằm kiểm chứng ảnh hưởng của thông tin lợi thế thương mại công bố trên báo cáo tài chính hợp nhất đến tăng trưởng trung bình giá trị thị trường của các công ty niêm yết trên thị trường chứng khoán Việt Nam. Dữ liệu nghiên cứu gồm 109 công ty trong 8 năm từ 2010 đến 2017. Kết quả nghiên cứu đã chỉ ra rằng các công ty công bố thông tin lợi thế thương mại tăng trên báo cáo tài chính hợp nhất có tăng trưởng trung bình giá trị thị trường cao hơn các công ty không có lợi thế thương mại tăng. Điều này gợi ý rằng các công ty nên chú trọng vào việc công bố thông tin lợi thế thương mại.

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