

The Nature, Valuation, and the Component of Goodwill

Bai ZaiLong

Graduate School of Commerce

Fukuoka University

It is thought that confusion is still seen on an understanding of the essence of Goodwill. The various views concerning the conventional Goodwill do not distinguish the essence, evaluation and components of Goodwill, but the cause of confusion is considered to be in having made those all into the essence of Goodwill. In this paper, after carrying out analysis arrangement of the conventional various views—excess profit concept, residuum concept, and momentum concept—about the essence of Goodwill, the essence, evaluation and components of Goodwill are

clarified. Goodwill is the future excess earning power in a company, and is measured by the present stage as the difference of company value and identifiable net-assets value. But it will be measured as “present value of excess profits” by improved measurement technology in the future. Moreover, Goodwill is constituted by potential intangible assets and the synergistic. This conclusion is applied to all Goodwill not only containing the purchased Goodwill mainly discussed conventionally but also the internally developed Goodwill.