

Goodwill And Goodwill Write-Downs: Their Effects On Earnings Quality For 2008 And 2009

Dr. Don E. Giacomino, CPA, Marquette University, USA
Dr. Michael D. Akers, CPA, CMA, CFE, CIA, Marquette University, USA

ABSTRACT

This paper examines goodwill on corporate balance sheets. Specifically, the paper measures the extent to which goodwill exists on corporate balance sheets and the degree of goodwill write-downs that have occurred recently. We report on our study and a study by Intangible Business, which show that many firms carry substantial amounts of goodwill on their 2008 balance sheets. Thus, because of the recent downturn in the economy and the markets, the potential for big bath earnings management for 2008 and 2009 exists. In addition, because of reductions in expected returns on pension plan assets, many firms are likely to record much higher pension expenses. We expect that the combination of goodwill impairments and increased pension expense will have significant effects on both the amount and the quality of earnings for 2008 and, possibly, 2009.

Keywords: Goodwill, goodwill write-downs, goodwill impairment, quality of earnings

INTRODUCTION AND PURPOSE

This purpose of this paper is to examine the amount of goodwill that exists on corporate balance sheets and the likely effects of goodwill write-downs on earnings quality for 2008 and 2009. In 2002, Financial Accounting Standard No. 142, *Goodwill and Other intangible Assets*, changed the accounting requirements for Goodwill. Prior to FASB No. 142 goodwill was amortized over a period not to exceed forty years. FASB No. 142 notes that “financial statement users did not regard goodwill amortization expense as being useful information in analyzing investments”. Companies were required to follow these new standards for fiscal years beginning after December 15, 2001. Therefore, as of January 1, 2002, firms can no longer amortize goodwill annually, but they must test the goodwill account annually for impairment. If the value of goodwill rises, then the firm gives no accounting recognition. If the value of goodwill declines (is “impaired”), then the firm must write down the goodwill to its impaired value. The essence of this impairment test is to determine whether or not the premium (goodwill) paid for another company is still justified. An impairment of goodwill suggests an admission of overpayment for a previous acquisition. Reversals of impairments are not allowed.

During 2001 when the economy was in a recession, write-offs of goodwill increased dramatically (almost 20 times) as compared with the write-offs from 1994 to 2000-CFO.com article-Jan. 1, 2009. The media has suggested that the economy is in the worst condition since the Depression. Accordingly the market expects poor results. Therefore, expectations are that goodwill impairments will once again increase for a variety of reasons. For example, when economic conditions are bad the big bath mentality suggests that a lot bad things should be disposed at once. The write-off of assets, such as goodwill, can be viewed positively in that the balance sheet more appropriately reflects the value of the asset and provides a new CEO with a clean start. Mintz (2009, p.1), in a recent CFO.com article, wonders whether firms are being “shrewd or rash,” when companies write off goodwill because of a decline in market prices.

This paper determines (a) the extent to which goodwill exists on corporate balance sheets, (b) the degree of Goodwill impairments from 2007 through the first three quarters of 2008 and (c) what these data mean for measuring earnings quality. The first section of the paper provides a recent (beginning with the early 1990's) historical perspective of goodwill and goodwill impairments/write-offs. Anecdotal evidence related to goodwill and goodwill write-offs is examined in section two where we examine some of the major goodwill impairments that have occurred from the effective date of SFAS No. 142 through 2006. Section three examines goodwill on corporate balance sheets of small-cap and mid-cap corporations as well Fortune 100 companies. This article concludes with a discussion of the implications of these findings for quality of corporate earnings and relevance for forecasting future earnings.

HISTORICAL PERSPECTIVE

In 1993, Douglas Schneider and Mark Mc McCarthy looked at the extent to which goodwill appeared on corporate balance sheets in 1991 and they speculated on what effect new standards would have on corporate earnings.

Goodwill is reported by some 1,458 public firms as recently as fiscal year 1991. For some firms, goodwill was quite large in terms of absolute dollars, and, for many more firms, it was a material percentage of assets and equity. Changes in accounting and reporting that involve goodwill would affect a large number of firms and have a potentially significant impact on the balance sheet and related ratios. These results provide a perspective of the overall effect of goodwill on corporate balance sheets, of which parties involved with accounting and reporting of goodwill should be aware.

Since that warning and the passage of those new standards (SFAS No. 142) to which Schneider and McCarthy refer, researchers have gathered evidence that supports Schneider's speculations.

Early research on goodwill impairments focused on corporate reporting for 2001 and 2002. More recent studies show that goodwill impairments have been significant for corporate balance sheets and income statements since 2002, the effective year of SFAS No. 142. Jordan and Clark (2004) examined the impact of SFAS No. 142 for the Fortune 100 companies and found compelling evidence that firms practiced big bath earnings management in 2002. To measure the effect of the SFAS No. 142 on corporate income statements, Ann Harrington checked all of the FORTUNE 500 companies for goodwill impairments in 2002. She found that goodwill impairments reduced total profits by \$235 Billion to a total of \$69.6 Billion.

Sevin and Schroeder (2005) measured the magnitude of 2002 goodwill impairment losses. Of the 202, randomly-selected companies, 120 (59.4%) reported goodwill impairments. In addition, they found that sample firms wrote off 57 percent of the reported 2001 goodwill. Another finding was that goodwill impairments significantly impacted the balance sheets and income statements of the sample firms, with goodwill impairments equal to 7.2 percent of 2002 assets and 8.9 percent of 2002 sales.

Huefner and Largay (2004) examined the 100 U.S. public companies with the largest dollar amounts of goodwill on their balance sheets as of the end of 2001 before the transition to SFAS 142. Although several companies made large write-offs in 2001 (before effective date of SFAS No. 142), 33 of the companies wrote off nearly \$135 billion in early 2002.

In another study, Jordan, Clark and Vann (2007) reported:

Nonetheless, the present study shows that goodwill write-downs continue to exhibit signs of big bath earnings management as, relative to entities not recording impairment losses, firms taking these hit in 2003 and 2004 already suffered from depressed earnings. Management likely anticipated that lowering earnings even further for these impairment losses would do little incremental harm to the market value of their firms' shares."

On June 3, 2008, Tammy Whiteside ("Bad News for Goodwill Write-downs") warned: "It won't be long before the next wave of corporate write-downs begins – this time gutting the balance sheet of "goodwill" that has

accumulated from old mergers and acquisitions.” Whiteside supported her assertion by citing Rick Donnalley, a valuation specialist at KPMG. He indicated that the downturn in the markets during this year “should cause CFOs to reflect on the value of that acquisition they made a year or two ago”. He sees a goodwill correction on the horizon. More recently, in November of 2008, Edward Ketz, accounting professor at Pennsylvania State University, warned.

The credit crisis has had a monstrous impact on capital markets, cutting stock prices some 40 percent or so. Unless a miracle occurs by year end, these depressed market values will in turn have a gruesome effect on corporate earnings statements. The vehicle for this grotesqueness will be impairment losses on goodwill. I find it funny that all four of these companies insist that goodwill impairment charges are non-cash. As if that makes the charge somehow not real. While technically true, the claim misses a very important point. Resources were distributed when the acquisition was made, and these resources were accounted for as an asset. This earnings season will be filled with billions of dollars of goodwill write-downs.

Given the recent turmoil in the markets, one would expect that recent and near-term goodwill impairments would have even more significant effects on corporate earnings for 2008 and 2009.

Our recent experience with examining corporate financial statements suggests that Harrington, Donnalley and Ketz are probably correct. During 2008, we have been examined or scanned hundreds of financial statements of companies that our students analyze for quality of earnings assignments and companies that our students in the Applied Investment Management Program analyze for making stock choices. While examining the balance sheets of those companies, we noticed that most of them have reported a very significant (relative to total assets) amount of goodwill on the balance sheet. In addition, the Income Statements provide evidence of frequent goodwill impairments. After gathering additional data on goodwill and impairment of goodwill for those companies analyzed by the students, we decided that these results suggested further study on goodwill and impairments.

ANECDOTAL EVIDENCE

We decided to look for evidence of large (billion-dollar category) goodwill impairments (Exhibit 1) for specific companies. In addition, we show the remaining goodwill for each of the companies. Exhibit 1 below shows some of the largest goodwill impairments in the “billion-dollar” category from 2000 through 2006:

Exhibit 1
Billion-Dollar Goodwill Impairments Through 2006
(with Goodwill & Assets as of 9-30-08)

<u>Company</u>	<u>SYM</u>	<u>GW</u> <u>(\$bil)</u>	<u>Assets</u> <u>(\$bil)</u>	<u>NI</u> <u>(\$bil)</u>	<u>*GWI</u> <u>(\$bil)</u>	<u>GWI/</u> <u>TA</u>	<u>GW/</u> <u>Net Inc</u>
AOL/Time War	TMX	42.45	136.7	4.387	99.7	73%	968%
3Com	COMS	0.609	1.78	0.790	65.6	3696%	77%
JDS Uniphase	JDSU	0.789	2.91	-21.7	56.1	1928%	-4%
Vodafone	VOD	102	254	135	45	18%	76%
Qwest	Q	0.853	22.5	2.92	40	178%	29%
** McClatchy	MNI	1.06	3.65	-2.74	2.8	77%	-39%
Broadcom	BRCM	1.386	4.838	0.213	1.2	25%	651%
Clear Channel	CCO	1.209	5.935	0.24	1.1	19%	504%
*** MCI	MCI				59.8		
*** WorldCom					45		
Averages		18.85	54.03	14.86	41.63	752%	283%

* Goodwill Impairment

** Had an additional impairment of \$2.5 Billion in 2007

*** Acquired by Verizon

We can see from the data that these companies not only had large goodwill impairments, but also have substantial amounts of goodwill remaining on their balance sheets. They still have about 27% of their assets

represented by goodwill and that remaining goodwill is large enough to cover the most recent annual earnings almost three times (283%). In addition, notice that the goodwill impairments for 3Com and JDS Uniphase cover total assets almost 37 and 20 times and five of the eight companies have enough goodwill to cover the most recent annual earnings entirely.

Based on previous studies and on our examination of corporate financial statements, we can see that through 2006 many corporate balance sheets had been stripped of substantial amounts of goodwill. In many cases, the goodwill impairments exceeded the earnings before the impairment and, in at least one case (Mc Clatchy), goodwill exceeded the company's market capitalization. Just how much more goodwill remains on corporate balance sheets at the end of calendar year 2008? What is the potential for future goodwill impairments related to these goodwill balances? The next section of this report deals with those questions.

EXAMINING 2008 GOODWILL BALANCES AND GOODWILL IMPAIRMENTS

Rather than rely on anecdotal evidence regarding goodwill, we conducted a study to determine (a) the extent to which goodwill exists on corporate balance sheets, (b) the degree of Goodwill impairments from 2007 through the first three quarters of 2008 and (c) what this means for measuring earnings quality. This section provides the specifics on our study, including the data and analysis of the data.

Many large companies continue to record billion-dollar impairments of goodwill after 2006. In the fourth quarter of 2007, Sprint Nextel wrote off \$29.7 Billion of goodwill. Wachovia recorded goodwill impairment of \$18.78 Billion and United Airlines had \$6.4 Billion of goodwill impairments. Other billion-dollar goodwill impairments during 2007 and the first three quarters of 2008 are: Sirius \$ 4.75 (3rd qtr. of 08), Northwest Airlines \$ 3.90(1st qtr. of 08), Gannett \$ 2.5-3.0 (2nd of 08), National City \$ 1.34 (3rd qtr. of 08), Sun Microsystems \$ 1.45 (3rd of 08) and eBay \$ 1.40 (2007).

We also examined the financial statements of companies that are small-cap and mid-cap companies covered by few analysts. Table 1 provides the data. This shows that, as of the end of 2001, most of those companies have substantial goodwill on their balance sheets and very few of the sampled firms recognized a goodwill impairment during the period from 2005 through 2007. For the 60 companies in the sample, goodwill averages 16% of the total assets of the companies. In addition, twenty (one-third) of the companies have goodwill that exceeds 20% of the total assets of the company.

The most striking fact is that the amount of goodwill on the balance sheet for most of the firms exceeds the net income recognized for the most recent accounting period. For example, for Smith & Nephew, the goodwill-to-net income ratio is 379%. In other words, at the most recent annual earnings level, a complete impairment of goodwill would wipe out 3.79 years of income. Thirty-six (60%) of the companies in the sample have goodwill that exceeds the latest reported annual income and the average goodwill on all 60 companies represents 2.3 years of most recent annual earnings.

Table II shows goodwill data for the FORTUNE 100 companies. We were unable to obtain data for ten of the companies listed among the top 100 companies, so we added enough companies (in order of size) to total 100 companies. The data show that very few, only 7%, of the companies have no goodwill on their balance sheets. Goodwill averages 13% of the total assets of those companies and the goodwill represents approximately 3.44 times the average earnings for the most recent accounting period.

Given the degree of goodwill impairments from 2001 through the third quarter of 2008, one might think that there will be little goodwill left on corporate balance sheets. Jonathan Weil in his Bloomberg commentary on January 9, 2008 cites some examples:

In June 2005, Lee Enterprises Inc. paid \$1.46 billion in cash to buy Pulitzer Inc., the newspaper chain founded by journalism legend Joseph Pulitzer. For Lee shareholders, it's been one of the worst deals in the industry's history. Lee's stock market value today is a mere \$515 million, after a 63 percent decline during the past year in the

Davenport, Iowa-based publisher's shares. Yet judging by its latest balance sheet, you would think the value of the papers Lee bought had been holding up just fine.

The publisher of the St. Louis Post-Dispatch and 54 other daily papers showed a book value, or assets minus liabilities, of \$1.09 billion as of Sept. 30. That's about twice the company's current market value and included \$2.44 billion of so-called goodwill and other intangibles, which represented 75 percent of the company's total assets.

A recent study shows that very significant amounts of goodwill remain on the balance sheets of U. S. Corporations. Intangible Business, a leading international independent intangible asset valuation consultancy, studied the annual reports and 10-K filings of the largest US corporations comprising the current Standard & Poor's 100 index ("S&P100) found:

In five years the 100 largest US corporations reported 212 major acquisitions valued at \$1,033 billion in total. Net tangible assets were reported at \$253 billion (24%) and total intangible assets at \$780 billion. Of these, \$290 billion were identified (28%) and almost two thirds, \$490 billion, remained as goodwill (48%).” The S&P100 corporations in the U.S. have invested \$490 billion in goodwill. SFAS 141 (unlike IFRS 3) does not require any explanation of goodwill and investors consequently have little opportunity to gauge whether this is money well spent.

The report concluded “We believe that US corporations are overstating the value of goodwill.”

IMPLICATIONS FOR FUTURE IMPAIRMENTS, EARNINGS QUALITY AND RELEVANCE FOR FORECASTING EARNINGS

Daniel Fisher (2007) states, “Want to spot weak accounting before there is an embarrassing restatement? Fabulous earnings and a goodwill-rich balance sheet are a good place to start.” While very few companies are likely to report fabulous earnings for 2008, we know that corporate balance sheets (in the U.S. and Sweden) are goodwill-rich. Fisher’s article summarizes the findings of a study by Patricia Dechow and Weili Ge (accounting professors at the University of California, Berkeley and the University of Washington) that computes “F Scores” for companies. These scores measure the risk of earnings manipulation. Along with three colleagues, Dechow developed the F-formula that has 27 variables thought to predict earnings puffery. One of the factors used in computing the score relates to the level of goodwill on a corporate balance sheet. Goodwill and other intangibles are vulnerable to manipulation “as managers push an earnings hit into the future or execute a “kitchen sink” (i.e., big bath) write-down, wiping out asset values in one swoop to make future earnings and return on capital look better.” As Dechow states “When companies have lots of such hard-to-value assets, ‘their accounting is more fuzzy’ and ‘their earnings are not going to be as stable.” In a recent *Forbes* article (January 12, 2009), Gage notes that Audit Integrity (Los Angeles firm that uses numerical and qualitative assessments to evaluate the quality of a company’s earnings) considers a large Goodwill balance as a negative factor in evaluating the quality of earnings.

In an article forthcoming in the *Journal of Accounting, Auditing and Finance*, Hayn and Hughes measure the extent to which available disclosures allow investors to effectively predict goodwill impairment. They conclude that goodwill write-offs lag the economic impairment of goodwill by an average of three to four years, and that can extend up to ten years for a third of the companies. However, we believe, because of the current economic downturn, that for 2008 companies are likely to use goodwill impairments as a big bath earnings management technique: just as Sevin & Schroeder, Jordan & Clark, and Huefner & Largay found in 2002.

Given that we have seen many large goodwill impairments from the effective date of SFAS No. 142 through the third quarter of 2008, the balance sheets of many corporations will give more realistic, conservative values for goodwill. However, our study and the study by Intangible Business show that many firms carry a substantial (as a percentage of total assets) amount of goodwill on the balance sheet. For those firms, the potential for big bath earnings management exists. We expect most firms to record increases in net periodic pension costs (i.e., pension expense) because of reductions in expected returns on pension plan assets. Thus, the combination of goodwill impairments and increased pension expense will have significant effects on the amount and quality of

earnings for 2008 and, possibly, 2009. However, Ann Harrington (2003) provides a more positive perspective on future reported earnings:

There may be a silver lining in all this, at least in years to come. After all those write-downs, there's less to weigh down earnings. Says Brown (accounting professor at NYU) we are setting ourselves up for an extremely conservative balance sheet. We never used to think about the balance sheet.

Ray Ball, finance professor at the University of Chicago also provides a positive perspective on goodwill impairments. Ball (CFO.com, 2009) suggests that the failure to recognize to write-off assets can suppress economic recovery as was demonstrated in Japan and that the valuation of assets on the balance sheet, consistent with economic reality, enhances economic recovery.

CONCLUSION

The findings of several research studies, along with our findings show that goodwill write-offs have increased during 2008 and will likely continue into 2009. While there are both positive and negative arguments regarding the impact of such write-offs, a question we have to ask is “Do such write-offs provide the financial statement users with useful information for analyzing investments as the FASB intended?” Since many firms carry substantial amounts of goodwill on their 2008 balance sheet and the uncertainty of the economy and the financial markets continues, we believe the potential for big bath earnings management through the use of goodwill impairments exists for 2009. It is our opinion that these goodwill impairments will significantly impact the quality of earnings.

AUTHOR INFORMATION

Dr. Michael D. Akers, CPA, CIA, CMA, CFE, CBM is the Charles T. Horngren Professor of Accounting and Chair, Department of Accounting. He earned his doctoral degree at the University of Mississippi and his MBA at the University of Louisville. In addition to serving on the editorial advisory board of two journals, he has authored more than 50 articles in academic and professional journals including *Journal of Accountancy*, *The CPA Journal*, *Issues in Accounting Education*, *Review of Business Information Systems*, *Journal of Business and Economics Research* and *Journal of Managerial Issues*. He currently serves on the Audit Committee and Board of Directors of two publicly traded companies.

Dr. Don E. Giacomino, CPA is Professor of Accounting and the Donald and Beverly Flynn Chair Holder at Marquette University. He earned a DBA from the University of Kentucky and the MBA from the University of Montana. Giacomino has published a Management Accounting text and over 50 refereed articles in academic and professional journals, including *Advances in Accounting*, *Journal of College Teaching and Learning*, *Journal of Accountancy*, *the CPA Journal*, *Issues in Accounting Education*, *International Business and Economics Research Journal* and *Journal of Managerial Issues*. He serves on the Board and Executive Committee of the Wisconsin Institute of CPAs

REFERENCES

1. Fisher, Daniel “F is for Fudging”, *Forbes.com*, 10-29-2007
2. Harrington, Ann, “Honey, I Shrunk the Profits Accounting made a bad year look a whole lot worse”, *Fortune*, April 14, 2003, accessed on November 22, 2008 at: http://money.cnn.com/magazines/fortune/fortune_archive/2003/04/14/340908/index.html
3. Gage, Jack. January 12, 2009. “Quality Control,” *Forbes*, pp. 49-50
4. Huefner, Ronald J. and James A. Largay III, “The Effect of the New Goodwill Accounting Rules on Financial Statements”, *The CPA Journal*, 2004,
5. Intangible Business (2008), accessed at: <http://www.intangiblebusiness.com/Reports/>
6. Jordan, Charles E., Stanley Clark and Carol E. Vann, “Using Goodwill Impairment to Effect Earnings Management During SFAS No. 142’s Year of Adoption and Later”, *Journal of Business & Economic Research*, January 2007, Vol. 5, Nr. 1, pp 23-30

7. Jordan, Charles E. and Stanley J. Clark, “Big Bath Earnings Management: The Case of Goodwill Impairment under SFAS No. 142”, 2004, *Journal of Applied Business Research*, Vol. 20, Nr. 2, pp. 63-69
8. Ketz, J. Edward “The Accounting Cycle: Goodwill Impairment Losses for Fiscal 2008”, accessed at: <http://accounting.smartpros.com/x63765.xml>
9. Mintz. S. L. “Goodwill Hunting,” CFO.com accessed at: <http://www.com/printable/article.cfm/12835393>
10. Schneider, Douglas and Mark G. McCarthy, “Prevalence of Goodwill on Corporate Balance Sheets”, *Journal of Corporate Accounting and Finance*, 1993, Volume 5, Iss. 1, pp. 95-103
11. Sevin, Suzanne and Richard Schroeder, “Earnings Management: Evidence from SFAS No. 142 Reporting”, *Managerial Auditing Journal*, 2005, Vol. 20, Iss. 1; pp. 47-55
12. Weil, Jonathan, “Pulitzer's Owner Takes Prize for Frothy Numbers: Jonathan Weil” Commentary in Bloomberg, updated January 9, 2008
13. Whiteside, Tammy “Bad News for Goodwill Writedowns”, June 3, 2008

Table 1
Goodwill On Corporate Balance Sheets (Latest Quarter as of November 2008)

SYM	Name	GW \$mil	Assets (\$mil)	GW/Assets	NI \$mil	GW/NI
SNN	Smith & Nephew	1,198	4,450	27%	316	379%
ATU	Actuant Corp.	639.8	1,669	38%	122	524%
BDC	Belden Inc.	712.4	2,150	33%	137	520%
CLB	Core Laboratories	148.9	565	26%	121	123%
ECLP	Eclipsys Corp.	39	651	6%	41	95%
IBI	Interline Brands	313.5	991	32%	51	615%
KDN	Kaydon Corp.	146.4	816	18%	77	190%
ATNI	Atlantic Tele-Netw	41.8	387	11%	38	110%
VE	Veolia Environment	10,182	68,205	15%	1,366	745%
BLUD	Immucor Inc	99.1	396	25%	71.4	139%
YZC	Yanzhou Coal Mining	41	3,590	1%	442	9%
CMED	China Med. Tech.	1	418	0%	46.4	2%
AUO	AU Optronics	732	19,231	4%	1,398	52%
HIL	Hill International	40	244	16%	14.1	284%
CX	Cemex SAB de CV	13,914	51,791	27%	1,963	709%
GLAD	Gladstone Capital	0	367	0%	14.9	0%
BRS	Bristow Group	17	2,355	1%	91.3	19%
HURN	Huran Consulting Gp	451	767	59%	41.9	1076%
RIMG	Rimage Corp.	0	125	0%	15.8	0%
SIGM	Sigma Designs	7.3	317.5	2%	70.2	10%
* SLGN	Silgan Holdings (5.7)	302.2	2,572	12%	122.8	246%
UEPS	Net 1 UEPS Tech.	114	588	19%	86.7	131%
IMKTA	Ingles Markets	0	1,320	0%	58.6	0%
LOGI	Logitech Int'l SA	128	171	75%	231	55%
ACTU	Actuate Inc.	36.3	167	22%	20.1	181%
** AZZ	AZZ Inc.	68.1	329.6	21%	27.7	246%
* BIO	Bio-Rad Labs (22)	328	1,972	17%	93	353%
BRLI	Bio-Ref Labs	16.6	165	10%	13.9	119%
CAE	Cascade Corp.	117.8	492	24%	60.1	196%
CHE	Chemed Corp.	439	743	59%	63.4	692%
DVR	Cal Dive Int'l	284	1,258	23%	105	270%
KNDL	Kendle Int'.	238	557	43%	18.7	1273%
MNRO	Monro Muffler	71.6	372	19%	21.9	327%
MXGL	Max Capital Group	0	6537	0%	303	0%
NTLS	NTELOS Holding	118	939	13%	32.4	364%
STRA	Strayer Education	0	328	0%	179.8	0%
** DGII	Digi Int'l	83	270	31%	19.8	419%
** CCRN	Cross Country HC	366	667	55%	268	137%
GROW	US Global Investors	0	42	0%	10.8	0%
LANC	Lancaster Colony	90	520	17%	37.6	239%
NTGR	Netgear Corp.	51	602	8%	45.9	111%
SNH	Senior Housing Prop.	0	1,702	0%	85.3	0%
SNP	China Petro. & Chem.	2,123	100,457	2%	8,053	26%
WR	Westar Energy	0	6,395	0%	168.4	0%
(a) TV	Grupo Televisa SA	146	9,365	2%	756	19%
SYT	Syngenta AG	1,241	13,280	9%	1,111	112%
EXAC	Exactech Inc.	7.9	164	5%	8.5	93%
** HPY	Heartland Pymt	58	479	12%	35.8	162%
ACC	Amer Campus Com	0	1076	0%	-1686	0%
** AYI	Acuity Brands Inc	342	1,409	24%	148.2	231%
CMTL	Comtech Telecom Corp.	24	653	4%	76.4	31%
DRQ	Dril Quip Inc	0	700	0%	107.9	0%
** ICLR	ICON plc	124	693	18%	55.9	222%
KOP	Koppers Holdings Inc	63	669	9%	63.3	100%
LINC	Lincoln Educ Svcs	83	248	33%	8.3	1000%
MGRC	McGrath RentCorp	0	687	0%	42.4	0%
ENER	Energy Conv Devices	0	1,074	0%	3.8	0%
** CGT	CAE Inc.	<u>113</u>	<u>2,158</u>	<u>5%</u>	<u>147.6</u>	<u>77%</u>
Averages		<u>719</u>	<u>352,837</u>	<u>16%</u>	<u>312</u>	<u>230%</u>

* Recorded a goodwill impairment

** Recorded substantial goodwill in 2007 or 2008

(a) Large impairments in 2005 and 2006

Table II
Goodwill On Fortune 100 Balance Sheets
(As Of September 30, 2008)

<u>SYM</u>	<u>Name</u>	<u>GW \$mil</u>	<u>Assets (\$mil)</u>	<u>GW/Assets</u>	<u>NI \$mil</u>	<u>GW/NI</u>
WMT	Wal-Mart Stores	16,400	166,895	10%	12,731	129%
XOM	Exxon Mobil	0	256,218	0%	40,610	0%
CVX	Chevron	4,600	165,710	3%	18,688	25%
GM	General Motors	1,070	136,046	1%	-38,732	-3%
COP	ConocoPhillips	29,224	184,607	16%	11,891	246%
GE	General Electric	83,061	829,550	10%	22,208	374%
F	Ford Motor	1,493	265,297	1%	-2,723	-55%
C	Citigroup	39,662	2,050,131	2%	3,617	1097%
BAC	Bank of America Corp.	77,760	1,716,875	5%	14,982	519%
T	AT&T	71,537	284,528	25%	11,951	599%
BRK-A	Berkshire Hathaway	33,524	277,792	12%	13,213	254%
JPM	J.P. Morgan Chase & Co.	45,993	1,775,670	3%	15,365	299%
AIG	American International Group	9,414	1,060,505	1%	-5,357	-176%
HPQ	Hewlett-Packard	22,599	95,894	24%	7,264	311%
IBM	Machines	14,285	120,431	12%	2,823	506%
VLO	Valero Energy	4,039	43,656	9%	5,234	77%
VZ	Verizon Communications	6,124	204,861	3%	5,521	111%
MCK	McKesson	3,524	24,577	14%	990	356%
CAH	Cardinal Health	5,132	23,448	22%	1,301	395%
GS	Goldman Sachs Group	3,553	1,081,773	0%	11,599	31%
MS	Morgan Stanley	3,024	1,045,409	0%	1,425	212%
HD	Home Depot	1,218	45,099	3%	4,395	28%
PG	Procter & Gamble	59,767	143,992	42%	3,348	1785%
CVS	CVS Caremark	23,925	55,952	43%	2,637	907%
UNH	UnitedHealth Group	20,063	54,168	37%	4,654	431%
KR	Kroger	2,246	22,300	10%	1,181	190%
BA	Boeing	3,530	56,519	6%	4,074	87%
ABC	AmerisourceBergen	2,548	11,988	21%	469	543%
COST	Costco Wholesale	74	20,682	0%	1,283	6%
MER	Merrill Lynch	4,989	875,780	1%	-5,152	-97%
TGT	Target	0	45,140	0%	2,849	0%
WLP	WellPoint	13,582	49,759	27%	3,345	406%
DELL	Dell	1,648	27,561	6%	616	268%
JNJ	Johnson & Johnson	14,275	87,724	16%	10,576	135%
MRO	Marathon Oil	2,887	48,690	6%	3,956	73%
WB	Wachovia Corp.	18,353	764,378	2%	6,312	291%
UTX	United Technologies	16,074	56,810	28%	4,224	381%
WAG	Walgreen	1,438	22,410	6%	443	324%
WFC	Wells Fargo	13,106	575,442	2%	1,999	656%
DOW	Dow Chemical	3,637	50,165	7%	2,887	126%
MET	MetLife	5,036	521,299	1%	4,317	117%
MSFT	Microsoft	12,108	72,793	17%	4,373	277%
SHLD	Sears Holdings	1,660	26,789	6%	826	201%
UPS	United Parcel Service	2,577	39,042	7%	873	295%
PFE	Pfizer	21,353	115,249	19%	8,144	262%
LOW	Lowe's	0	30,869	0%	938	0%
TWX	Time Warner	42,450	136,728	31%	4,387	968%
CAT	Caterpillar	1,963	56,132	3%	868	226%
MHS	Medco Health Solutions	6,336	16,113	39%	912	695%
ADM	Archer Daniels Midland	506	37,056	1%	372	136%
FNM	Fannie Mae	0	885,918	0%	-2,050	0%
SWY	Safeway	2,401	17,352	14%	888	270%
SUN	Sunoco	126	12,426	1%	549	23%
LMT	Lockheed Martin	9,560	29,357	33%	3,033	315%
S	Sprint Nextel	935	64,109	1%	-344	-272%
PEP	PepsiCo	5,370	38,458	14%	5,658	95%
INTC	Intel	3,916	55,651	7%	2,014	194%
MO	Altria Group	81	20,670	0%	9,786	1%
SVU	Supervalu	6,957	21,062	33%	128	5435%
KFT	Kraft Foods	28,573	66,945	43%	2,590	1103%
ALL	Allstate	825	156,408	1%	-923	-89%
MOT	Motorola	4,351	33,119	13%	-49	-8880%
BBY	Best Buy	1,088	12,758	9%	202	539%

<u>SYM</u>	<u>Name</u>	<u>GW \$mil</u>	<u>Assets (\$mil)</u>	<u>GW/Assets</u>	<u>NI \$mil</u>	<u>GW/NI</u>
DIS	Walt Disney	22,121	61,582	36%	4,687	472%
FDX	FedEx	3,165	25,633	12%	384	824%
IM	Ingram Micro	745	8,121	9%	276	270%
SYU	Sysco	1,413	10,082	14%	277	511%
CSCO	Cisco Systems	12,554	58,887	21%	8,052	156%
JCI	Johnson Controls	6,131	24,105	25%	439	1397%
HON	Honeywell International	10,178	37,082	27%	2,444	416%
PRU	Prudential Financial	0	485,814	0%	-166	0%
AXP	American Express	0	127,218	0%	4,012	0%
NOC	Northrop Grumman	17,672	33,373	53%	512	3452%
HES	Hess	1,225	29,578	4%	1,832	67%
CMCSA	Comcast	14,705	113,417	13%	771	1907%
AA	Alcoa	5,084	39,038	13%	2,564	198%
KO	Coca-Cola	4,256	43,269	10%	1,890	225%
AET	Aetna	5,082	37,263	14%	1,831	278%
GD	General Dynamics	8,942	25,733	35%	634	1410%
TSN	Tyson Foods	2,500	10,648	23%	268	933%
EPE	Enterprise GP Holdings	808	23,724	3%	49	1635%
M	Macy's	9,132	27,993	33%	893	1023%
DFG	Delphi	268	6,095	4%	27	998%
TRV	Travelers Cos.	3,366	112,695	3%	4,601	73%
HIG	Hartford Financial Services	1,726	360,361	0%	543	318%
ABT	Abbott Laboratories	10,731	41,753	26%	3,606	298%
HUM	Humana	1,664	12,879	13%	183	909%
MMM	3M	5,573	27,609	20%	4,096	136%
MRK	Merck	1,439	48,546	3%	3,275	44%
DE	Deere	1,234	38,576	3%	575	215%
AAPL	Apple	207	39,572	1%	4,834	4%
TECD	Tech Data	3	5,221	0%	24	13%
MCD	McDonald's	2,272	28,134	8%	1,191	191%
NFS	Nationwide	301	119,207	0%	627	48%
AMR	AMR	0	26,950	0%	504	0%
EMR	Emerson Electric	6,412	19,680	33%	612	1048%
RTN	Raytheon	11,667	23,766	49%	2,578	453%
WYE	Wyeth	4,135	42,717	10%	1,138	363%
IP	International Paper	3,877	30,169	13%	1,168	332%
TSO	Tesoro	<u>92</u>	<u>8,700</u>	<u>1%</u>	<u>566</u>	<u>16%</u>
Averages		10,182	195,059	0.13	3,180	344%