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Improving Financial Analyst Predictions through Intangible Asset Impairment Accounting

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Abstract: This study investigates the effect of accounting for the impairment of intangible assets on improving financial analysts' predictions. By examining the existing literature and conducting empirical analysis, this study explores the benefits and limitations of incorporating intangible asset impairment in financial analysis. The findings highlight the importance of properly accounting for intangible asset impairment and its potential to enhance the accuracy and reliability of financial analysts' predictions. The findings of this study have practical implications for financial analysts, accounting professionals, and investors. The study highlights the importance of incorporating this accounting practice into financial analysis by demonstrating the impact of accounting for intangible asset impairment on financial analyst predictions. This can enhance the accuracy and reliability of predictions, leading to better decision-making processes for financial analysts and improved investment insights for investors.

Keywords: intangible assets, impairment, financial analysis, predictions, accounting.

1 Introduction

Intangible assets, such as patents, trademarks, brand reputation, and customer relationships, have become increasingly important in today's knowledge-based economy. These assets contribute significantly to the value creation, competitive advantage, and long-term sustainability of businesses. However, the unique characteristics of intangible assets pose challenges in accurately assessing their value and incorporating them into financial analysis. IAS 38 provides guidance on the recognition, measurement, and disclosure of intangible assets. It defines intangible assets as identifiable non-monetary assets without physical substance. The standard outlines criteria for recognizing an intangible asset and sets guidelines for measuring its cost, subsequent measurement, and amortization. It also addresses issues such as research and development costs, internally generated intangible assets, and disclosures related to intangible assets [1].

Financial analysts play a crucial role in analyzing and predicting the financial performance of companies. Their ability to make accurate predictions directly impacts investment decisions, valuation assessments, and risk management strategies [2, 3]. Yet, traditional financial analysis models often struggle to capture the value and impairment of intangible assets, leading to incomplete and potentially misleading predictions [4, 5].

Accounting for the impairment of tangible assets, such as buildings and machinery, is a well-established practice. However, the impairment of intangible assets has received less attention and is often neglected or oversimplified in financial analysis. This oversight can lead to distorted financial projections and hinder the ability of financial analysts to provide accurate insights into a company's future performance.

This research article aims to investigate the effect of accounting for the impairment of intangible assets on improving financial analysts' predictions. By examining existing literature and conducting empirical analysis, this research seeks to shed light on the benefits and limitations of incorporating intangible asset impairment in financial analysis. This study explores how properly accounting for intangible asset impairment can enhance the accuracy and reliability of financial analysts' predictions.

The findings of this study will contribute to a deeper understanding of the role of intangible asset impairment in financial analysis and its impact on predicting the financial performance of companies. By addressing this gap in the literature, we aim to provide insights that can inform financial analysts, investors, managers, and regulators in their decision-making processes.

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This research study contributes to the existing literature on accounting for the impairment of intangible assets and its impact on financial analyst predictions. The originality and value of this research can be attributed to several aspects:

Novel Approach: This study takes a comprehensive approach by examining the effects of accounting for the impairment of intangible assets on financial analyst predictions. While previous studies have explored the importance of intangible assets in financial analysis, this research specifically focuses on the impairment aspect and its implications for the accuracy, reliability, and relevance of financial analyst predictions.

Industry-specific Factors: The study incorporates the consideration of industry-specific factors as a moderator variable. By analyzing the contingent effect of accounting for intangible asset impairment on financial analyst predictions based on industry characteristics, this research provides a nuanced understanding of how industry-specific factors interact with the accounting treatment of intangible asset impairment.

Practical Implications: The findings of this study have practical implications for financial analysts, accounting professionals, and investors. By demonstrating the impact of accounting for intangible asset impairment on financial analyst predictions, the research highlights the importance of incorporating this accounting practice into financial analysis. This can enhance the accuracy and reliability of predictions, leading to better decision-making processes for financial analysts and improved investment insights for investors.

Extending Knowledge: This study adds to the body of knowledge on intangible asset accounting and its effects on financial analysis. By investigating the specific dimension of intangible asset impairment, the research expands the understanding of how accounting practices influence the predictive capabilities of financial analysts. This contributes to the broader understanding of the role of intangible assets in financial reporting and analysis.

Future Research Directions: The research opens avenues for future studies in related areas. For instance, further exploration can be done on the mechanisms through which accounting for intangible asset impairment impacts financial analyst predictions. Additionally, examining the long-term implications of incorporating intangible asset impairment on firm performance and investor decision-making could provide valuable insights.

Overall, this research study's originality and value lie in its holistic examination of the effects of accounting for intangible asset impairment on financial analyst predictions, consideration of industry-specific factors as moderators, and its practical implications for financial analysts and investors. By advancing knowledge in this area, the study contributes to the literature on accounting, financial analysis, and intangible asset valuation.

The remainder of this research article is structured as follows:
Section 2 offers a review of relevant literature concerning intangible assets and their impacts on analyst forecasts. Section 3, titled "Theoretical Framework and Hypotheses Development," outlines the theoretical framework and the development of hypotheses. Section 4, the "Research Methodology," details the approach employed to address the research objectives and test the hypotheses. In Section 5, the study's results are presented. Section 6, labelled "Discussion," encompasses a comprehensive analysis and interpretation of the findings, as well as a discussion of limitations and future research directions. Finally, Section 7 presents the conclusion, along with a discussion of the study's contributions, implications, limitations, and prospects for future research.

2. Literature review

Intangible assets have gained significant attention in both academic and business circles due to their increasing importance in generating value and driving competitive advantage for companies. This literature review explores the existing body of knowledge surrounding intangible assets, focusing on their valuation, measurement, and the role they play in financial analysis. IAS 36 provides guidance on the assessment, recognition, and measurement of impairment losses for tangible and intangible assets. The standard requires entities to regularly assess whether there are any indications of impairment for their assets. If such indications exist, an impairment test is conducted to determine if the carrying amount of the asset exceeds its recoverable amount. Impairment losses are recognized when the carrying amount exceeds the recoverable amount, and the asset's carrying value is reduced accordingly [6].

When discussing intangible assets, alternative terms to use instead of "impairment" are "amortization" and "impairment." Both terms are commonly used to describe the accounting treatment of intangible assets over their useful lives. Amortization refers to the systematic allocation of the cost of an intangible asset over its estimated useful life. It is typically used for intangible assets with finite useful lives, such as patents, copyrights, and software. Amortization expense is recognized over time to reflect the consumption of the intangible asset's economic benefits. Impairment occurs when the carrying value of an intangible asset exceeds its recoverable amount. It indicates a decline in the asset's value or the inability to generate expected future cash flows. Impairment losses are recognized to reduce the carrying value of the intangible asset to its recoverable amount. Both amortization and impairment are important concepts in

accounting for intangible assets [6]. Amortization reflects the gradual consumption of the asset's value over time, while impairment recognizes a decrease in the asset's value due to factors such as obsolescence, changes in market conditions, or adverse events. When discussing the financial impact or measurement of intangible assets, considering both amortization and impairment provides a comprehensive view of the accounting treatment and potential changes in the asset's value over its useful life. Financial analysts play a critical role in predicting and interpreting a company's financial performance [5]. They rely on various tools and models to assess a firm's value and make informed investment decisions [4]. However, accurately incorporating intangible assets into their analyses remains a challenge. Previous studies have discussed the role of accounting for the Impairment of Intangible Assets in Improving to support Financial Analyst's Predictions. For example, Filip, Jeanjean and Paugam [7] investigate the practice of managers delaying the recognition of goodwill impairment by manipulating cash flows and the subsequent effects on future performance. The study demonstrates that this manipulation has negative consequences for future performance. While Visvanathan [8] investigates how auditors perceive and evaluate intangible assets recorded on corporate balance sheets. It notes the increasing prevalence and importance of intangible assets compared to tangible assets. The study recognizes the unique challenges that auditors face in dealing with intangible assets due to their subjective nature and complexity. The findings indicate that auditors tend to charge higher fees for firms with a higher proportion of intangible assets on their balance sheets. These results hold significance for various stakeholders, including investors, regulators, firm managers, corporate boards, and auditors. The findings provide valuable insights into auditors' perspectives on intangible assets and their implications for financial reporting and auditing practices.

Based on a large sample of European firms, André, Dionysiou and Tsalavoutas [4] investigate the value relevance of compliance levels with mandated disclosures of IAS 36 Impairment of Assets and IAS 38 Intangible Assets, as well as their impact on analysts' forecasts. The findings reveal an average compliance level of around 84%. Moreover, the study demonstrates a positive relationship between higher disclosure levels and market values, as well as a negative relationship with analysts' forecast dispersion. These results are particularly pronounced for disclosures related to IAS 36, which also enhance the accuracy of analysts' forecasts.

While other researchers conduct e.g., [9] a comprehensive literature review spanning from 1996 to 2017 to identify the factors influencing the accuracy of financial analysts' forecasts. The review is organized into three main categories: (a) drivers of analyst forecast accuracy, (b) quality of financial reporting, and (c) accounting standards. The findings reveal several factors that impact the accuracy of analysts' forecasts. Factors such as analyst experience, earnings quality, audit quality, adoption of International Financial Reporting Standards (IFRS), and readability of annual reports are positively related to forecast accuracy. On the other hand, politically connected firms, firms audited by non-Big 4 auditors, and differences in international Generally Accepted Accounting Principles (GAAP) exhibit a negative relationship with forecast accuracy.

Ferrer, Santamaría and Suárez [10] investigate how a firm's intangible intensity impacts analyst forecast accuracy. The findings reveal a negative relationship between higher intangible intensity and analyst forecast accuracy. Han, Tang and Tang [3] investigate the question of whether financial statements should recognize more internally generated intangible assets, focusing particularly on the context of China. The significance of this issue stems from the growing importance of the "new economy" and research and development (R&D) investments, including those in China. They provide an overview of the existing accounting requirements for intangible assets and highlight the consequences of not recognizing internally generated intangible assets. This failure leads to a significant proportion of unrecognized value in relation to market capitalization, often referred to as the asset-light phenomenon observed among firms. Further, Ferrer, Santamaría and Suárez [11] explore the association between a firm's intangible intensity and the accuracy of analyst forecasts. The study reveals that as a firm's intangible intensity increases, there is a significant decrease in analyst forecast accuracy. This finding remains robust even after considering other firm characteristics, analyst variables, and employing different estimation techniques. Overall, the study demonstrates the negative impact of higher intangible intensity on analyst forecast accuracy and underscores the need for greater transparency and risk management in relation to intangible assets.

While Xie and Zhang [2] examine the recognition of internally generated intangible assets in financial statements, focusing on the context of China. With the increasing importance of the "new economy" and R&D investment. The researchers outline the current accounting requirements for intangible assets and highlight the consequences of not recognizing internally generated intangible assets, known as the asset-light phenomenon. Additionally, the study explores initiatives for non-financial disclosure related to unrecognized intangible assets and their impact on firms' value creation.

The literature reviewed highlights the significance of intangible assets in financial analysis and the challenges they pose. Valuing and accurately predicting the financial impact of intangible assets requires improved accounting standards, enhanced measurement frameworks, and better incorporation into financial analysis models. To improve financial analysts' predictions, it is essential to recognize and appropriately account for the impairment of intangible

assets. This requires a comprehensive understanding of the unique characteristics of intangibles, effective measurement techniques, and the development of robust valuation models.

Additionally, the literature emphasizes the role of information asymmetry and the need for transparency in the reporting of intangible assets. It explores the relationship between intangible intensity and analyst forecast accuracy, indicating that higher intangible intensity is associated with lower forecast accuracy. The studies also discuss the influence of accounting standards, financial reporting quality, ownership structure, and institutional factors on analyst forecasts and intangible-intensive firms.

The present study contributes to the literature by examining the impact of accounting for the impairment of intangible assets on improving financial analysts' predictions. The research focuses on understanding how accurately recognizing and disclosing the impairment of intangible assets can enhance the quality of analysts' forecasts. By conducting empirical analysis and utilizing financial data from a relevant sample, this study sheds light on the relationship between the recognition of intangible asset impairments and the accuracy of financial analysts' predictions. The findings highlight the importance of proper accounting treatment for intangible assets, specifically in relation to impairment recognition, in providing more reliable and informative forecasts.

In conclusion, this study extends the understanding of how accounting for the impairment of intangible assets can positively impact financial analysts' predictions. It emphasizes the importance of accurate recognition and disclosure of impairment in enhancing the quality of forecasts, thereby contributing to the ongoing efforts to improve financial analysis and decision-making processes.

3. Theoretical Framework and Hypotheses Development

3.1 Theoretical Framework

The theoretical framework of this research study is grounded in several key concepts and theories that provide a foundation for understanding the relationship between accounting for the impairment of intangible assets and the predictions made by financial analysts.

Information Relevance Theory: This theory suggests that the relevance of financial information affects the decision-making process of financial analysts [12]. According to this framework, accounting for the impairment of intangible assets can enhance the relevance of financial information by providing a more accurate representation of a company's economic reality. This increased relevance can lead to more informed and accurate predictions by financial analysts [12].

Signaling Theory: Signaling theory proposes that accounting practices can serve as signals of a firm's value and future prospects [13]. In the context of intangible asset impairment, the accounting treatment can signal the company's recognition and assessment of the economic value and useful life of intangible assets. Financial analysts may interpret this signal and incorporate it into their predictions, considering the impact of intangible asset impairment on a company's performance and future prospects.

Agency Theory: Agency theory focuses on the relationship between principals (shareholders) and agents (financial analysts). According to this theory, shareholders rely on financial analysts to provide accurate predictions and assessments of a company's performance [14]. Accounting for intangible asset impairment can be seen as a mechanism to align the interests of shareholders and financial analysts by providing a complete and more reliable picture of a company's financial position. This alignment can enhance the accuracy of financial analyst predictions.

Disclosure Theory: Disclosure theory emphasizes the importance of information disclosure in financial reporting. Accounting for the impairment of intangible assets can be seen as a form of disclosure that enhances the transparency and completeness of financial information [15]. When companies disclose the impairment of intangible assets, it provides financial analysts with a more comprehensive understanding of a company's financial position, which can lead to improved predictions.

Significance of Intangible Assets: This research study acknowledges the increasing significance of intangible assets in modern business environments. With the shift from tangible to intangible assets as key drivers of value creation, accurately accounting for their impairment becomes crucial. Recognizing the economic impact of intangible asset impairment in financial analysis enables financial analysts to capture the full value dynamics of a company, leading to more informed and precise predictions [16].

Building upon these theoretical foundations, the research study aims to empirically investigate the impact of accounting for intangible asset impairment on the accuracy, reliability, and relevance of financial analyst predictions. The theoretical framework guides the formulation of hypotheses, research design, and analysis, providing a conceptual lens

through which to interpret the findings and contribute to the existing body of knowledge on accounting, financial analysis, and intangible asset valuation.

3.2 hypotheses development

The theoretical framework of this research article builds upon the existing literature on intangible assets, financial analysis, and the role of accounting in predicting financial performance. The primary objective is to investigate the impact of accounting for the impairment of intangible assets on enhancing the accuracy of financial analysts' predictions. Drawing insights from the literature, the following hypotheses are formulated:

Hypothesis 1: *Accounting for the impairment of intangible assets positively affects the accuracy of financial analyst predictions.*

Intangible assets, such as brands, patents, and customer relationships, contribute significantly to a company's value and future prospects. However, their value and impact on financial performance may not be fully reflected in traditional financial statements [17]. By accounting for the impairment of intangible assets, financial analysts can better capture their economic significance and incorporate them into their predictive models. Therefore, it is hypothesized that properly accounting for intangible asset impairment enhances the accuracy of financial analysts' predictions.

Hypothesis 2: *Accounting for the impairment of intangible assets positively affects the reliability of financial analyst predictions.*

Reliability refers to the consistency and dependability of predictions made by financial analysts. The inclusion of intangible asset impairment in financial analysis allows for a more comprehensive assessment of a company's performance [18]. It helps to address the limitations of solely relying on historical financial data, which may not capture the changing value and future potential of intangible assets [19]. By incorporating the impairment of intangible assets, financial analysts can provide more reliable predictions, reflecting the true value and dynamics of a company's intangible assets.

These hypotheses serve as a basis for exploring the relationship between accounting for the impairment of intangible assets and the accuracy and reliability of financial analysts' predictions. The empirical analysis will test these hypotheses using relevant data and statistical methods to provide insights into the impact of accounting practices on financial analysis outcomes.

4. Research Methodology

The research methodology section outlines the approach used to address the research objectives and test the hypotheses related to the effect of accounting for the impairment of intangible assets on improving financial analyst predictions. The following sections describe the research design, data collection, and data analysis methods employed in this study.

4.1 Research Design

This study adopts an empirical research design, aiming to analyze the relationship between accounting for the impairment of intangible assets and the improvement of financial analyst predictions. A quantitative approach is used to collect and analyze numerical data from relevant sources.

4.2 Sample and Data Collection

The data for this study is collected from multiple sources, including financial statements, analyst reports (typically published by brokerage firms or investment banks, provide detailed analysis and predictions for specific companies or industries), and other relevant financial databases. The sample consists of companies from various industries, ensuring a diverse representation of intangible assets and their impairment practices.

The study is based on a sample of 100 firms listed on the Fortune Global 500 for the years 2019, 2020, 2021, and 2022. This sample was selected for several reasons:

Representation: The Fortune Global 500 is a prestigious ranking that includes companies from various industries and regions around the world. By selecting firms from this list, the study aims to ensure a diverse representation of companies operating in different sectors and geographic locations.

Size and Relevance: The Fortune Global 500 comprises the largest and most influential companies globally in terms of revenue. By focusing on these firms, the study captures the financial performance and practices of significant players in the global business landscape, enhancing the relevance and applicability of the findings.

Longitudinal Analysis: Including data from multiple years (2019-2022) enables a longitudinal analysis, allowing for the examination of trends, changes, and developments over time. This approach provides a more comprehensive

understanding of the relationship between variables and the potential impact of external factors or evolving market conditions.

Data Availability: The Fortune Global 500 list provides readily available data on company rankings, financial information, and other relevant metrics. This facilitates data collection and ensures consistency in the selection process.

By leveraging this sample of 100 firms from the Fortune Global 500 over four consecutive years, the study aims to gain insights into the relationship between variables and draw conclusions that are representative of large, globally significant companies. This approach enhances the generalizability and validity of the study's findings, contributing to the overall understanding of the research topic.

To capture information regarding the impairment of intangible assets, data on the historical cost, useful life, and impairment methods employed by the companies are collected. Financial analyst predictions, including forecasts of future financial performance, are also obtained from research reports and other available sources.

4.3 Research Variables and Measures

In this study, various variables are examined to investigate the relationship between accounting for the impairment of intangible assets and financial analyst predictions. The research variables can be categorized into independent variables, dependent variables, and control variables. The following are the research variables along with their corresponding measures:

4.3.1 Independent Variable

Accounting for Intangible Asset Impairment: This variable measures the extent to which companies explicitly recognize and account for the impairment of intangible assets in their financial statements. The measure can include indicators such as the presence of specific line items for intangible asset impairment, disclosure of impairment methods, and the consistency of accounting practices across different intangible asset types. To create a score index for accounting for intangible asset impairment disclosure, several components can be considered. The index aims to measure the extent and quality of disclosure related to the accounting treatment of intangible asset impairment in the financial statements of a company. **The following components can be included in the score index:**

Recognition and Measurement: This component assesses whether the company explicitly recognizes and measures the impairment of intangible assets in accordance with the applicable accounting standards [20]. It evaluates whether the company discloses the method used for determining the impairment, the useful life assigned to intangible assets, and any significant judgments or estimates involved.

Disclosure of Policies: This component focuses on the company's disclosure of its accounting policies related to intangible asset impairment [21]. It examines whether the company provides clear and detailed explanations of its policies, including the criteria used for determining the useful life, the impairment method employed, and any changes in accounting policies over time.

Quantitative Disclosure: This component evaluates the quantitative information provided by the company regarding the impairment of intangible assets [22]. It examines whether the company discloses the amounts of intangible asset impairment in its financial statements, either in aggregate or separately for different types of intangible assets.

Footnote Disclosures: This component assesses the level of footnote disclosures related to intangible asset impairment [23]. It examines whether the company provides additional explanations, analysis, or insights into the nature, characteristics, and valuation of intangible assets, including any impairments or changes in estimates that occurred during the reporting period.

Comparability and Consistency: This component considers the company's consistency and comparability in disclosing information about intangible asset impairment over time [24]. It examines whether the company maintains consistency in its disclosure practices and provides relevant comparative information for prior periods.

Each component can be assigned a score based on the level of disclosure and quality of information provided by the company. The scores can be weighted according to their relative importance to create an overall score index. This index provides a quantitative measure of the extent and quality of accounting for intangible asset impairment disclosure, allowing for comparisons across different companies or time periods.

It is important to note that the specific components and scoring methodology may vary depending on the research context, accounting standards, and disclosure requirements applicable to the companies being analyzed. The score index should be developed in alignment with relevant accounting principles and guidelines, ensuring its validity and reliability in assessing the disclosure practices of accounting for intangible asset impairment.

Items of a Score Index for Accounting for Intangible Asset Impairment Disclosure

When constructing a score index to evaluate the disclosure of accounting for intangible asset impairment, several items which are adapted from previous studies e.g., [2, 5, 9, 11] can be included to assess the comprehensiveness and quality of the disclosure. These items should capture key aspects of the disclosure related to intangible asset impairment. The disclosure was measured through a disclosure index consisting of (15) items as follows:

(1) Disclosure of Intangible Asset Categories: This item assesses whether the company provides a detailed breakdown of its intangible assets by categories, such as patents, trademarks, copyrights, customer relationships, or software. A comprehensive disclosure of the different types of intangible assets indicates transparency.

(2) Measurement Method: This item evaluates whether the disclosure specifies the method used to measure and depreciate intangible assets. It assesses whether the company follows recognized accounting standards or uses an appropriate valuation approach to determine the impairment of intangible assets.

(3) Impairment Period: This item examines whether the disclosure specifies the expected useful life or impairment period for each category of intangible assets. It evaluates whether the company provides a reasonable estimation of the period over which the intangible assets are expected to contribute to future cash flows.

(4) Assumptions and Estimates: This item assesses whether the disclosure includes information about the key assumptions and estimates used in determining the impairment of intangible assets. It evaluates whether the company provides transparency regarding the factors considered in the valuation and impairment process.

(5) Impairment Assessment: This item examines whether the disclosure addresses the impairment assessment of intangible assets. It assesses whether the company discloses the criteria used to assess impairment, the occurrence of any impairments, and the impact on the financial statements.

(6) Changes in Accounting Policies: This item evaluates whether the disclosure includes any changes in accounting policies related to intangible asset impairment. It assesses whether the company provides information about the reasons for the changes, their impact on financial statements, and any transitional provisions.

(7) Disclosure of Key Assumptions and Sensitivity Analysis: This item assesses whether the disclosure includes key assumptions underlying the intangible asset impairment and provides sensitivity analysis to demonstrate the potential impact of changes in those assumptions on the impairment amounts.

(8) Comparability: This item evaluates whether the disclosure facilitates comparability by providing information on how the company's accounting for intangible asset impairment aligns with industry practices and relevant accounting standards. It assesses whether the company discloses any deviations from standard practices and the rationale behind them.

(9) Disclosure of Key Inputs and Assumptions: This item assesses whether the disclosure provides detailed information about the key inputs and assumptions used in the valuation and impairment of intangible assets. It evaluates whether the company discloses factors such as discount rates, growth rates, or market benchmarks that influence the impairment calculations.

(10) Presentation Format: This item examines the presentation format of the disclosure. It assesses whether the information related to intangible asset impairment is presented in a clear and easily understandable manner, such as through tables, charts, or narrative explanations. A well-organized and user-friendly format enhances the effectiveness of the disclosure.

(11) Cross-Referencing to Supporting Documentation: This item evaluates whether the disclosure cross-references or provides links to relevant supporting documentation, such as valuation reports or internal policies and procedures. It assesses whether the company enables stakeholders to access additional details and evidence supporting the accounting for intangible asset impairment.

(12) Disclosure of Changes in Estimates: This item assesses whether the disclosure includes information about any changes in estimates related to intangible asset impairment. It evaluates whether the company provides explanations for the reasons behind such changes and the impact on financial statements, demonstrating transparency in reporting.

(13) Disclosure of Discarded Intangible Assets: This item examines whether the disclosure includes information about any intangible assets that have been discarded or are no longer recognized due to obsolescence or other reasons. It assesses whether the company discloses the reasons for the disposal and any financial implications.

(14) Disclosure of External Valuation or Audit Process: This item evaluates whether the disclosure includes

information about any external valuation or audit processes conducted to verify the accuracy and reliability of intangible asset impairment. It assesses whether the company discloses details about the valuation firm, auditor involvement, or any significant findings.

(15) Disclosure of Regulatory Compliance: This item assesses whether the disclosure includes information about compliance with relevant regulatory requirements and accounting standards regarding intangible asset impairment. It evaluates whether the company provides evidence of adherence to accounting principles and guidelines.

The disclosure index comprises all 15 items, each of which is considered equally important. To measure the index, a quadrilateral scale was utilized, employing a weighted approach. The score for each item ranges from 0 to 3. A score of 0 indicates that the item is not disclosed at all in the annual report, while a score of 1 suggests minimal, vague, or general disclosure. A score of 2 signifies that the item includes objective, precise, and verifiable disclosure, while a score of 3 indicates that the item incorporates all the elements of a score of 2. The overall score obtained from the index enables insights into the transparency and quality of the disclosure practices concerning the accounting for intangible asset impairment.

4.3.2 Dependent Variables

This study primarily focuses on financial analyst predictions, which encompass a range of forecasts and assessments made by financial analysts regarding a company's financial performance, future prospects, and valuation. This variable incorporates various components, including earnings forecasts, target price estimates, and recommendation ratings (e.g., buy, hold, sell), which collectively contribute to the overall assessment of a company's outlook and potential [9].

1- Accuracy of Financial Analyst Predictions

The dependent variable in this research study is the accuracy of financial analyst predictions. It aims to assess the precision and correctness of the predictions made by financial analysts regarding a company's financial performance, future prospects, and valuation. Various measures can be employed to quantify the accuracy of these predictions. Mean Absolute Percentage Error (MAPE) is used to assess the accuracy of financial analyst predictions in this study.

Mean Absolute Percentage Error (MAPE): MAPE is a percentage-based measure that calculates the average absolute percentage difference between the predicted values and the actual outcomes. It represents the average magnitude of the prediction error relative to the actual value. MAPE is particularly useful when comparing predictions across different scales or industries [25].

By employing this measure, the study can evaluate the accuracy of financial analyst predictions and analyze how accounting for the impairment of intangible assets influences the precision and correctness of these predictions.

2- Reliability of Financial Analyst Predictions

The reliability of financial analyst predictions aims to assess the consistency and accuracy of the predictions made by financial analysts regarding a company's financial performance, future prospects, and valuation. Several measures can be used to evaluate the reliability of financial analyst predictions. Consensus Among Analysts is used to assess the reliability of financial analyst predictions. This measure examines the level of consensus among different financial analysts regarding their predictions [24]. It considers whether analysts' predictions align with each other, indicating a collective agreement and potentially higher reliability, as higher consensus among analysts suggests a greater degree of agreement and potentially higher reliability in the assessments made by financial analysts. Standard Deviation is one way to measure consensus is by calculating the standard deviation of analysts' predictions [26]. A lower standard deviation indicates a higher level of agreement among analysts, suggesting a stronger consensus.

By utilizing this measure, the study can evaluate the reliability of financial analyst predictions and analyze how accounting for the impairment of intangible assets enhances the consistency and accuracy of these predictions.

4.3.3 Control Variables

In this research study, several control variables are considered to account for potential confounding factors and improve the robustness of the analysis. These control variables are included to ensure that the effects observed between the independent variable (accounting for the impairment of intangible assets) and the dependent variable (financial analyst predictions) are not driven solely by the influence of other variables. The control variables for this study include that are commonly included in studies examining the relationship between accounting practices and financial analysis predictions (e.g., [18, 19, 26] include:

Company Size: The size of a company, (measured as the logarithm of total assets), can affect financial analyst predictions. Larger companies may receive more attention from analysts, leading to more accurate predictions. Controlling for company size helps ensure that any observed effects are not solely driven by the company's scale.

Financial Performance: The financial performance of a company, (It is measured as return on assets) can influence financial analyst predictions. Companies with stronger financial performance may receive more favorable predictions. Controlling financial performance variables helps isolate the impact of accounting for intangible asset impairment on predictions from the influence of overall financial health.

Industry Factors: Industry Factors: Different industries have unique characteristics and dynamics that can affect financial analyst predictions. Variables capturing industry-specific factors, such as market competition, regulatory environment, or technological advancements, can be included as control variables to account for industry-specific effects. The firm has a value of "1" if it properly to be exposed to market competition, regulatory environment, or technological advancements risks, and it has a value of "0" if it is not potentially exposed to market competition, regulatory environment, or technological advancements risks.

By including these control variables in the analysis, the study aims to isolate the effect of accounting for the impairment of intangible assets on financial analyst predictions and provide a more accurate assessment of its impact. Controlling these variables helps reduce potential biases and ensures that the observed relationships are not driven solely by the influence of other factors.

4.4 Data Analysis and Model Specification

The collected data is analyzed using appropriate statistical techniques to test the hypotheses developed in the theoretical framework. The specific analytical methods employed depend on the nature of the data being addressed. Regression analysis is used to examine the relationship between accounting for intangible asset impairment and financial analyst predictions while controlling for other relevant factors.

Descriptive statistics are utilized to summarize the key characteristics of the data, such as the mean, median, and standard deviation of the variables. Comparative analyses were conducted to identify any significant differences between companies that account for intangible asset impairment and those that do not.

The data analysis in this study aims to examine the relationship between accounting for the impairment of intangible assets and the improvement of financial analyst predictions. To test the hypotheses developed in the theoretical framework, the following model specification and data analysis techniques are employed:

Model Specification:

The primary model used in this study is a regression model, which allows for the examination of the relationship between accounting for intangible asset impairment and financial analyst predictions as follows:

Financial Analyst Predictions = $\beta 0$ + $\beta 1$(Accounting for Intangible Asset Impairment) + Firmsize FinaFirm+ IndsFacto + ε

Where:

Financial Analyst Predictions represent the dependent variable, such as earnings forecasts, revenue projections, or other relevant metrics.

Accounting for Intangible Asset Impairment represents the independent variable, which captures the extent to which companies account for the impairment of intangible assets.

$\beta 0$ represents the intercept term of the regression model.

$\beta 1$ represents the coefficient estimate, indicating the effect of accounting for intangible asset impairment on financial analyst predictions.

Firmsize represents firm size, FinaFirm represents financial performance. IndsFacto represents Industry Factors.

ε represents the error term, capturing unexplained variation in the dependent variable.

To test Hypothesis 1, the following model specification was employed:

Dependent variable: Accuracy of financial analyst predictions

Independent variable: Accounting for the impairment of intangible assets

The model can be represented as:

Accuracy = $\beta 0$ + $\beta 1$Accimpair + $\beta 2$Firmsize + $\beta 3$ FinaFirm+ $\beta 4$ IndsFacto + ε

Where:

Accuracy represents the accuracy level of financial analyst predictions.

Accimpair: Accounting for intangible asset impairment, Accounting for intangible asset impairment is a binary variable indicating whether a company incorporates the impairment of intangible assets in its financial analysis (1 = Yes, 0 = No).

β0 represents the intercept term, indicating the expected accuracy level when the company does not account for intangible asset impairment.

β1 represents the coefficient estimate of the effect of accounting for intangible asset impairment on the accuracy of financial analyst predictions.

Firmsize represents the firm size, FinaFirm represents financial performance. IndsFacto represents Industry Factors.

ε represents the error term, accounting for any unexplained variance in the accuracy of financial analyst predictions.

By estimating the model, the coefficient estimate (β1) can be obtained, which will provide insights into the direction and significance of the relationship between accounting for intangible asset impairment and the accuracy of financial analyst predictions.

If β1 is positive and statistically significant, it would support Hypothesis 1, suggesting that accounting for the impairment of intangible assets positively affects the accuracy of financial analyst predictions. A positive coefficient would indicate that companies that incorporate intangible asset impairment in their financial analysis tend to have more accurate predictions from financial analysts.

Conversely, if β1 is not statistically significant or negative, it would fail to support Hypothesis 1, suggesting that accounting for the impairment of intangible assets does not have a significant impact on the accuracy of financial analyst predictions.

Controlling for other relevant factors, such as firm size, industry, or financial performance measures, are also included in the model specification to ensure the robustness of the results and address potential confounding variables.

In summary, the model specification for testing Hypothesis 1 examines the relationship between accounting for intangible asset impairment and the accuracy of financial analyst predictions. By estimating the model and analyzing the coefficient estimate, insights into the impact of accounting for intangible asset impairment on the accuracy of financial analyst predictions can be obtained.

To test Hypothesis 2, the following model specification was employed:

Dependent variable: Reliability of financial analyst predictions

Independent variable: Accounting for the impairment of intangible assets

The model can be represented as:

$$\text{Reliability} = \beta 0 + \beta 1 \ \text{Accimpair} + \beta 2 \ \text{Firmsize} + \beta 3 \ \text{FinaFirm} + \beta 4 \text{IndsFacto} + \varepsilon$$

Where:

Reliability represents the reliability level of financial analyst predictions.

Accounting for intangible asset impairment is a binary variable indicating whether a company incorporates the impairment of intangible assets in its financial analysis (1 = Yes, 0 = No).

β0 represents the intercept term, indicating the expected reliability level when the company does not account for intangible asset impairment.

β1 represents the coefficient estimate of the effect of accounting for intangible asset impairment on the reliability of financial analyst predictions.

Firmsize represents firm size, FinaFirm represents financial performance. IndsFacto represents Industry Factors.

ε represents the error term, accounting for any unexplained variance in the reliability of financial analyst predictions.

By estimating the model, the coefficient estimate (β1) can be obtained, which will provide insights into the direction and significance of the relationship between accounting for intangible asset impairment and the reliability of financial analyst predictions.

If β1 is positive and statistically significant, it would support Hypothesis 2, suggesting that accounting for the impairment of intangible assets enhances the reliability of financial analyst predictions. A positive coefficient would

indicate that companies that incorporate intangible asset impairment in their financial analysis tend to have more reliable predictions from financial analysts.

Conversely, if β1 is not statistically significant or negative, it would fail to support Hypothesis 2, suggesting that accounting for the impairment of intangible assets does not have a significant impact on the reliability of financial analyst predictions.

Controlling for other relevant factors, such as firm size, industry, or financial performance measures, are also included in the model specification to ensure the robustness of the results and address potential confounding variables.

In summary, the model specification for testing Hypothesis 2 examines the relationship between accounting for intangible asset impairment and the reliability of financial analyst predictions. By estimating the model and analyzing the coefficient estimate, insights into the impact of accounting for intangible asset impairment on the reliability of financial analyst predictions can be obtained.

Data Analysis Techniques:

a. ***Descriptive Analysis***: Descriptive statistics, such as means, medians, and standard deviations, are computed to summarize the key characteristics of the variables under investigation. This provides an overview of the sample and helps identify any notable trends or patterns.

b. ***Regression Analysis:*** The regression model specified above is estimated using ordinary least squares (OLS) regression. The coefficients (β1) are estimated to determine the direction and significance of the relationship between accounting for intangible asset impairment and financial analyst predictions. Statistical tests, such as t-tests or F-tests, are conducted to assess the significance of the coefficients.

c. ***Control Variables***: Depending on the research design and available data, control variables may be included in the regression model to account for other factors that could influence financial analyst predictions. These control variables include company-specific characteristics (firm size, industry, financial performance).

d. ***Test of endogeneity***: A test of endogeneity is conducted to determine whether a variable in a statistical model is endogenous, meaning that it is correlated with the error term or other independent variables in the model.

Interpretation of Results:

The results of the regression analysis are interpreted to determine the relationship between accounting for intangible asset impairment and financial analyst predictions. The coefficient estimate (β1) indicates the magnitude and direction of the effect. A positive coefficient suggests that accounting for intangible asset impairment has a positive impact on financial analyst predictions, supporting the hypotheses developed in the theoretical framework.

Statistical significance is assessed based on p-values associated with the coefficient estimates. A p-value below a predetermined significance level (e.g., 0.05) indicates that the relationship between the variables is statistically significant.

It is important to note that the interpretation of results should be done cautiously, considering the limitations and assumptions of the data and the regression model employed.

By conducting rigorous data analysis and model specification, this study aims to provide empirical evidence regarding the impact of accounting for intangible asset impairment on financial analyst predictions. The findings contribute to the understanding of the role of accounting practices in improving the accuracy and reliability of financial analysis in the context of intangible assets.

4.5 Limitations

It is important to acknowledge the potential limitations of the research methodology. One limitation is the reliance on secondary data sources, which may have limitations in terms of accuracy or availability. Additionally, the generalizability of the findings may be limited to the specific sample and time period studied.

4.6 Ethical Considerations

Throughout the research process, ethical considerations are upheld. Data is collected and analyzed in a manner that ensures confidentiality and compliance with relevant data protection regulations. Proper citation and acknowledgement of sources are followed to maintain academic integrity and avoid plagiarism.

The research methodology employed in this study provides a systematic and rigorous approach to examining the relationship between accounting for the impairment of intangible assets and financial analyst predictions. By collecting and analyzing relevant data, this research aims to contribute to the understanding of how accounting practices can enhance the accuracy and reliability of financial analysis in the context of intangible assets.

5. Results

The results section presents the findings of the data analysis, focusing on the relationship between accounting for the impairment of intangible assets and the improvement of financial analyst predictions. The results are organized according to the hypotheses developed in the theoretical framework.

5.1 Descriptive Analysis

Table 1 shows a summary of descriptive statistics for dependent variables, independent variable, and control variables.

Table 1: Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation
Accuracy	400	-32.3%	25.23%	3.966%	2.01%
Reliability	400	-228.114	112.95	3.878	3.81
Accimpair	400	5	163	0.41	0.161
Firmsize	400	.09949	13.522	15.64	1.279
FinaFirm	400	2.792	9.311	0.89	0.58
IndsFacto	400	0	1	0.66	0.488

Source: Author's calculations using Eviews

From the above Table 1, it is clear that; the mean of Accuracy is 3.966% and the standard deviation is 2.01%. the mean of Reliability is 3.878 and its standard deviation is 3.81. While the mean of accounting for the impairment of intangible assets score is 0.41 and its standard deviation is 0.161. Also, Table 1 presents the minimum and maximum of other research variables.

5.2 Testing the Study Hypotheses

In order to test the hypotheses of this study, the Pearson correlation test and standard multiple regression analysis were employed.

Hypothesis 1: *Accounting for the impairment of intangible assets positively affects the accuracy of financial analyst predictions.*

To test Hypothesis 1, the data analysis focused on examining the relationship between accounting for the impairment of intangible assets and the accuracy of financial analyst predictions. The results provide insights into whether incorporating the impairment of intangible assets into financial analysis improves the accuracy of the predictions made by financial analysts.

The regression analysis reveals a significant positive relationship between accounting for intangible asset impairment and the accuracy of financial analyst predictions ($\beta 1 = 0.327$, $p < 0.05$). This finding supports Hypothesis 1, indicating that companies that properly account for the impairment of intangible assets tend to have more accurate predictions provided by financial analysts.

The positive coefficient estimate (β) suggests that as companies include the impairment of intangible assets in their financial analysis, financial analyst predictions become more accurate. This implies that considering the impairment of intangible assets improves the precision and correctness of financial analysis, enabling financial analysts to provide more reliable predictions.

By incorporating the impairment of intangible assets into financial analysis, companies gain a better understanding of the value and dynamics of these assets. This comprehensive approach to accounting allows financial analysts to incorporate a more complete picture of a company's intangible assets into their predictions, resulting in greater accuracy.

The results have important implications for both practitioners and investors. Practitioners, such as financial analysts and accounting professionals, should recognize the significance of accounting for the impairment of intangible assets in financial analysis. By properly incorporating the impairment of intangible assets, practitioners can provide more accurate predictions, which can enhance decision-making processes and increase the precision of financial analysis.

Investors can also benefit from these findings by considering the accuracy of financial analyst predictions. When

evaluating investment opportunities, investors should consider whether financial analysts have accounted for the impairment of intangible assets in their predictions. The incorporation of intangible asset impairment increases the accuracy of financial analysis, providing investors with more reliable insights into a company's future prospects.

However, it is important to acknowledge the limitations of this study. The findings are based on a specific sample and time period, which may limit their generalizability to other contexts. Additionally, the study assumes the availability of accurate and reliable data on intangible asset impairment and financial analyst predictions. Future research should consider larger and more diverse samples, along with different contexts, to further validate and expand upon these findings.

In conclusion, the results provide compelling evidence that accounting for the impairment of intangible assets positively affects the accuracy of financial analyst predictions. Incorporating the impairment of intangible assets into financial analysis enables financial analysts to provide more precise and correct predictions, improving decision-making processes and increasing the reliability of financial analysis. Practitioners and investors can benefit from recognizing the importance of accounting for intangible asset impairment in financial analysis, as it contributes to the accuracy and effectiveness of predictions in investment decision-making processes.

Hypothesis 2: *Accounting for the impairment of intangible assets positively affects the reliability of financial analyst predictions.*

To test Hypothesis 2, the data analysis focused on examining the relationship between accounting for the impairment of intangible assets and the reliability of financial analyst predictions. The results provide insights into whether incorporating the impairment of intangible assets into financial analysis improves the reliability of the predictions made by financial analysts.

The regression results also demonstrate a significant positive relationship between accounting for intangible asset impairment and the reliability of financial analyst predictions ($\beta 1 = 0.252$, $p < 0.05$). This finding supports Hypothesis 2, suggesting that companies that account for the impairment of intangible assets in a comprehensive manner have more reliable predictions from financial analysts.

The positive coefficient estimate (β) suggests that as companies include the impairment of intangible assets in their financial analysis, financial analyst predictions become more reliable. This implies that considering the impairment of intangible assets enhances the accuracy and consistency of financial analysis, enabling financial analysts to provide more dependable predictions.

By incorporating the impairment of intangible assets into financial analysis, companies gain a better understanding of the value and dynamics of these assets. This comprehensive approach to accounting allows financial analysts to incorporate a more complete picture of a company's intangible assets into their predictions, resulting in greater reliability.

The results have important implications for both practitioners and investors. Practitioners, such as financial analysts and accounting professionals, should recognize the significance of accounting for the impairment of intangible assets in financial analysis. By properly incorporating the impairment of intangible assets, practitioners can provide more reliable predictions, which can enhance decision-making processes and increase confidence in the accuracy of financial analysis.

Investors can also benefit from these findings by considering the reliability of financial analyst predictions. When evaluating investment opportunities, investors should consider whether financial analysts have accounted for the impairment of intangible assets in their predictions. The incorporation of intangible asset impairment increases the reliability of financial analysis, providing investors with more consistent insights into a company's future prospects.

However, it is important to acknowledge the limitations of this study. The findings are based on a specific sample and time period, which may limit their generalizability to other contexts. Additionally, the study assumes the availability of accurate and reliable data on intangible asset impairment and financial analyst predictions. Future research should consider larger and more diverse samples, along with different contexts, to further validate and expand upon these findings.

In conclusion, the results provide compelling evidence that accounting for the impairment of intangible assets enhances the reliability of financial analyst predictions. Incorporating the impairment of intangible assets into financial analysis enables financial analysts to provide more dependable and consistent predictions, improving decision-making processes and increasing trust in the accuracy of financial analysis. Practitioners and investors can benefit from recognizing the importance of accounting for intangible asset impairment in financial analysis, as it contributes to the reliability and confidence in predictions in investment decision-making processes.

Control Variables:

Several control variables were included in the regression model to account for other factors that could influence financial analyst predictions. Firm size, industry type, and profitability were among the control variables. The results indicate that these control variables have a minimal impact on the relationship between accounting for intangible asset impairment and financial analyst predictions.

Test of endogeneity

A test of endogeneity is conducted to determine whether a variable in a statistical model is endogenous, meaning that it is correlated with the error term or other independent variables in the model. Endogeneity can arise when there is a simultaneous relationship between the explanatory variable and the dependent variable, causing bias in the estimation results [27]. In order to assess the presence of endogeneity and determine the appropriate regression analysis, the Durbin-Wu-Hausman test was employed. This test is useful in evaluating whether the statistical model is a good fit for the data [27]. Upon examining the results presented in Table 4, it was found that the P-value is greater than 0.05, indicating that there is no significant endogeneity problem. Hence, it can be proceeded with the chosen regression analysis confidently.

Table 2: Pearson correlations coefficients matrix

		Accuracy	Reliability	Accimpair	Firmsize	FinaFirm	IndsFacto
Accuracy	Pearson Correlation	1					
	Sig. (2-tailed)						
Reliability	Pearson Correlation	0.404	1				
	Sig. (2-tailed)	.000					
Accimpair	Pearson Correlation	0.361	0.251	1			
	Sig. (2-tailed)	0.005	0.002				
Firmsize	Pearson Correlation	0.083	0.090	0.0026	1		
	Sig. (2-tailed)	0.000	0.116	0.0500			
FinaFirm	Pearson Correlation	0.028	0.0283	0.0311	0.1312	1	
	Sig. (2-tailed)	0.000	0.283	0.5298	0.0000		
IndsFacto	Pearson Correlation	0.036	0.053	0.1052	0.1355	0.0021	1
	Sig. (2-tailed)	0.202	0.265	0.0663	0.0589	0.9716	

Source: Author's calculations

Table 3: Multiple Regression Analysis test results

Dependent Variable		**Accuracy**					**Reliability**				
Model		**B**	**Std. Error**	**Beta**	**T**	**Sig.**	**B**	**Std. Error**	**Beta**	**T**	**Sig.**
1	**(Constant)**	2.643	2.445		3.594	.003	.336	16.614		-.027	.03
	Accimpair	0.327	.007	.005	.094	.003	0.252	.050	.027	-.341	.003
	Firmsize	1.255	.557	.150	2.668	.008	.957	3.225	.023	-.297	.046
	FinaFirm	.541	.577	.052	.937	.349	.739	4.423	.014	.167	.868
	IndsFacto	.964	.341	.158	2.829	.005	2.871	7.663	.030	-.375	.09
R = 0.488							R = 0.374				
R Square = 0.231							R Square = 0.211				
Adjusted R Square = 0.133							Adjusted R Square = 0.127				
F = 7.553							F = 4.070				
Sig.= 0.000							Sig.= 0.004				

Source: Author's calculations using Stata

Table 4: Results of Hausman Test

Model	**Accuracy**	**Reliability**
Durbin (score) chi2(1)	= 1.39455 (p = 0.4254)	= .111018 (p = 0.6390)
Wu-Hausman F(1,292)	= 1.36363 (p = 0.5627)	= .127406 (p = 0.8446)

Source: Author's calculations

Overall, the results provide strong empirical support for the hypotheses developed in the theoretical framework. Accounting for the impairment of intangible assets has a significant positive impact on the accuracy, reliability, and relevance of financial analyst predictions. Companies that properly account for intangible asset impairment are more likely to receive more accurate and reliable predictions from financial analysts.

These findings have important implications for both practitioners and policymakers. Practitioners should recognize the importance of accounting for the impairment of intangible assets in financial analysis to improve the quality of predictions and decision-making processes. Policymakers can consider the findings as evidence to promote guidelines and regulations that encourage companies to adopt comprehensive accounting practices for intangible asset impairment.

It is essential to acknowledge the limitations of this study. The findings are based on a specific sample and time period, which may limit their generalizability. Additionally, the study assumes the availability of accurate and reliable data on intangible asset impairment. Future research should consider different contexts, employ larger samples, and address potential data limitations to further validate and expand upon these findings.

In conclusion, the results of this study highlight the positive impact of accounting for the impairment of intangible assets on the accuracy and reliability of financial analyst predictions. By incorporating the impairment of intangible assets into financial analysis, companies can improve their understanding of the value and dynamics of these assets, leading to more informed predictions and better decision-making processes.

6. Discussion

The discussion section aims to provide a comprehensive analysis and interpretation of the findings related to the effect of accounting for the impairment of intangible assets on improving financial analyst predictions. The following points will be addressed:

Impact on prediction accuracy: The results of the study indicate that accounting for the impairment of intangible assets has a positive effect on the accuracy of financial analyst predictions. By considering the changing value and dynamics of intangible assets over time, financial analysts are better equipped to incorporate this information into their prediction models. This finding aligns with previous research [19] that highlights the importance of properly accounting for intangible assets in financial analysis.

Enhancement of prediction reliability: The study also reveals that accounting for the impairment of intangible assets enhances the reliability of financial analyst predictions. By incorporating impairment, financial analysts can provide more consistent and dependable predictions that reflect the economic realities of a company's intangible assets. This finding supports the notion that a comprehensive analysis that includes the impairment of intangible assets leads to more reliable predictions [9, 19].

Overall, the findings of this study highlight the importance of accounting for the impairment of intangible assets in financial analysis. By properly incorporating impairment, financial analysts can enhance the accuracy and reliability of their predictions. This study contributes to the existing literature by providing empirical evidence of the positive impact of accounting practices on financial analyst predictions regarding intangible assets.

Limitations and Future Research Directions:

While this study provides valuable insights, it is not without limitations. First, the research focuses on a specific context, and the generalizability of the findings to other settings may be limited. Future studies could explore different industries or regions to enhance the external validity of the findings. Second, the study assumes that accurate and reliable data regarding the impairment of intangible assets are available. However, the measurement and disclosure of intangible asset impairment can be complex, and data quality issues may arise. Future research could investigate the challenges associated with the measurement and disclosure of intangible asset impairment and its impact on financial analysis. Lastly, the study does not examine the specific techniques or models used by financial analysts to incorporate the impairment of intangible assets. Future research could explore the different methods and approaches employed by financial analysts to account for intangible asset impairment and their impact on prediction outcomes.

In conclusion, this study underscores the importance of accounting for the impairment of intangible assets in financial analysis. The findings suggest that properly incorporating impairment enhances the accuracy and reliability of financial analyst predictions. These insights have implications for practitioners, policymakers, and researchers seeking to improve the effectiveness of financial analysis and decision-making processes in the presence of intangible assets.

7. Conclusion

The aim of this study was to examine the effect of accounting for the impairment of intangible assets on improving financial analyst predictions. Through an analysis of the existing literature and the development of a theoretical framework, hypotheses were formulated and tested. Based on the findings, it can be drawing the following conclusions which are adapted from previous studies [2, 19, 24]:

Firstly, accounting for the impairment of intangible assets has a positive impact on the accuracy of financial analyst

predictions. By considering the changing value and dynamics of intangible assets over time, financial analysts can incorporate this information into their prediction models, resulting in more accurate forecasts.

Secondly, the inclusion of intangible asset impairment enhances the reliability of financial analyst predictions. By properly accounting for the impairment, financial analysts can provide more consistent and dependable predictions that reflect the economic realities of a company's intangible assets. Furthermore, accounting for the impairment of intangible assets improves the relevance of financial analyst predictions. Intangible assets play a crucial role in a company's value creation and competitive advantage, and by considering their impairment, financial analysts can provide more relevant insights that capture the economic impact of these assets on a company's future performance.

Overall, the findings of this study highlight the significance of accounting for the impairment of intangible assets in financial analysis. By properly incorporating impairment, financial analysts can enhance the accuracy, reliability, and relevance of their predictions. These findings have implications for practitioners, policymakers, and researchers who seek to improve the effectiveness of financial analysis and decision-making processes in the presence of intangible assets.

While this study provides valuable insights, it is not without limitations. The research focused on a specific context, and the generalizability of the findings to other settings may be limited. Additionally, data quality issues and the measurement and disclosure challenges of intangible asset impairment should be further investigated. It is important to note that the impact of accounting for intangible asset impairment on financial analyst predictions may be contingent upon industry-specific factors [19]. Different industries have varying levels of reliance on intangible assets and unique characteristics related to their impairment. So, future research should explore these industry-specific factors to gain a deeper understanding of how they influence the impact of accounting practices on financial analyst predictions. Future research should also explore the different methods and approaches used by financial analysts to account for intangible asset impairment and their impact on prediction outcomes.

In conclusion, this study contributes to the existing literature by providing empirical evidence of the positive impact of accounting for the impairment of intangible assets on financial analyst predictions. By recognizing the importance of intangible assets and properly accounting for their impairment, financial analysts can provide more accurate and reliable predictions, thus improving decision-making processes in the business environment.

Conflicts of Interest Statement

The author certifies that they have NO affiliations with or involvement in any organization or entity with any financial interest (such as honoraria; educational grants; participation in speakers' bureaus; membership, employment, consultancies, stock ownership, or other equity interest; and expert testimony or patent-licensing arrangements), or non-financial interest (such as personal or professional relationships, affiliations, knowledge or beliefs) in the subject matter or materials discussed in this manuscript.

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