

# INTERNALLY GENERATED INTANGIBLE ASSETS VALUATION: DEBATE AND LITERATURE REVIEW

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Please cite this article as:

Georgiou, A., 2022. Internally generated intangible assets valuation: debate and literature review. *Review of Economic Studies and Research Virgil Madgearu*, 15(1), pp.59-82. doi: 10.24193/RVM.2022.15.85.

Article History:

Received: 1 February 2022

Accepted: 21 March 2022

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**Abstract:** *This article contains a literature review around the issue of managerial discretion when deciding if and how much of an internally developed intangible asset's development cost is to be capitalized. The interaction between earnings management and development cost capitalization is mentioned and the underlying factors, such as beating earnings benchmarks and meeting debt-covenants are discussed. In a nutshell, the trade-off between the additional informativeness offered to investors through signaling and the probability of managerial opportunistic behavior is debated. The results indicate that some degree of opportunism exists, intending mainly to beat analysts' earnings forecasts. However, the market participants tend to identify such behaviors and thus adapt their equity price valuations. Also, the market value relevance varies depending on the entities' origin, previous intangible project success or failure track record and intangible asset intensity.*

**Key words:** *R&D capitalization; value relevance; earnings manipulation*

**JEL Classification:** *G32; M21; M41*

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