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# Philosophical Asymmetry of Economic Materialism and the Negation of Goodwill: A Theoretical Review

Angga Pratama<sup>1</sup>, and Endang Kartini Panggiarti<sup>2</sup>

<sup>1</sup>Universitas Terbuka; angga3pratama@gmail.com

**Abstract:** Goodwill is an intangible asset that we can find in a company's accounting cycle. Goodwill is basically subject to depreciation and the measurement related to the amount of depreciation of goodwill does not yet have a strong enough basis so that the assessment of goodwill tends to be subjective and based on management's interests, the impact of this subjective assessment is a failure to present good financial statements and can trigger decision-making errors for third parties. The asymmetry of the philosophy of economic materialism is an approach that can be used to repress or negate goodwill by providing an alternative to eliminating goodwill. However, this Philosophical Asymmetry of Economic Materialism is not a final approach because it still depends on several factors that will influence it. Ethical utilitarianism is one of the factors that can influence the effectiveness and implementation of the Philosophical Asymmetry of Economic Materialism as a form of increasing profits and optimizing costs to be incurred by companies in the future. Philosophical asymmetry of Economic Materialism seeks to suppress or negate the existence of goodwill as a form of ethical utilitarianism in the business environment.

**Keywords:** Goodwill; Economic Materialism; Utilitarianism.

## 1. Introduction

This study is based on the problems posed by goodwill and is still often debated today. This study aims to form new perspectives, train critical analysis skills, and maintain a material orientation in accordance with utilitarian ethics to support a company's ability to generate profits and project future possibilities in accordance with PSAK No. 73. This analysis refers to the losses experienced by PT. XYZ due to significant depreciation and disrupting PT. XYZ. In the next stage, what is needed by micro or macro entities is to overcome this problem from a scientific perspective to realize profit optimization, operations, and become a mitigation measure for each entity to avoid losses incurred due to management egoism in handling depreciation of goodwill.

Era society 5.0, which had an impact on our lives in Indonesia, has become a challenge for various types of entities engaged in the economic sector. The increasingly varied creative industries and MSMEs provide an opportunity for everyone to merge (acquisition/merger) or purchase a patent from an entity that supplies it freely and competitively. However, behind various types of creative industries and SMEs, we need to realize that there is a latent potential that becomes an obstacle for an entity to develop and measurement of the value contained in the object to be sold tends to be a subjective measurement. Related ideas Philosophical Asymmetry of Economic Materialism as an effort to support the era society 5.0, which is expected to have an impact on procedures or generate new perspectives in making decisions or preparing plans for the future of the company in each entity according to their respective interests.

Era society 5.0—referring to the definition of the Japanese government, that entities or people who are part of the era society 5.0 is human-centered (anthropocentrism), economic balance, and better social construction efforts to create a society that has a high level of social awareness by utilizing technological developments (Artificial Intelligence) and reality (Sulaiman et al., 2022). However, a related problem goodwill is a classic thing

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that is still being experienced by several entities who feel a decrease in the benefits of intangible assets, especially in value goodwill which has no exact measure—some act of management egoism to show the company's performance, sometimes, this asset, trapped the company and mainly the holders of the company, in a false estimation of high valuation of the company (Gkinoglou Emmanouil, 2023). This refers to the wrong action that might be done by looking at a decline that tends to stabilize from goodwill, even though the actual decline has been manipulated for unilateral interests.

Disclosure through Philosophical Asymmetry of Economic Materialism in its application we cannot avoid the involvement of everyone in a company or organization. If we talk further, we will find that the Management Control System (SPM) plays a quite crucial role in implementing profitable concepts for companies or organizations, including applying the asymmetry of economic materialism to negate or repress the amount or value attached to intangible assets.

Philosophical asymmetry of Economic Materialism will have implications for the application of utilitarianism ethics—unknowingly—in business. Behavior that is ethical when it brings the most benefits to society (K. Bertens et al., 2018, p. 242). We need to realize that the greatest benefit can be felt by a company or organization when it feels or experiences the minimum loss in accordance with the sacrifices made in the early stages of its production. When repression occurs, it reaches the most radical stage in the economy, namely negating goodwill is a new step for entities to reduce the risks of a sharp decline which is very detrimental and suppresses the subjective judgment of various parties who want to determine the value of intangible assets. Instability Goodwill which often occurs is a fairly serious problem currently. Era society 5.0 is a good start to reconstruct management capabilities by taking advantage of suggestions from the asymmetry of economic materialism to reject or even let go of the concept goodwill of its financial cycle and creating a more measurable financial cycle to reduce the risk of misinterpretation or failure of an entity's future projections.

Economic materialism asymmetry can provide a starting point for the application of utilitarianism ethics in companies or operational activities carried out by companies. Ethics of utilitarianism is indirectly contained in the management control system which basically will contain various steps so that all parts within the company or organization can run inherently with a plurality of goals according to what has been planned (Sri Mulyani., 2022 p. 1.5). Repression or negation made against goodwill is one of the ways offered to provide work effectiveness and efficiency within a company or organization for adaptability during a transition to an era society 5.0.

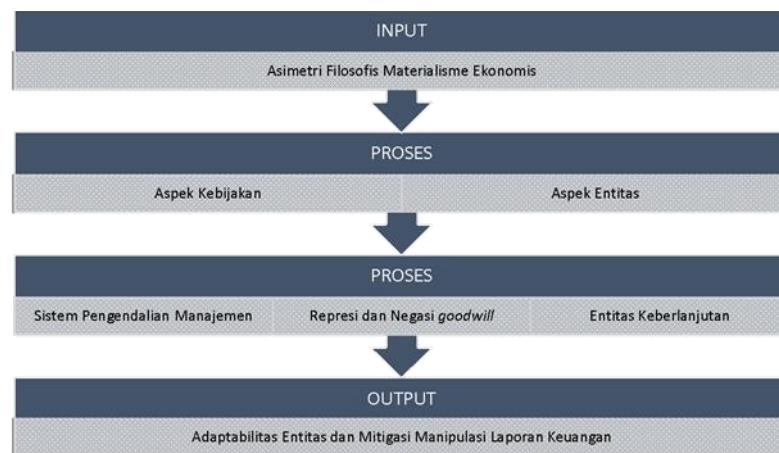
Based on the description above, the formulation of the problem is pursued what about adaptability goodwill towards the ethics of utilitarianism in risk management, what is the relationship between Philosophical Asymmetry of Economic Materialism and sustainable entities in the economic cycle, as well as what an effort control loss to goodwill for micro scale entities and individuals. The purpose of this study is to analyze further about acts of repression and negative goodwill on from a sustainability Entity Go Public (Tbk) that contains a value goodwill from a utilitarian perspective, identify aspects of sustainability goodwill in the management control system of the Entity Go Public in accordance with PSAK No. 22, and analyze mitigation measures related to disclosure and reduction policies goodwill unreasonable nature of the Entity—which causes business activities to become ineffective and inefficient.

## **2. Result and Discussion**

### **2.1 Role of Goodwill**

Goodwill is more equivocal and more uncertain than that associated with other assets (Amir Amel-Zadeh et al., 2021). Companies that operate based on what they observe, accounting principles and logical explanations about what accounting produces (H. Memed Sueb., Amalia Kusuma Wardini, 2022, p. 2.9). The company's internal and external conditions are the basis that can be used as an assessment or analysis of goodwill,

especially in conditions of decline and disturbance that may occur during the operational process. This analysis is a form of implementing a management control system that focuses on the financial cycle which is intended to form more relevant and transparent financial reports. According to PSAK No. 22 concerning Business Combinations there are certain activities or assets that contain goodwill that can be considered as a business that has a role in the company. But basically, not all activities or certain assets must contain goodwill. Thus, we can simplify that goodwill is not something substantial and some conditions do not require it to be goodwill contained in certain assets, in this condition the researcher realizes that efforts to negate or repress goodwill possible and followed by problems goodwill which often generates debate, especially over the potential manipulation that can be carried out by management. If we compile the framework of the philosophical asymmetry of economic materialism, then the input is the philosophical asymmetry of economic materialism, then it is processed based on aspects of policy and entity aspects, then it is processed again into management control systems, repression and negation of goodwill, and sustainability entities, which then produce adaptability entities and mitigating financial statement manipulation. This framework can be seen in Figure 1 (David Benatar, 2008) below this:



Gambar 2.1 Kerangka Berpikir Asimetri Filosofis Materialisme Ekonomis

Sumber: data diolah oleh peneliti, 2023.

Goodwill is the difference between the payments made to the company and the net fair value of the assets acquired identified (Tien C. Nguyen et al, 2015, p. 4). Goodwill is seen as an intangible asset that can be impaired and in the financial statements—usually goodwill can be amortized systematically over a certain period of time. However, the amortization carried out on goodwill experiencing some substantial problems, for example in the amortization process goodwill, the value obtained does not actually reflect impairment goodwill which is the basis for goodwill itself.

## 2.2 Overview of the Ethics of Utilitarianism

Utilitarian ethics became very popular in England and was first introduced by Jeremy Bentham and John Stuart Mill. Utilitarianism—the word utility in utilitarianism which means use and refers to the word, then utilitarianism can be interpreted as an ethical attitude or behavior if it brings the most benefits to society, and in this case a company or organization is part of society so that utilitarianism ethics can be used to analyze implications goodwill on the financial cycle and the ethical value of financial reports. Goodwill which has an uncertain rate of decline and an uncertain assessment causes utilitarian ethics to not be achieved in financial reports, where this can be detrimental to the company and stakeholders to determine their decision. The role of management is very substantial in determining the presentation of financial statements that

are not based on management's egoism. This effort aims to detect potential weaknesses that occur as feedback for the management of an activity starting from the planning stage to its implementation (Sri Mulyani, 2022).

**2.3 Theoretical Review of Philosophical Asymmetry of Economic Materialism**

Philosophical asymmetry of Economic Materialism is an approach or asymmetry that can be used by any person, company, or organization to negate or repress existence. goodwill. The asymmetry analyzes goodwill in two conditions, namely: presence (X) and absence (Y). Which will affect the policies and entities to show the advantages and disadvantages if the company or organization still maintains goodwill. This asymmetry offers rejection and criticism of subjective judgments that have no basis and tend to cause Bottleneck Fallacy so that the sources that support the related arguments goodwill only as strong as its weakest point. Problems Goodwill has become an intellectual debate—this issue can cause confusion in the presentation of financial statements, decision making, and disrupt the management control system because the presentation of reports related to impairment goodwill is a gap that can be exploited by management to commit fraud or manipulation of data so that the company or organization looks professional. To clarify the above information, it can be seen in table 1 below:

Information	Presence (X)	Absence (Y)
Policy (A)	<ul style="list-style-type: none"> <li>• Performance appraisal can be manipulated if management does not reveal a decrease goodwill;</li> <li>• May cause misunderstanding of financial statements;</li> <li>• The distribution of capital at the time of acquisition is inefficient because it is trapped in value goodwill.</li> </ul>	<ul style="list-style-type: none"> <li>• Assessment and performance report based on the company's actual activities;</li> <li>• The risk of misrepresentation of financial statements by management is smaller;</li> <li>• The distribution of capital becomes efficient because capital is not trapped in transactions of goodwill.</li> </ul>
Entity (B)	<ul style="list-style-type: none"> <li>• One-sided advantage;</li> <li>• Determination of amount goodwill occurs subjectively;</li> <li>• Measurement manipulation goodwill can be done</li> </ul>	<ul style="list-style-type: none"> <li>• <i>Relevant Agreement</i>;</li> <li>• Does not interfere with the recording process in the financial statements;</li> <li>• Entities do not need to worry about impairment goodwill.</li> </ul>

The following is an example of a case in the Management Control System and PSAK No. 22 concerning Business Combinations related to Philosophical Asymmetry of Economic Materialism. By analysisSWOT on entities that have been registered with the OJK (Go Public).

Entity Name : PT. XYZ (Go Public)

Entity Type : Flight company

Entity Address : Indonesia

Website : www.idx.co.id

The theoretical review is based on journals supporters of sustainability entities and economic materialism related to weaknesses and problems with goodwill is as follows.

Table 2. Theoretical review of the philosophical asymmetry of materialism and the negation of goodwill

No	Research Journal	Researcher	Year	Abstract Summary
1	Has damage from goodwill impairment grown in China? Analysis and response	Yan Wang, et al	2021	From the perspective of a high-quality acquirer (with generated goodwill), this study analyzes conflicting issues in the formation, recognition and subsequent measurement of goodwill and the finding that good companies are unwilling to make timely inventory declines goodwill, and investor reaction implies low value relevance of impairment disclosures goodwill.
2	Goodwill and Negative Goodwill: The Real Vision for the Future of a Company-Greek Accounting Standards View	Gkinoglou Emmanouil	2023	Especially the goodwill that the company has from previous years, may be an important factor for the formation of competitive advantage. But sometimes, these assets trap the company and especially the company's holders, in a high false estimation of the company's valuation. When a company necessarily changes the main purpose of its activities, then the goodwill must be written off, or must appear as goodwill negative, giving to stakeholders a real vision for the company's future, and real value for not mistaking prospects.
3	Goodwill relevance and disclosure practice in Vietnam	Tien C. Nguyen, et al.	2015	However, further critical analysis of the extent of disclosure of these specific intangible assets reveals a set of irreconcilable issues due to amortization policies and goodwill write-off policies is unclear.
4	Disclosure of goodwill impairment in the Baltic States	Alfreda, et al.	2016	Indebted companies are more likely to disclose impairment goodwill. Furthermore, the research results show that the

				economic crisis experienced by a country affects disclosure of impairment goodwill; however, this had no impact on the numbers goodwill which is written off.
5	Empirical goodwill research: Insights, issues, and implications for standard setting and future research	Amir Amel-Zadeh, et al.	2021	This paper reviews the empirical literature on the determinants and usefulness of reporting decisions goodwill. We structure our discussion around five guiding questions that reflect long standing policy issues: recognition, initial and subsequent measurement, disclosure, and the role of governance and monitoring.

#### 2.4 Analysis SWOT (Strength, Weakness, Opportunity, and Threat)

To be able to understand the philosophical asymmetry of economic materialism and the negation of goodwill, we need to evaluate it with a SWOT analysis of its shortcomings, weaknesses, opportunities, and threats, which are as follows:

##### Strength:

- Supporting sustainability entities in the management control sector in perspective utilitarianism;
- Increasing financial inclusion, investment, expansion of production, and the effectiveness of corporate financial allocations

##### Weakness:

- Lack of knowledge and critical skills of the company or organization regarding the potential for error goodwill in managerial activities;
- Many companies manipulate disclosure goodwill that is not accountable and transparent to PSAK No. 22 concerning Business Combinations.

##### Opportunities:

- Creating a sustainable entity in accordance with PSAK No. 73 concerning Financial Reporting of Sustainability Entities;
- Creating opportunities for the development of transparent financial reporting and mitigation of disclosure measures goodwill to negate to avoid unreasonable decline;
- Providing benefits for the creation of a management control system that is aligned with the creation of a sustainable entity, thus providing a sense of security for investors to determine their decisions and policies.

##### Threat:

- The transition from the era of the industrial revolution 4.0 to the era society 5.0 is a wave for every company or organization to cover the impairment goodwill;
- Establishing a more binding policy is an ongoing effort by the government to realize the Development Goals Sustainable on sustainability entities;
- There is no guarantee for a company or organization that is comprehensive in nature to overcome the problem of subjective assessments made by management on financial reports on intangible assets, one of which is goodwill.

#### 4. Materials and Methods

The approach used in this scientific work is qualitative data. The type of method used is in the form of literature study and analysis SWOT. Qualitative data is one or several information materials used in the form of a process flow or scheme. Based on the qualitative data obtained, the analysis was carried out to obtain a comprehensive theoretical conclusion, which can be used for future research.

The data used in writing this scientific work is literature study or literature study through journals sourced from previous research and relevant books. Researchers carry out the development and theoretical analysis of the problems of the object of research to produce the latest developments from the literature study conducted related to goodwill and economic materialism towards sustainability entities.

In addition to journals, researchers also process data using analysis SWOT (Strength, Weakness, Opportunity, and Threat). Researchers conducted related analysis of goodwill and economic materialism as adaptability in the era society 5.0 in the Management Control System against goodwill impairment and asymmetric economic materialism.

#### 5. Conclusions

Broadly speaking, the Philosophical Asymmetry of Economic Materialism as an approach in this era society 5.0 in the context of sustainability entities according to PSAK No. 73, carried out by companies or entities in accordance with the principles of accountability and transparency in accordance with the Financial Services Authority Regulation (POJK) No. 51/POJK.03/2017 regarding the implementation of Sustainable Finance for Financial Services Institutions, Issuers and Public Companies. The Management Control System has the potential to maintain the sustainability of a healthy ecosystem in the financial cycle to minimize errors and mistakes in determining policies related to disclosure goodwill with the analysis of researchers through literature and analysis SWOT. PT. XYZ suffered losses due to the decline in goodwill, however, there was no manipulation of disclosure goodwill. This decrease will have an impact on utilitarian ethics that influence decisions of stakeholders and become a relevant tool for the implementation of the Philosophical Asymmetry approach of Economic Materialism.

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