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**THE IMPORTANCE OF BRAND VALUE IN THE VIEW OF THE  
COMPANY'S ASSETS**

***Анотація.** В результаті економічних і соціальних змін, що відбулися за останні кілька десятиліть, нематеріальні активи, включаючи бренд, відіграють все більшу вирішальну роль в економіці, у формуванні стратегії та в бізнес-рішеннях компаній. Незважаючи на це, необхідно вказати на відсутність в існуючих підходах надійної моделі вимірювання вартості бренду в бухгалтерському обліку, а отже, її представлення у фінансовій звітності досі не врегульоване, хоча завдяки трансформації економіки та вимогам ринку багато методів оцінки бренду виникли як в теорії, так і на практиці. Використовуючи практичні приклади, мета цієї роботи полягає в тому, щоб вивчити важливість брендів у діяльності компанії, долю їх вартості порівняно з активами компанії, а також правомірність перешкод, сформульованих розробниками стандартів, які стверджують про відсутність надійної моделі вимірювання. Метод, який використовується в цьому дослідженні, є методом кейс-стаді, який належить до парадигм якісних польових досліджень. На прикладі двох відомих брендів було перевірено, що бренд відіграє важливу роль у бізнес-рішеннях компаній-власників. Досліджені дані також підкреслили, що вага вартості бренду є особливо важливою для відображення активів компанії у балансі, що доводить, що зацікавлені сторони компаній повинні отримувати інформацію про це. Крім того, було зроблено висновок, що стандартне відхилення результатів моделей, які в даний час використовуються компаніями з оцінки брендів, є занадто високим з точки зору потенційного визнання в балансі, тому рекомендовано представляти вартість бренду в інший спосіб. Вивчення вартості бренду інших компаній за допомогою методу прикладів має стати предметом подальших досліджень, які можуть стати основою для пошуку найбільш ефективного для зацікавлених сторін способу отримати інформацію про вартість бренду, тим самим усуваючи критику фінансової звітності. корисність у цьому відношенні.*

***Ключові слова:** бренд, вартість бренду, методи оцінки бренду, бухгалтерський облік, фінансова звітність.*

**JEL Classification:** M41, M31, M37, L11, L66, L83

***Absztrakt.** Az elmúlt évtizedek gazdasági és társadalmi változásainak következtében a szakirodalom szerint az immateriális eszközök, így köztük a jelen kutatás tárgyát képező márka is egyre meghatározóbb szerepet tölt be a gazdaságban, a vállalatok stratégiájában és üzleti döntéseiben. Mindezek ellenére a megbízható mérési modell hiányára történő hivatkozással a márkaérték jelenlegi számviteli kezelése, így a beszámolóban történő bemutatása megoldatlan még, pedig a gazdaság átalakulásának és a piaci igényeknek köszönhetően a márkaértékelésnek az elméletben és a gyakorlatban is számos módszere alakult ki. Jelen tanulmány célja, hogy gyakorlati példák segítségével megvizsgálja a márka jelentőségét a vállalat gazdálkodásában, értékének súlyát a társaság vagyonához*

képeket, valamint a standardalkotók által megfogalmazott akadályoknak, a megbízható mérési modell hiányának jogosságát. A kutatásban használt módszer a kvalitatív terepkutatás paradigmái közé tartozó esettanulmány elemzés módszere. Ennek segítségével két ismert márka példáján nyert igazolást, hogy a márka fontos szerepet tölt be a tulajdonos vállalatok üzleti döntéseiben. A vizsgált adatok rávilágítottak arra, hogy a márkaérték súlya kifejezetten jelentős a vállalat mérlegében szereplő vagyonának tükrében, ami indokolja, hogy a vállalatok érdekeltjei tájékoztatást kapjanak róla. Megállapítást nyert továbbá, hogy a jelenleg a márkaértékelő cégek által használt modellek eredményeinek szórása a mérlegben való megjeleníthetőség szempontjából túlságosan magas, így a márkaérték egyéb módon történő bemutatása javasolható. További kutatás tárgyát kell, hogy képezze, más vállalkozások márkaértékének esettanulmány módszerrel történő vizsgálata, ami alapot biztosíthat annak megtalálására, hogy mi lenne a leghatékonyabb módja annak, hogy a vállalatok érdekeltjei a márkaértékről információhoz juthassanak, kiküszöbölve ezzel a beszámoló hasznosságát e tekintetben érő kritikákat.

**Kulcsszavak:** márka, márkaérték, márkaértékelési modellek, számvitel, beszámoló, pénzügyi kimutatás.

**Abstract.** *Because of the economic and social changes in the past few decades, intangible assets, including the brand, play an increasingly decisive role in the economy, in the strategy formulation and in the business decisions of companies. Despite all of these, claiming the lack of a reliable measurement model, the current treatment of brand value in accounting, and thus its presentation in the financial statement is still unresolved, even though thanks to the transformation of the economy and market demands, many methods of brand valuation have emerged in theory and in practice as well. By using practical examples, the aim of this paper is to examine the importance of brands in the operation of companies, the weight of its value compared to the companies' assets, and the legitimacy of the obstacle formulated by the standard setters, who are stating the lack of a reliable measurement model. The method used in this research is the case study research method that belongs to the paradigms of qualitative field research. By using the example of two well-known brands, it was verified that the brand plays an important role in the business decisions of the owner companies. The examined data also highlighted that the weight of the brand value is particularly significant in the reflection of the companies' assets on the balance sheet, which proves that the stakeholders of the companies should receive information about it. Furthermore, it was concluded that the standard deviation of the results of the models currently used by the brand evaluation companies is too high in terms of the potential recognition on the balance sheet, so it is recommended to present the brand value in another way. The examination of the brand value of other companies using the case study method should be the subject of further research, which can provide a basis for finding the most effective way for stakeholders to get information about brand value, thereby eliminating criticisms of the financial statements' usefulness in this regard.*

**Keywords:** brand, brand value, brand valuation methods, accounting, financial statement.

**Problem statement.** In recent decades, both the economy and society have undergone significant changes. In parallel with technological development, with the domination of knowledge-based and service companies, intangible assets became the source of competitive advantage instead of tangible assets, and they played a decisive role in value creation [11]. Beside structural changes, globalization also has a significant impact on economic processes nowadays. With the fall of national borders, a wide range of products and services appeared on the markets. At the same time, however, the demand for uniqueness among the mass of products is growing continuously in the society, and intangible assets, especially the brands of companies play an important role in differentiation. Brands with their own identity and the feelings they convey, add such



additional value to a product or service that they have become a decision-influencing factor in addition to price and quality during the purchase process. Consequently, companies spend significant amounts of money on marketing activities and acquisition between them are increasingly aimed at purchasing the ownership of brands [6].

Despite the important role that brands play in the life and success of companies, their accounting treatment is unfortunately quite problematic, as certain groups of them cannot be recognized on the balance sheet. These include the brands that the company has built up on its own over many years and did not come into its possession at some point through purchase. The brand value cannot appear on the balance sheet in all cases, but several methods have been developed to measure it in recent decades. Specialized companies annually publish rankings about the world's most valuable brands.

By using practical examples, the aim of this paper is to examine the importance of the brand in the operation of companies, the weight of its value compared to the companies' assets, and the legitimacy of the obstacle formulated by the standard setters, who are stating the lack of a reliable measurement model. After a brief introduction of the theoretical framework, the paper answers the questions through the data of two chosen brands and the companies that own them, using one of the qualitative field research methods, which is the case study analysis. The study ends by drawing conclusions and identifying directions for further research.

**Literature review.** The subject of this research is the brand, its evaluation and treatment in accounting, therefore it is essential to operationalize the concept of brand. There are many definitions in the literature, for example, according to the American Marketing Association [2]: „A brand is a name, term, design, symbol, or any other feature that identifies one seller's goods or service as distinct from those of other sellers.”. When examining the value of the brand, a distinction must be made between the concepts of brand equity and brand value. As per Aaker [1] brand equity shows the significance of the brand for the consumer, i.e., it is embodied in the form of various associations, brand awareness and customer loyalty, and adds or subtracts from the value of the product or service. Brand value, on the other hand, describes the value of the brand from a financial point of view, it refers to how much would be paid for a given brand on the market. It is important to emphasize that these two values do not necessarily correlate with each other, and the current study focuses on the latter one.

In the system of USGAAP, which the examined companies prepare their reports in accordance with, the objective of financial statements is to provide useful information about the company to existing and potential investors, lenders, and other creditors for their decisions about providing resources to the entity [23]. What is considered useful information is determined by the qualitative characteristics laid down in Chapter 3 of the Conceptual Framework for Financial Reporting [24]. These include relevance, faithful representation, comparability, verifiability, timeliness, and understandability. To fulfil these requirements, the Statement of Financial Accounting Concepts No. 5 [22] formulates four fundamental recognition criteria: definitions, measurability, relevance, and reliability. In order for the brand to be recognized in the balance sheet, it should meet the definition of assets as formulated in Chapter 4 of the Conceptual Framework for Financial Reporting [25], it needs to have a relevant attribute measurable with

sufficient reliability and it needs to provide relevant information being representationally faithful, verifiable, and neutral. Furthermore, it needs to meet the expectations set in the standards in relation to recognition of intangible assets. According to the above mentioned criteria the brand purchased or acquired as part of a business combination can be recognized in the balance sheet, while internally generated brands cannot, as in the latter case the criterion of reliable measurement is not met [13], [20], [21].

The importance of brands in corporate strategy and business decisions, as well as the increasing number of brand acquisitions resulted the emergence of several brand valuation models in recent decades [16], [17]. The currently existing methods can be divided into three major groups: cost-based, market-based, and income-based methods. This grouping is followed by ISO 10668, the international standard for the regulation of brand valuation, which provides a number of guidelines for determining the financial value of a brand and specifies requirements so that they are reliable and consistent [3]. The family of income-based models is the most complex and widely accepted, and includes numbers of methods. All of them determines the brand value by discounting the estimated future income and profit [16], [17]. This group includes, for example, the royalty relief method, which is applied by Brand Finance from the brand evaluation companies used in this research. The complex model of other evaluation companies presented in this paper belong also to this approach.

Based on the above, it can be stated that the current treatment of the brand value in accounting, and its presentation in financial statements is unresolved, especially in the case of internally generated brands. Thanks to the work of brand evaluation companies, those interested in the top 100 brands (and their owner companies) can find current data about them, but no such external source of information is available for brands that do not belong to this group. The stakeholders of the latter significant group can rely only on the reports published by the companies themselves, so it would be important to find a solution for presenting their brands.

**Research aim and objectives.** By using practical examples, the aim of this paper is to examine the importance of the brand in the operation of companies, the weight of its value compared to the companies' assets, and the legitimacy of the obstacle formulated by the standard setters, who are stating the lack of a reliable measurement model.

**Methodology.** The current research examined the importance of brand value through practical examples. For this, based on the classification of Babbie [4], the qualitative field research and one of its paradigms, the case study research method was used.

The comparative analysis was made by examining public information of company reports and using the data appearing in the public rankings of the previously mentioned brand evaluation companies. In this context, the study refers to company reports that include the companies' consolidated financial statements, as well as other parts compiled on the basis of non-accounting rules.

During the selection of brands included in this research and the period of investigation, several aspects were taken into consideration. One of the reasons for the choice was that these brands are among the most valuable brands in the world based on





the annual rankings of brand evaluation companies, hence the problematic accounting treatment specifically impacts them due to the size of their value. The other important point was that the brands presented in this study are internally generated by the owner companies, which therefore cannot be recognized in the balance sheet. Moreover, since these are market-leading companies, it is unlikely that any other company will have the opportunity to do so through acquisition in the near future. For the sake of better comparability, it was also a factor in the selection that the companies owning the brands operate in a traditional and closely related industries, so the influence of market trends impacted them both equally. It was also important that both companies prepare their consolidated financial statements in accordance with the USGAAP standards. Overall, this is how the decision fell on the brands of Coca-Cola and McDonald's. Finally, regarding the time period covered by the research, it was focused on the years from 2011 to 2021, because it was thought that in this time period of more than ten years, trends can already emerge regarding the significance of brand value represents and where it is heading nowadays.

After a brief introduction of the brands in both case studies, the current research begins the analysis by learning about the companies' pricing policy and the role of brands in pricing. After that, the focus was on the consolidated financial statements of the companies, where this study examined what weight the brands represented in the operation of companies based on the details of balance sheet, income statement and the acquisition activity, and what additional information was published about them in the notes. In this process, not only accounting related details were used, but in some cases, the relevant information appearing in other parts was also taken into consideration. So overall, on the one hand, the subject of investigation was that what image the company report as a whole gave about the importance of branding, and on the other hand, how faithfully the financial statements reflected this.

At the end of the case studies, the focus of the analysis is how the value of the given brand evolved during the covered period and how large was the weight of these values compared to the assets of the companies. For this, the following rankings of four brand evaluation companies were used, which are always prepared based on the data of the previous financial year, so for the sake of comparability, the research worked here with a one-year slip:

- Brand Finance: Global 500 reports (2012-2022),
- European Brand Institute: Global Top 100 Brand Corporations reports (2012-2022),
- Interbrand: Best Global Brands reports (2012-2022),
- Kantar BrandZ: Top 100 Most Valuable Global Brands (2012-2022) reports.

The research covered the size of the values published by the evaluation companies, their development during the time, and the standard deviation between the brand values measured by different evaluators, thereby highlighting the problem of the subjectivity in the measurement. To demonstrate the importance of brand value, it was also examined in connection with the total assets, which indicates the value of the companies' assets on the balance sheet.

### **Results and discussions.**

**Case study of the brand Coca-Cola.** The brand of Coca-Cola is owned by The Coca-Cola Company. As it can be known from the form 10-K of the company [19], Coca-Cola products have been available in the United States since 1886 and are currently present in more than 200 countries around the world. Four of the five most popular soft drink brands in the world are owned by The Coca-Cola Company, which are Coca-Cola, Diet Coke, Sprite and Fanta. They have a very broad range of brands, their products include carbonated soft drinks, sports drinks, teas, coffees, energy drinks, dairy products, and water. Brands are either owned by the company or they have license to use them. The main activity of the company is the production and sale of soft drinks. On the one hand, the company sells concentrate and syrup, which are the bases of drinks, to independent, contracted bottling companies, who resell the finished products with the trademarks of Coca-Cola to consumers through a long distribution chain. On the other hand, they also directly sell finished products. Its competitors include many small and global companies, the largest ones are Pepsi, Nestlé and Danone.

**Pricing and the brand.** Looking at the role of brands through pricing, the strength of the brand Coca-Cola is clearly demonstrated by the fact that, according to the form 10-K, most of the contracts with bottlers entitle the company to flexible pricing of concentrate and syrup, as well as flexible determination of other terms of sales. To meet changing consumer needs, the company has also introduced an incidence-based pricing model, which can be impacted by many factors in addition to the own pricing of bottlers and the distribution chain.

However, Coca-Cola's pricing policy is also greatly impacted by its competitors, as it basically uses three different strategies at the consumer-end level, in which the brand itself also plays a decisive role. One of them is the so-called "meet-the-competition" pricing, when the company set the price of its products at a level similar to that of its competitors. Marketing and the brand, which try to convey a unique lifestyle to consumers, play a major role in differentiation. This is how the company achieves that customer perceive Coca-Cola as a premium, but still affordable product [12, 18].

Another popular method is the penetration price strategy, which the company uses to break into new markets. In this case, Coca-Cola set lower than average prices to get as many new customers as possible. They do this in markets with a high intensity of competition, or in places where the brand awareness is low [12, 18].

Finally, in new markets, Coca-Cola often uses skim pricing, when they set a higher price for their products than their competitors in order to gain attention from consumers and thereby increase brand awareness. If it reaches the desired level, then the company gradually reduces the prices back to the market level but creating the feeling of a premium product remains an important purpose in marketing activities [12, 18].

**Annual reports and the brand.** The company prepares its financial statements in accordance with US GAAP, and its shares are listed on the New York Stock Exchange. Thus, the form 10-K mentioned above must be prepared annually for the supervision of stock exchange. In addition to the financial statements mentioned above, companies must publish several forward-looking estimates and other information related to their operations.



In its form 10-K, The Coca-Cola Company, for example, defines its consumer marketing as one of the company's core capabilities, which aims to increase the awareness of its brands. Marketing investments are therefore important in the long-term growth of sales and market share. The aim of the company is to increase brand value in developing countries, and to increase profits in developed regions. For this reason, in developing countries, Coca-Cola invests in infrastructure and strives to differentiate its brands. The situation is similar in developed markets, but here the company does the same at a slower rate compared to the increase in profit.

This strategy is verified by the expenses of the company. If we examine the development of advertising costs, which are closely related to brand building and are included in selling, general and administrative expenses in the income statement - then on Table 1 it can be seen that the company spent money slowly but at a growing rate between 2011 and 2019, which level recovered again in 2021 after a minor decline in 2020. In addition to inflation, the nine-year continuous growth was impacted by the brand strengthening and branding decisions of the company, while the decline was due to the COVID-19 pandemic. Looking at the development of advertising expenses compared to the net operating revenues, a similar trend emerges. At the beginning of the decade, the company spent 7% of its revenues on advertising, which, apart from 2020, rose to 11-12% in the second half of the period.

**Table 1.**

**The development of advertising expenses and net operating revenues of The Coca-Cola Company from 2011 to 2021 (data in millions of USD)**

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Advertising expenses	3 256	3 342	3 266	3 499	3 976	4 004	3 958	4 113	4 246	2 777	4 098
Net operating revenues	46 542	48 017	46 854	45 998	44 294	41 863	36 212	34 300	37 266	33 014	38 655
Advertising expenses / Net operating revenues	7%	7%	7%	8%	9%	10%	11%	12%	11%	8%	11%

*Source: Own edition based on the forms 10-K of The Coca-Cola Company*

The importance of branding is also clearly visible from the balance sheet by looking at the line of trademarks. The weight of trademarks within the assets of the company has almost doubled over the years, from 8% to 15%, and they have shown a similar increase in value, as shown in Table 2.

**Table 2**

**Value and proportion of the The Coca-Cola Company's trademarks within the assets from 2011 to 2021 (data in millions of USD)**

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Indefinite-lived trademarks	6 430	6 527	6 744	6 533	5 989	6 097	6 729	6 682	9 266	10 395	14 465
Definite-lived trademarks	29	22	79	183	167	164	109	95	78	168	102
Total trademarks	6 459	6 549	6 823	6 716	6 156	6 261	6 838	6 777	9 344	10 563	14 567
Total assets	79 974	86 174	90 055	92 023	89 996	87 270	87 896	83 216	86 381	87 296	94 354
Total trademarks / Total assets	8%	8%	8%	7%	7%	7%	8%	8%	11%	12%	15%

Source: Own edition based on the forms 10-K of The Coca-Cola Company

According to the USGAAP standard SFAS 141, trademarks are often used as synonyms of the brand, although the regulation also emphasizes that the latter is a general marketing term and consists of many complementary elements, like trademarks, tradenames, or recipes. Trademarks are basically words, names and symbols that can distinguish products. [21]

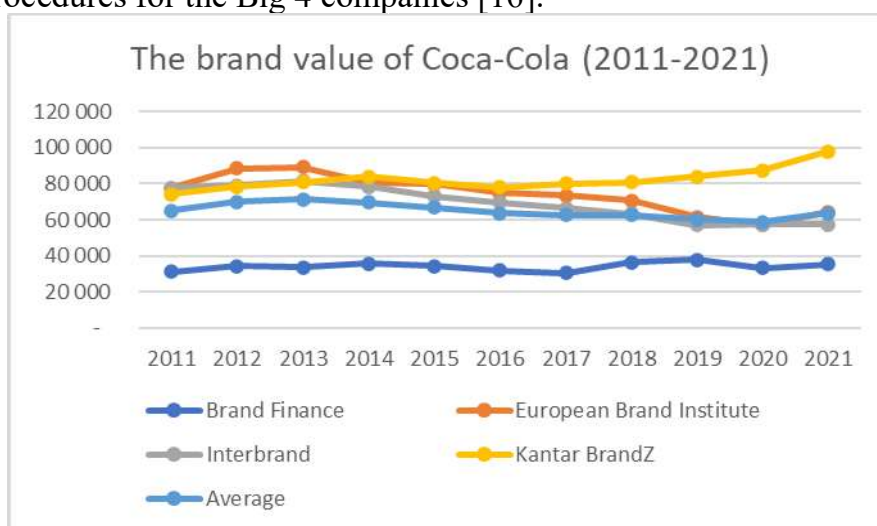
Bottlers and other third parties are licensed by the Coca-Cola Company to use these trademarks during production and sales. Their trademarks are basically valid until they are used, and their registration is maintained properly. The majority of these are therefore indefinite-lived trademarks, for which the impairment test is performed from time to time in accordance with USGAAP regulations. The fair value is determined using cash-flow model, and if it is lower than the carrying amount, an impairment charge is recognized on them.

The increase can be explained by the acquiring and investing activity of the company. For strategic reasons, bottling plants were also frequent targets of this activity in the last decade, but especially in the second half of the period, the role of trademarks was also important within the transactions. In 2015, for example, as part of a strategic partnership, the company acquired the distribution rights of the brand in certain areas from the energy drink manufacturer company Monster. Although these were presented as franchise rights in the balance sheet, Coca-Cola had to discontinue the sale of certain energy drink products as a result of the agreement, which caused a loss of 380 million dollars recognized on the trademarks. The next big deal was the purchase of the Costa coffee chain in 2019, when nearly half of the \$4.9 billion purchase amount, exactly \$2.4 billion was spent just on the trademark itself. In 2020, another significant transaction took place in terms of brands, when the company bought the remaining 57.5% stake in fairlife, LLC, which operates in the dairy industry, and allocated \$1.3 billion from the purchase price to the brand. In 2021, Coca-Cola also bought the remaining 85% stake in the company BA Sports Nutrition, LLC, thus owning 100% of the brand BodyArmor and the company dealing with production of sports drinks. The company allocated 4.2 billion from the purchase price of approximately 5.6 billion dollars to the trademark BodyArmor.

*The development of brand value.* In the case of brand Coca-Cola, there is a mixed picture regarding reliable measurement. As Figure 1 shows, Interbrand, Kantar BrandZ and the European Brand Institute have estimated values very close to each other in the



last decade. Brand Finance was the only one that calculated much smaller values than the others did. The differences should not be surprising, since each company works with a different model, in the case of Brand Finance it is rather the extent that is conspicuous. This does not mean that the values of Brand Finance are bad, as it should not be forgotten that they are the only ones to use the royalty relief method, which is one of the most accepted procedures for the Big 4 companies [16].



**Figure 1. The development of the Coca-Cola's brand value from 2011 to 2021 (data in millions of USD)**

Source: Own edition based on the reports of the four brand evaluation companies

Examining the differences in the figures of the four evaluation companies, it can be seen that their relative standard deviation is significant, being around 30% every year in the last decade. This may be huge for accounting estimates, but it is important to note that only one of the four companies had estimated values that differed significantly from the others. Looking at the estimates made by companies, there are small or large differences not only in the level of brand value, but also in the trend of its development. The estimates of the three companies measuring higher values started at almost the same level in 2011, then the figures of the European Brand Institute and Interbrand showed a decline, while the values of Kantar BrandZ showed an increase. At Brand Finance, however, the value stagnated like the average.

The stagnant average trend can be explained by that Coca-Cola has been a stable leader for a relatively long time in a traditional market, which market has small growth opportunities. Because of this, Coca-Cola is constantly slipping further and further behind in the brand value rankings. It must not be forgotten what Brand Finance already mentioned in its Global 500 report published in 2012, namely that health-conscious movements that have started in recent years can be a major obstacle to the spread of carbonated soft drinks. Responding to this with new products and brands, the company already launched sugar-free versions of its products, which were the Diet Coke and Coke Zero.

When comparing brand values with balance sheet data, in order to eliminate the subjectivity of the method used by different evaluation companies, this research worked

with the average of the four values. The average brand value compared to total assets in the balance sheet has always represented a significant ratio of 40-45% during the examined period.

**Case study of the brand McDonald's.** The owner of the brand McDonald's is McDonald's Corporation, which is one of the largest fast food restaurant chains in the world. According to the company's form 10-K [14], nearly 40,000 restaurants operate under this name in 119 countries. The chain is headed by McDonald's Corporation, which, although it operates restaurants itself as well, is mostly done by independent partners within the framework of franchise contracts. These agreements allow the contracting parties to serve their guests keeping an own decision authority, but using the McDonald's Corporation's business methods and the brand McDonald's itself.

**Pricing and the brand.** In its pricing policy, McDonald's does not strive to create a premium product feeling like Coca-Cola. Although the brand obviously plays an important role in differentiation, during pricing McDonald's aimed to convey the feeling of low prices and to have products with perceived affordability. [15]

**Annual reports and the brand.** In its forms 10-K, McDonald's Corporation highlights those assets that are extremely important from the business point of view. These include intellectual capital elements such as trademarks, patents, and trade secrets. Among these, the McDonald's trademark and logo are highlighted especially. Trademarks are usually valid until they are properly registered, while patents and various licenses have varying lifetime. The brand itself is an important element in the future growth, and accordingly, in addition to foods, the brand also plays a central role in marketing. Among the business risks, the company highlights the failure to maintain the good reputation of the brand, as this can also have a negative impact on the financial results. The biggest threat to the brand is negative reviews and studies related to foods, ingredients, and their preparation process. The company highlights as an additional risk if it fails to adequately protect the assets belonging to its intellectual capital (patents, trademarks, trade secrets, etc.) that are meant to protect the brand against the external harmful effects.

The forms 10-K as a whole mark trademarks and brands as extremely important assets, but expressly the financial statements in them do not reflect much of this. There is no separate line in the balance sheet for these assets, at most they could be included in the miscellaneous category or in the value of goodwill. Looking at the acquisition activity of the company, only two acquisitions can be seen in the last decade, but these both were not motivated by the brand, but by the development of customer service.

In addition to the acquisitions, the company's advertising costs do not indicate that McDonald's Corporation's branding activities increased during the period under review. Within the advertising costs, the company highlights two categories. One type is when the company contributed with a certain amount to advertising campaigns in cooperation with others. However, as it can be seen in Table 3, their level fell by almost half.



**Table 3.**

**The advertising costs of McDonald's Corporation 2011-2021  
 (data in million USD)**

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Contributions to advertising cooperatives	768,6	787,5	808,4	808,2	718,7	645,8	532,9	388,8	365,8	325,5	377,6
Production costs for radio and television advertising	74,4	113,5	75,4	98,7	113,8	88,8	100,2	88	81,5	329,2	82,9

*Source: Own edition based on the forms 10-K of McDonald's Corporation*

The other category is the production costs for radio and television advertising, which are included in selling, general and administrative expenses, and whose size can be said to be rather stagnant. Only in 2020 was there a higher increase, that was due to the COVID-19 pandemic which negatively impacted the company. In order to get out of the difficult situation faster, the company spent 175 million dollars on marketing. The increase is also due to one-time costs that were incurred for the renewed communication strategy and marketing campaign related to the brand. Overall, however, the advertising activity shows that the company's aim is to maintain the brand's reputation, not to increase it.

Beside expenses, the revenues data also do not indicate that the importance of branding has increased significantly in the last decade. Revenues basically came from two sources: revenues generated by company-operated restaurants and fees paid by franchisees. The three components of the latter are rents, royalties in proportion to sales, and initial fees for opening restaurants or granting licenses. Unfortunately, the company did not provide specific data on what exactly the royalties are made up of, but presumably the fee for using the brand is also included in this. Examining the weight of royalties within franchise revenues, stagnation can be seen again, their proportion was between 33-36% throughout the period. Although the value of the received royalties, and probably among them the brand usage fees, increased – which could be the effect of either the change in prices or the quantity –, their weight within the franchise revenues did not change significantly, as Table 4 shows.

**Table 4.**

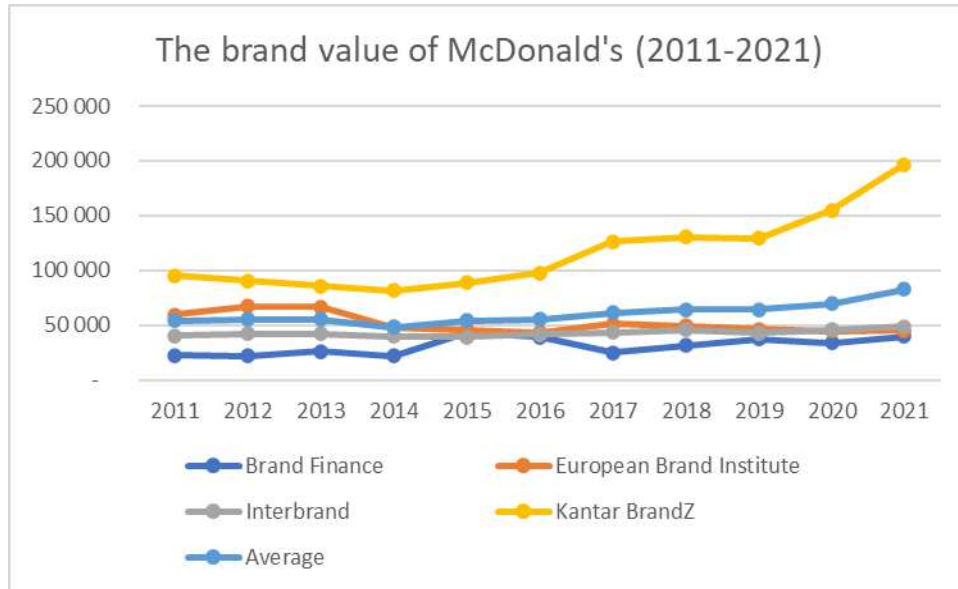
**Franchise revenues of McDonald's Corporation 2011-2021  
 (data in million USD)**

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Rents	5 718,5	5 863,5	6 054,4	6 106,7	5 860,6	6 107,6	6 496,3	7 082,2	7 500,2	6 844,7	8 381,1
Royalties	2 929,8	3 032,6	3 100,4	3 085,1	2 980,7	3 129,9	3 518,7	3 886,3	4 107,1	3 831,5	4 645,1
Initial fees	64,9	68,4	76,7	80,2	83,4	89,4	86,5	44,0	48,4	49,9	59,2
<b>Revenues from franchised restaurants</b>	<b>8 713,2</b>	<b>8 964,5</b>	<b>9 231,5</b>	<b>9 272,0</b>	<b>8 924,7</b>	<b>9 326,9</b>	<b>10 101,5</b>	<b>11 012,5</b>	<b>11 655,7</b>	<b>10 726,1</b>	<b>13 085,4</b>
Proportion of royalties within franchise revenues	34%	34%	34%	33%	33%	34%	35%	35%	35%	36%	35%

*Source: Own edition based on the forms 10-K of McDonald's Corporation*

*The development of brand value.* In the case of the brand McDonald's, it can also be seen that only less reliable data is available about the value of the brand. Looking at the data of the four evaluation companies, the relative standard deviation of their estimates was between 37% and 80% during the examined period. If these estimations were to be

used for accounting purposes, we would face once again with difficulties, since there are too large differences in measurement, as it can be seen in Figure 2.



**Figure 2. The development of the McDonald's' brand value from 2011 to 2021 (data in millions of USD)**

*Source: Own edition based on the reports of the four brand evaluation companies*

Similarly to the case of Coca-Cola, Brand Finance measures the lowest value here again, but now it is not them whose data stands out the most, but rather Kantar BrandZ which estimated the value of the brand McDonald's significantly higher than the others. However, with the exception of Kantar BrandZ, there is mostly agreement among companies regarding the development of brand value. Looking at the average values, it can be said that the value of the brand McDonald's increased slightly in the last year, but overall, like of Coca-Cola, it stagnated. This is probably due to the fact that the brand is already in the mature stage of its life cycle, with little growth opportunities. The spread of a health-conscious lifestyle can also be a big challenge for McDonald's, which they try to respond to by continuously updating their portfolio of product.

Comparing the average of brand value to the value of total assets in the balance sheet, it can be seen that the ratio here is even more significant, it was between 57-66% during the period.

**Conclusions and prospects for further research.** Comparing the two case studies presented above, it is clear that the pricing policies of the two companies differ, but both emphasize the role of the brand and its distinctive ability.

Examining the link between the reports and the respective brands, it can be concluded that both The Coca-Cola Company and McDonald's Corporation consider branding to be crucial in the success of their business, but in the case of the latter, the financial statements within forms 10-K do not reflect this neither in the presentation of assets, nor in the development of advertising costs and franchise revenues. The main reason for this is that according to USGAAP regulations, internally generated brands cannot be recognized in the balance sheet.





Looking at the data published by the evaluation companies, it can be seen in the case of both brands that although their value can be said to be rather stagnant, however in terms of size, we can still talk about significant items worth billions of dollars. It may be a surprising figure that the average value of the brand Coca-Cola estimated by evaluation companies represented a ratio between 40-45% compared to the total assets throughout the examined period. In the case of the brand McDonald's the ratio was even higher, 57-66%. It is also important to emphasize that the relative standard deviation of the values estimated by the brand evaluation companies was very large, so it can be concluded from the examples of Coca-Cola and McDonald's that concerns about reliable measurement arise from the part of the standard setters rightfully.

The assumed size of the brand value and its weight compared to the total assets in the balance sheets definitely proves that the stakeholders of the companies should receive information about it, but due to the high standard deviation experienced between the estimations, it can be seen that it cannot be reliably included as part of the balance sheet due to the subjectivity arising in the valuation models. At the same time, integrated reports can provide an opportunity for this. The examination of the brand value of other companies using the case study method should be the subject of further research. If similar results are found there, then the subject of future research could be to examine what would be the most effective way for stakeholders to get information about brand value, thereby eliminating criticisms of the financial statements' usefulness in this regard. This would be necessary mostly in the case of brands (and their owner companies) not included in the top 100, since in their case no external information is available on the brand value, so the stakeholders can rely only on the reports published by the companies themselves.

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