

Following are the supplemental consolidated financial results of Microsoft Corporation on an unaudited pro forma basis, as if the acquisition had been consummated on July 1, 2015:

(In millions, except earnings per share)

Year Ended June 30,	2017	2016
Revenue	\$ 91,668	\$ 88,652
Net income	20,894	15,383
Diluted earnings per share	2.67	1.92

These pro forma results were based on estimates and assumptions, which we believe are reasonable. They are not the results that would have been realized had we been a combined company during the periods presented and are not necessarily indicative of our consolidated results of operations in future periods. The pro forma results include adjustments related to purchase accounting, primarily amortization of intangible assets. Acquisition costs and other nonrecurring charges were immaterial and are included in the earliest period presented.

#### NOTE 10 — GOODWILL

Changes in the carrying amount of goodwill were as follows:

(In millions)	June 30, 2015	Acquisitions	Other	June 30, 2016	Acquisitions	Other	June 30, 2017
Productivity and Business Processes	\$ 6,309	\$ 443	\$ (74)	\$ 6,678	\$ 17,072 <sup>(a)</sup>	\$ (11)	\$ 23,739
Intelligent Cloud	4,917	549	1	5,467	49	39	5,555
More Personal Computing	5,713	100	(86)	5,727	115	(14)	5,828
Total	\$ 16,939	\$ 1,092	\$ (159)	\$ 17,872	\$ 17,236	\$ 14	\$ 35,122

(a) Includes goodwill related to LinkedIn and other acquisitions. See Note 9 – Business Combinations for further information.

The measurement periods for the valuation of assets acquired and liabilities assumed end as soon as information on the facts and circumstances that existed as of the acquisition dates becomes available, but do not exceed 12 months. Adjustments in purchase price allocations may require a change in the amounts allocated to goodwill during the periods in which the adjustments are determined.

Any change in the goodwill amounts resulting from foreign currency translations and purchase accounting adjustments are presented as “Other” in the above table. Also included in “Other” are business dispositions and transfers between business segments due to reorganizations, as applicable.

Our accumulated goodwill impairment as of both June 30, 2017 and 2016 was \$11.3 billion.

#### Goodwill Impairment

We test goodwill for impairment annually on May 1 at the reporting unit level, primarily using a discounted cash flow methodology with a peer-based, risk-adjusted weighted average cost of capital. We believe use of a discounted cash flow approach is the most reliable indicator of the fair values of the businesses. Effective May 1, 2017, we prospectively adopted accounting guidance that simplifies our goodwill impairment testing by eliminating the requirement to calculate the implied fair value of goodwill (formerly “Step 2”) in the event that an impairment is identified. Instead, an impairment charge is recorded based on the excess of the reporting unit’s carrying amount over its fair value.

No instances of impairment were identified in our May 1, 2017 or May 1, 2016 test. During fiscal year 2015, we recorded impairment charges of \$5.1 billion related to goodwill in our previous Phone Hardware reporting unit. Phone Hardware goodwill is included in the Devices reporting unit within More Personal Computing under our current segment structure.