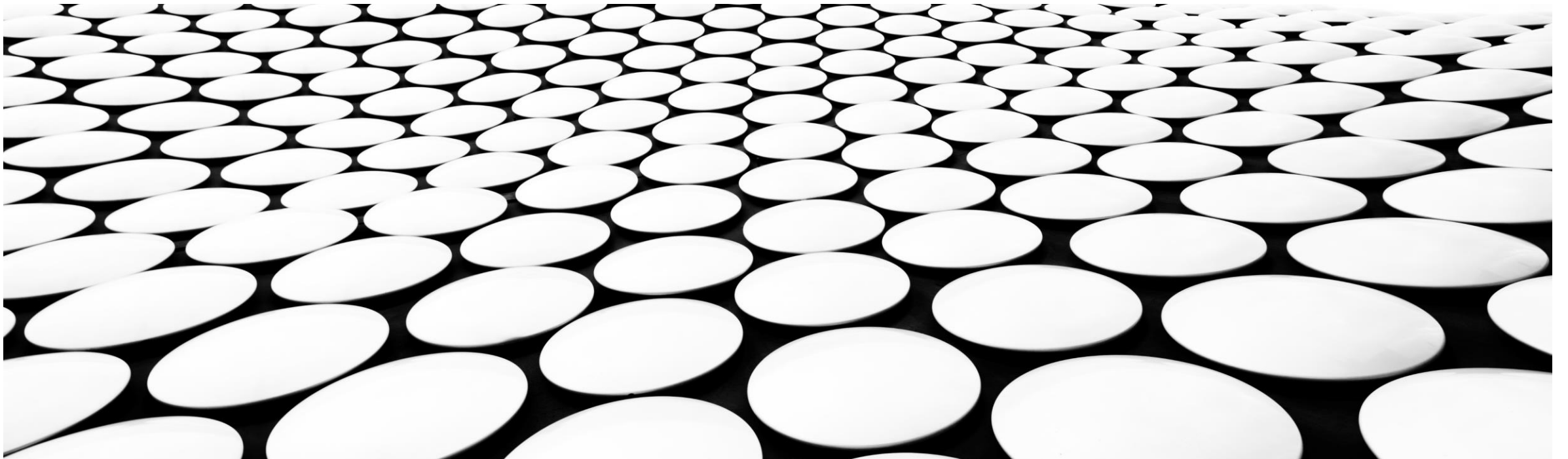

INTERNATIONAL FINANCIAL REPORTING STANDARDS

INTANGIBLE ASSETS – IAS 38

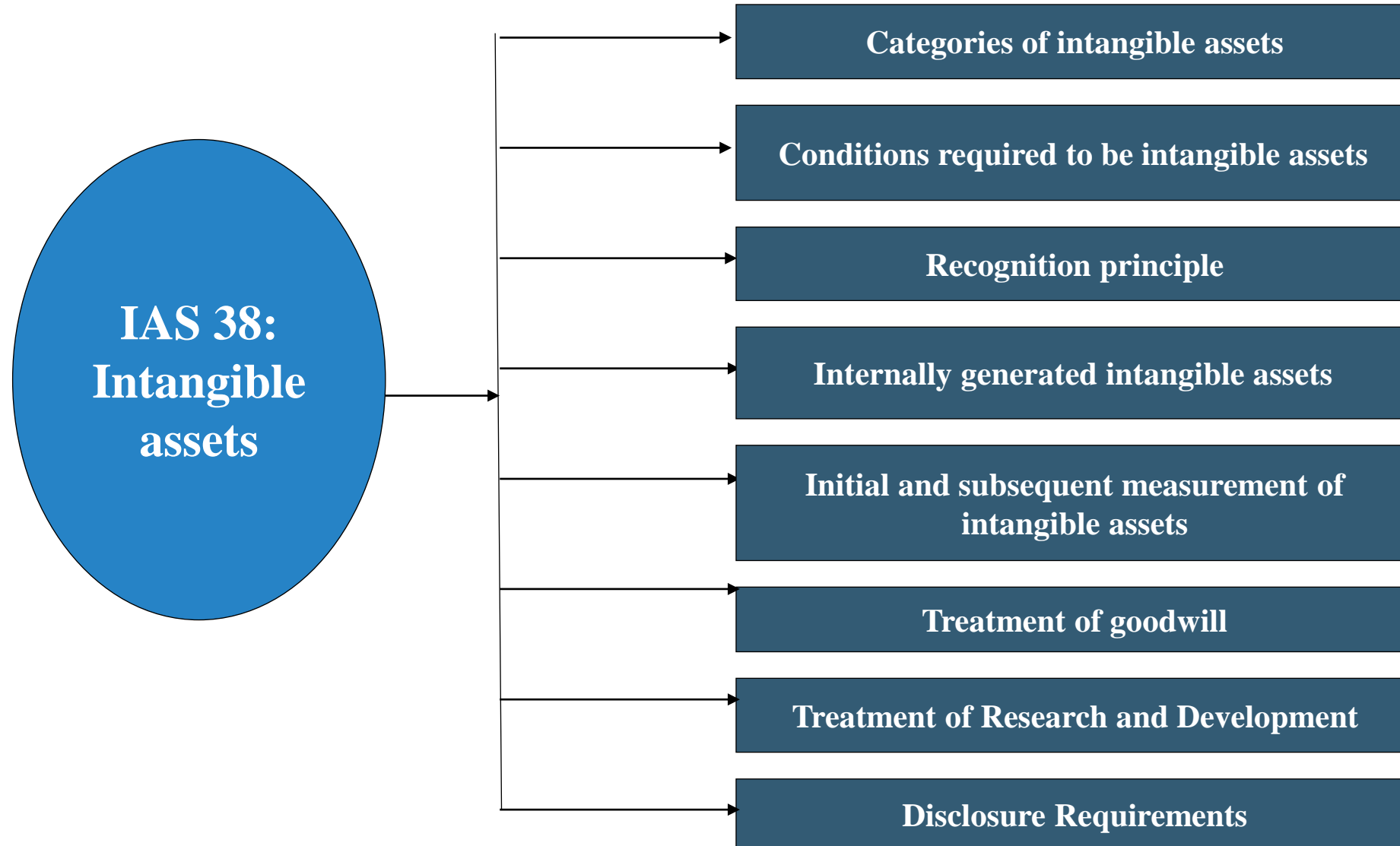
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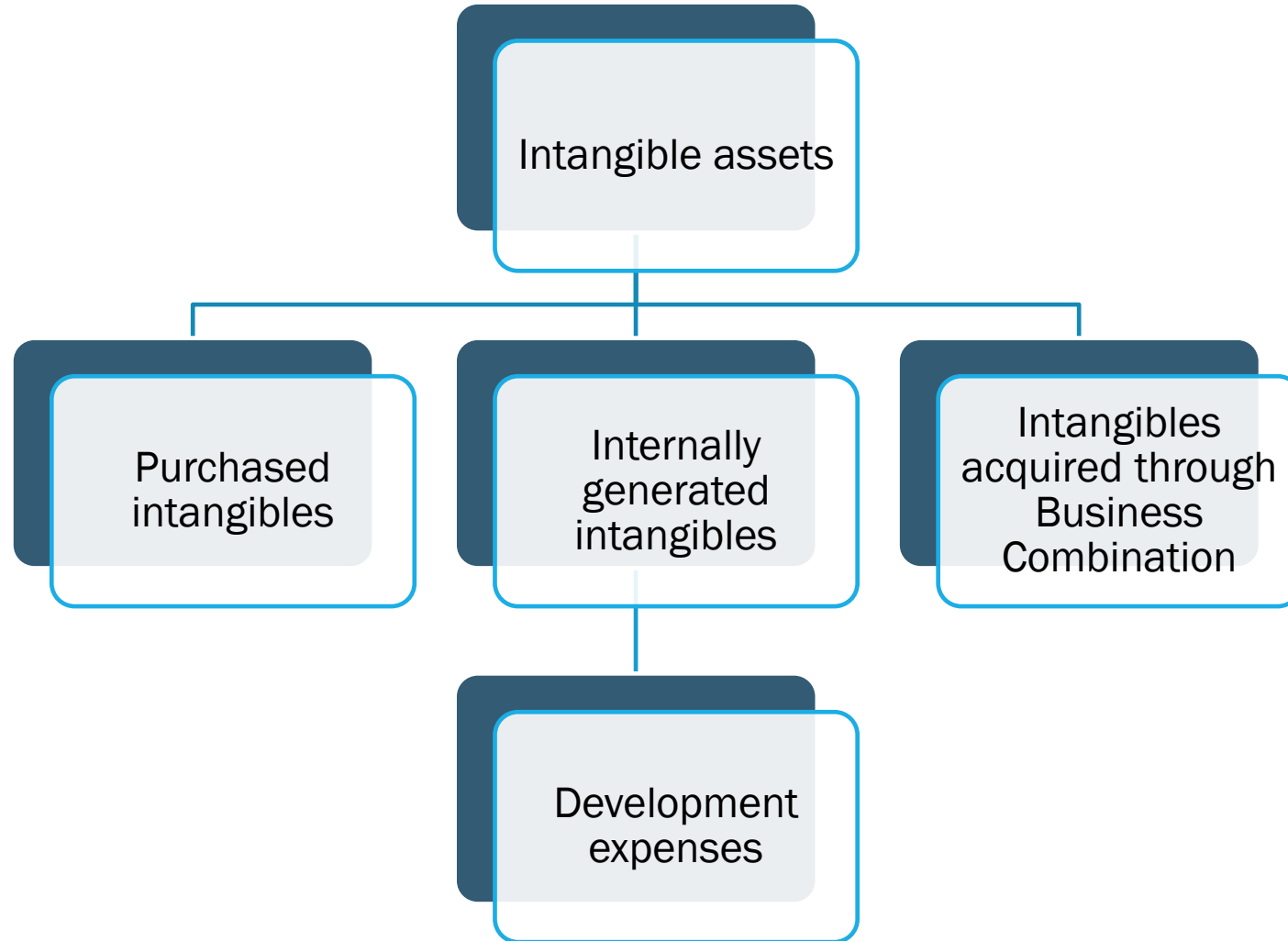


INTERNATIONAL FINANCIAL REPORTING STANDARDS INTANGIBLE ASSETS - IAS 38

INTANGIBLE ASSETS



INTANGIBLE ASSETS - CATEGORIES



INTANGIBLE ASSETS

CONDITIONS TO BE SATISFIED

Identifiable

- Must be separable or
- Arise due to contractual / legal rights

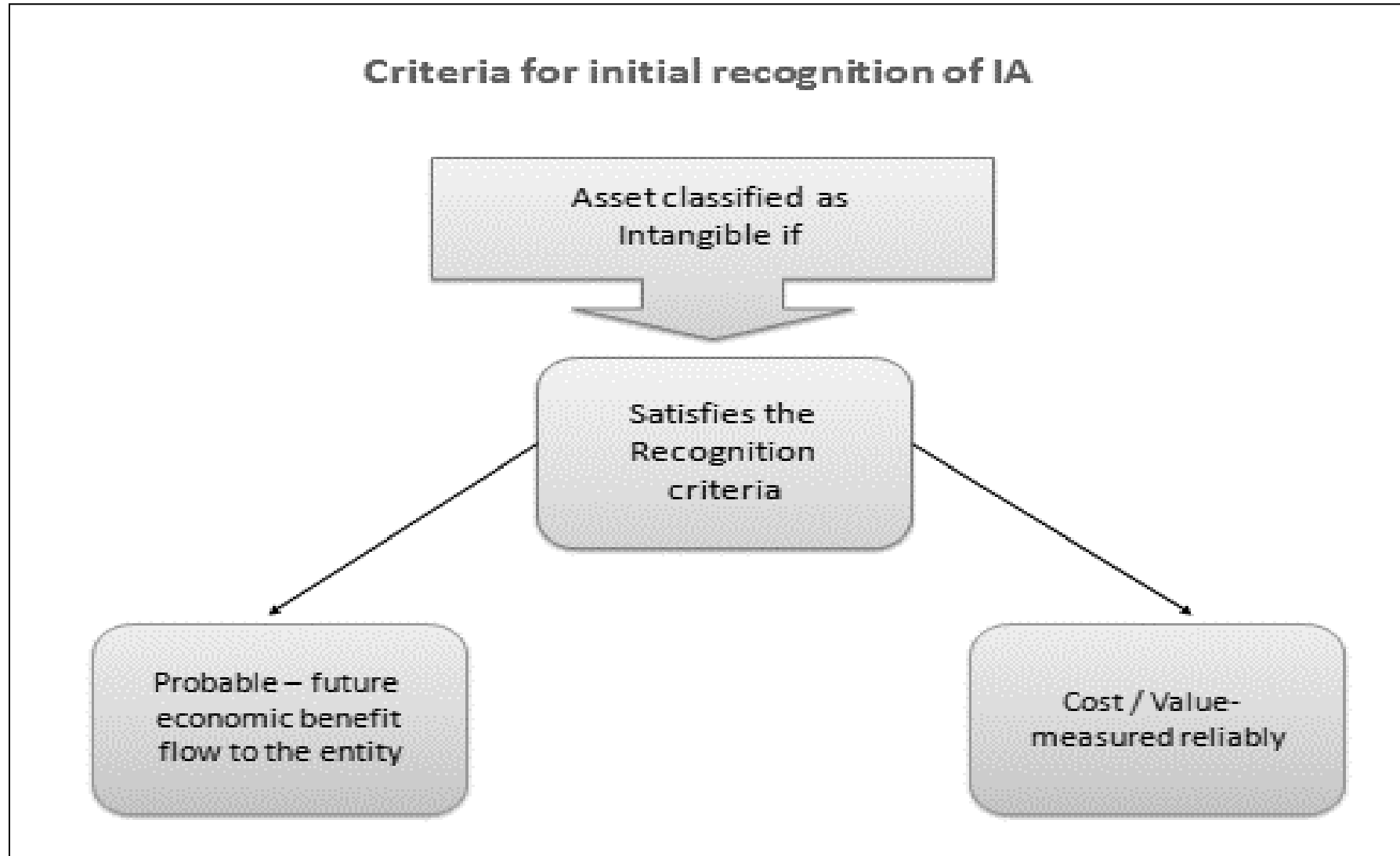
Control

- Power to obtain future economic benefits and
- Power to restrict access of others to such benefits

Existence of Future economic benefits

- Revenue from sale of products / services
- Cost savings
- Other benefits resulting from use of these assets

INTANGIBLE ASSETS RECOGNITION PRINCIPLE



INTANGIBLE ASSETS

INTERNALLY GENERATED INTANGIBLE ASSETS

Cost of Internally generated intangible assets

- expenditure on materials and services used or consumed in generating the intangible asset.
- the salaries, wages, and other employment related costs of personnel directly engaged in generating the asset
- any expenditure that is directly attributable to generating the asset, such as fees to register a legal right and the amortization of patents and licenses that are used to generate the asset; and
- overheads that are necessary to generate the asset and that can be allocated on a reasonable and consistent basis to the asset allocation of overheads are made on bases similar to IAS 2 and IAS 23.

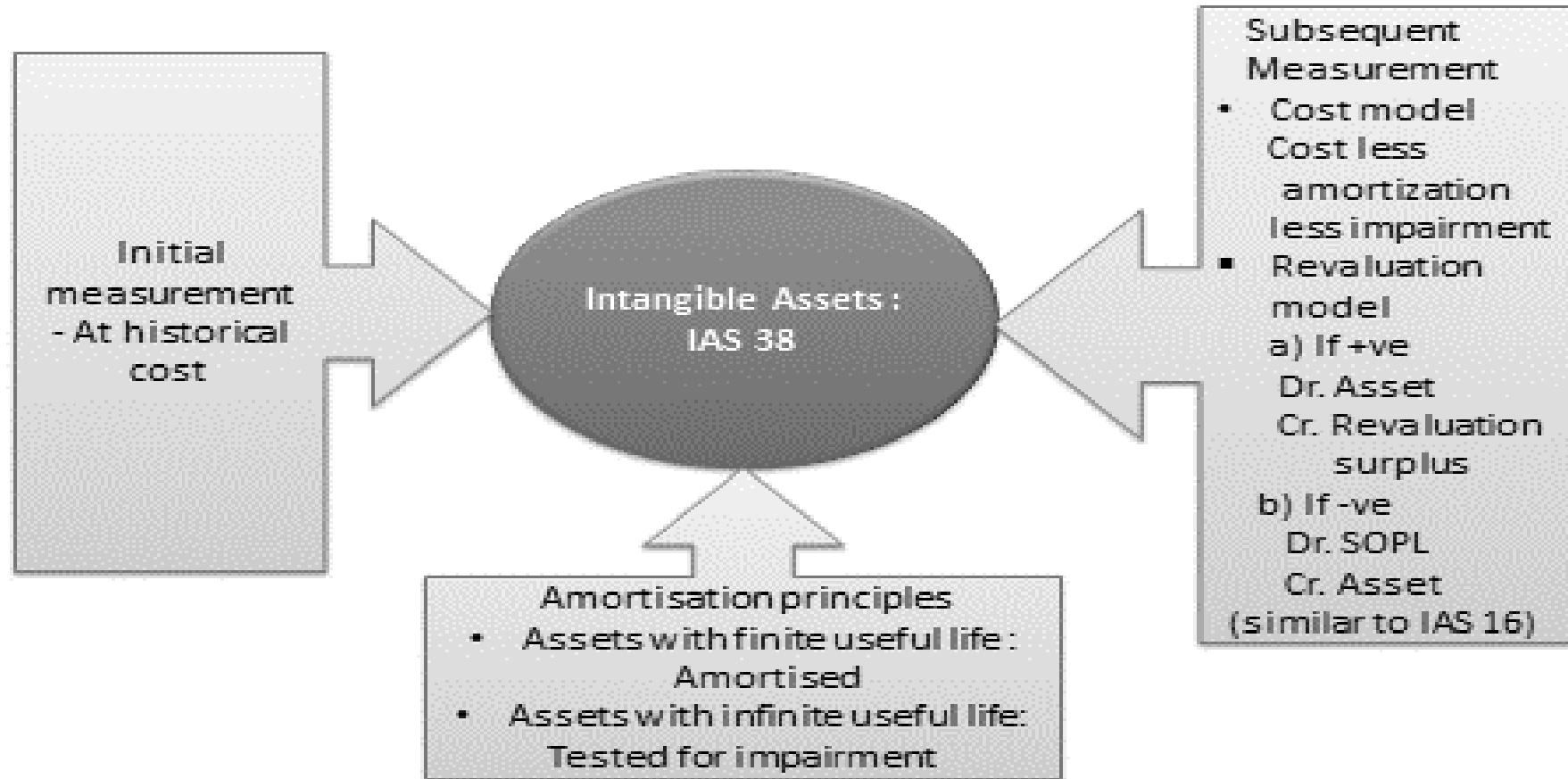
The following are not components of costs of an internally generated intangible asset:

- selling, administrative and other general overhead expenditure unless this expenditure can be directly attributed to making the asset ready for use;
- clearly identified inefficiencies and initial operating losses incurred before an asset achieves planned performance; and
- expenditure on training the staff to operate the asset.

INTANGIBLE ASSETS

MEASUREMENT OF INTANGIBLE ASSETS

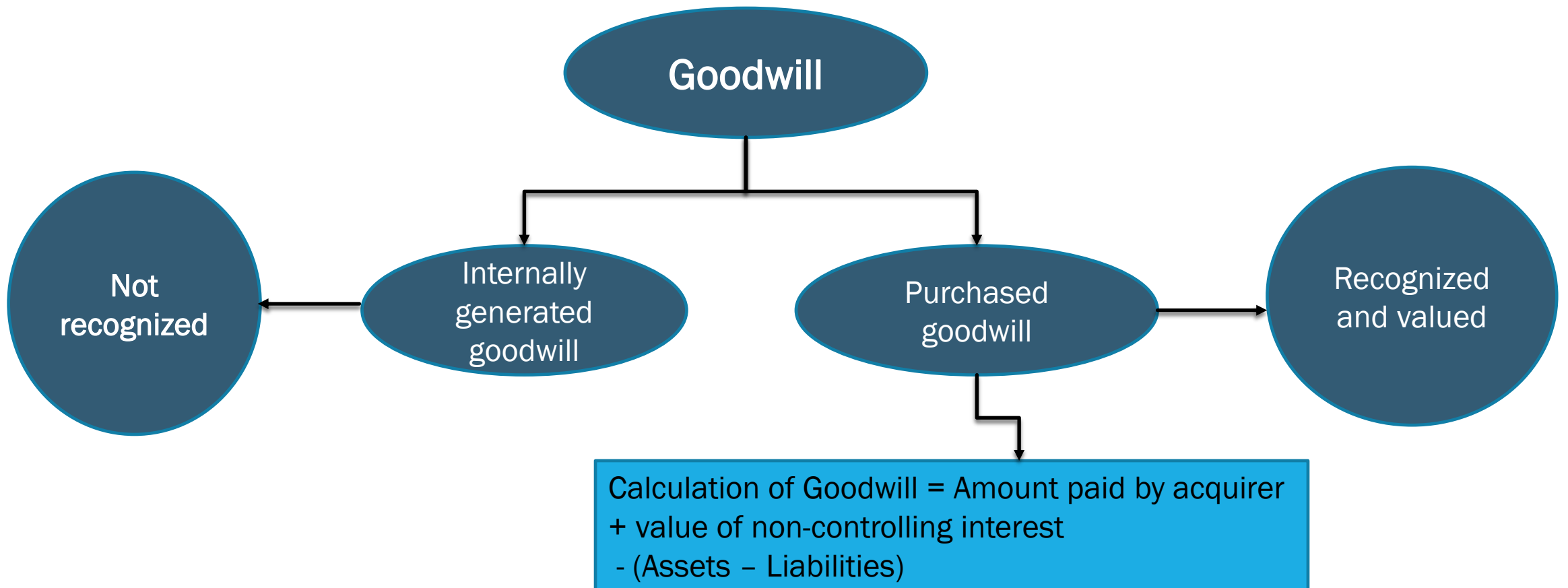
Measurement Principles



INTANGIBLE ASSETS

GOODWILL

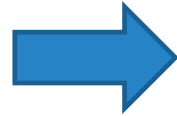
Goodwill is an asset representing the future economic benefits arising from other assets acquired in a business combination that are not individually identified and separately recognized.



INTANGIBLE ASSETS

RESEARCH AND DEVELOPMENT EXPENSES

Research expenses



No intangible asset arising from research (or from the research phase of an internal project) should be recognised. Expenditure on research (or on the research phase of an internal project) should be recognised as an expense when it is incurred.

INTANGIBLE ASSETS

RESEARCH AND DEVELOPMENT EXPENSES

Development
expenses



An intangible asset arising from development (or from the development phase of an internal project) should be recognised if, and only if, an enterprise can demonstrate all of the following:

- (a) the technical feasibility of completing the intangible asset so that it will be available for use or sale,**
- (b) its intention to complete the intangible asset and use or sell it;**
- (c) its ability to use or sell the intangible asset,**
- (d) how the intangible asset will generate probable future economic benefits. The enterprise should demonstrate the existence of a market for the output of the intangible asset or the intangible asset itself or, if it is to be used internally, the usefulness of the intangible asset,**
- (e) the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and**
- (f) its ability to measure the expenditure attributable to the intangible asset during its development reliably.**

INTANGIBLE ASSETS

EXPENSES ON INTANGIBLE ITEMS TO BE TREATED AS EXPENSES

Recognition and measurement	Narrative
Recognition	Probable that future economic benefits will not flow to the enterprise
Measurement	Recognized as expense unless expense is a part of the cost of the asset and meets recognition criteria
Examples	<ul style="list-style-type: none">a) Research costsb) expenditure on start-up activities (start-up costs), unless this expenditure is included in the cost of an item of fixed asset under IAS 16. Start-up costs may consist of preliminary expenses incurred in establishing a legal entity such as legal and secretarial costs, expenditure to open a new facility or business (pre-opening costs) or expenditures for commencing new operations or launching new products or processes (pre-operating costs);c) expenditure on training activities.d) expenditure on advertising and promotional activities; ande) expenditure on relocating or re-organising part or all of an enterprise.

INTANGIBLE ASSETS AMORTIZATION PRINCIPLES

Category	Narrative
Method	<p>The depreciable amount of an intangible asset should be allocated on a systematic basis over the best estimate of its useful life.</p> <p>Amortisation should commence when the asset is available for use.</p> <p>The amortization method used should reflect the pattern in which the asset's economic benefits are consumed by the enterprise.</p> <p>If that pattern cannot be determined reliably, the straight-line method should be used.</p> <p>The amortization charge for each period should be recognised as an expense unless another Accounting Standard permits or requires it to be included in the carrying amount of another asset.</p>
Assets with finite useful life	Amortized during the period of finite useful life.
Assets with infinite useful life	Needed to be tested for impairment.

INTANGIBLE ASSETS

PRINCIPLES OF IMPAIRMENT

Category	Narrative
Recoverability of the Carrying Amount —Impairment Losses	<ul style="list-style-type: none"><li data-bbox="912 434 2336 544">• To determine whether an intangible asset is impaired, an enterprise applies Accounting Standard on Impairment of Assets IAS 36.<li data-bbox="912 629 2336 958">• If an impairment loss occurs before the end of the first annual accounting period commencing after acquisition for an intangible asset acquired in an amalgamation in the nature of purchase, the impairment loss is recognised as an adjustment to both the amount assigned to the intangible asset and the goodwill recognised at the date of the amalgamation.<li data-bbox="912 1029 2336 1186">• The recoverable amount should be determined under Accounting Standard on Impairment of Assets and impairment losses recognised accordingly.

INTANGIBLE ASSETS

PRINCIPLES OF RETIREMENT AND DISPOSALS

Category	Narrative
Retirement and Disposals	<ul style="list-style-type: none"><li data-bbox="912 501 2270 661">• An intangible asset should be derecognized (eliminated from the balance sheet) on disposal or when no future economic benefits are expected from its use and subsequent disposal.<li data-bbox="912 729 2303 1003">• Gains or losses arising from the retirement or disposal of an intangible asset should be determined as the difference between the net disposal proceeds and the carrying amount of the asset and should be recognised as income or expense in the statement of profit and loss.

INTANGIBLE ASSETS

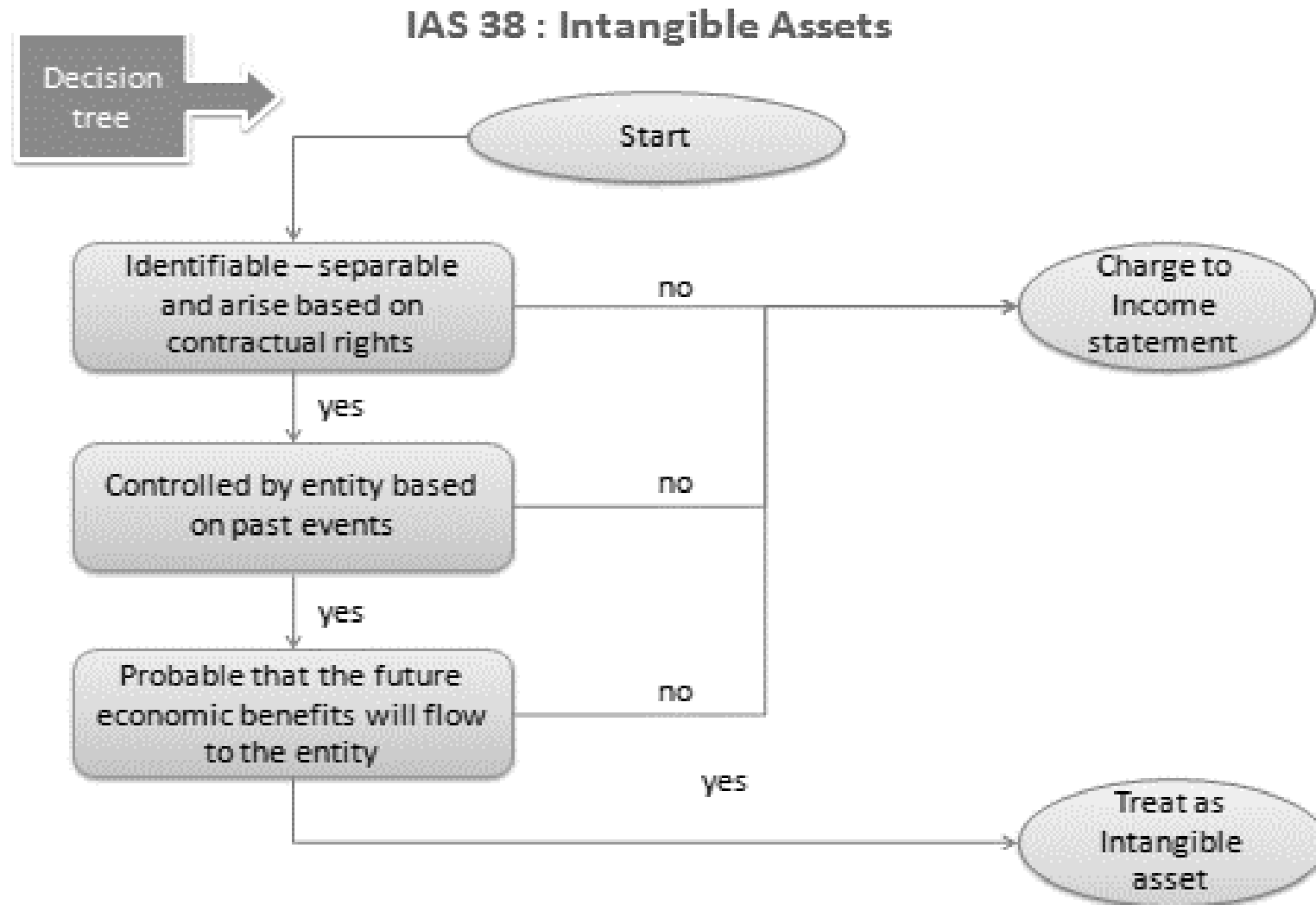
DISCLOSURE REQUIREMENTS

Category	Narrative
Disclosure Requirements	<p>The financial statements should disclose the following for each class of intangible assets, distinguishing between internally generated intangible assets and other intangible assets:</p> <ul style="list-style-type: none">(a) the useful lives or the amortization rates used;(b) the amortization methods used;(c) the gross carrying amount and the accumulated amortization (aggregated with accumulated impairment losses) at the beginning and end of the period;(d) a reconciliation of the carrying amount at the beginning and end of the period showing:<ul style="list-style-type: none">(i) additions, indicating separately those from internal development and through amalgamation;(ii) retirements and disposals;(iii) impairment losses recognised in the statement of profit and loss during the period (if any);(iv) impairment losses reversed in the statement of profit and loss during the period (if any);(v) amortization recognised during the period; and(vi) other changes in the carrying amount during the period.

INTANGIBLE ASSETS DISCLOSURE REQUIREMENTS

Category	Narrative
Disclosure Requirements (Continued)	<p>A class of intangible assets is a grouping of assets of a similar nature and use in an enterprise's operations. Examples of separate classes may include:</p> <ul style="list-style-type: none">(a) brand names;(b) mastheads and publishing titles;(c) computer software;(d) licenses and franchises;(e) copyrights, and patents and other industrial property rights, service and operating rights;(f) recipes, formulae, models, designs and prototypes; and(g) intangible assets under development. <p>The classes mentioned above are disaggregated (aggregated) into smaller (larger) classes if this results in more relevant information for the users of the financial statements.</p>

INTANGIBLE ASSETS DECISION TREE





THANK YOU!