

# AS-26

Name: Intangible Assets

## Objective

Prescribe acc. treatment for intangible assets that are not dealt with specifically in another AS

## Scope

### Exceptions

- Intangible assets held by an enterprise for sale [AS-2, AS-7]
- Deferred tax assets [AS-22]
- Leases [AS-19]
- GIW [ on amalgamation [AS-14]  
[ on consolidation [AS-21]
- Mineral rights
- IT assets in insurance

### - APPLIES TO

- exp. on adv, training, start-up cost
- research & development
- Right under licensing
- Patents, copyright, trademarks
- GIW

### Definition

Amortisation - systematic allocation of depreciable amt of an intangible asset over its useful life.

Impairment loss - amt by which carrying amount of an asset exceed its recoverable amount

financial asset

cash

- a contract to right to receive cash
- a contract right to ex financial instrument
- an ownership int in another enterprise.

Intangible assets

- do identifiable
- non-monetary asset
- without physical substance
- held for use in prod<sup>n</sup> ~~pro~~ or supply of goods or services
- or for rental to others
- or for admin purposes

Recognition

- If it is probable that future economic benefit will flow to enterprise
- cost can be measured reliably

### Seperate acquisition

- Cost of IA
  - Purchase price
  - + Import duties [NOT recoverable]
  - + directly attributable exp

Professional fees

- (-) discount
- (-) rebate

### Acquisition on Amalgamation

- when in nature of purchase - covered by AS-14
- According to AS-26

If any Intangible asset meet recognition criteria ; ✓ &

the cost of an IA acquired as part of amalgamation in nature of purchase not measured reliably asset not recognised as seperate IA but incl. in G/W.

### Acquisition by Govt - Grant AS-22

recorded at nominal value ; OR  
acq. price  
+ any exp incurred

### Exchange of asset - AS-10

## Internally generated Intangible Assets

### Research Phase

- original & planned investigation
- NO intangible asset arising from ~~research phase~~ should be recognised.
- expense of research - expensed out

### Development Phase

- application of research findings
- to a plan/design
- for prod<sup>n</sup> of new improved materials, devices, processes, systems, services
- prior to commencement of
- commercial prod<sup>n</sup> / use.

### Recognised only if

- technical feasibility of completing IA ~~or~~
- intention to complete & use or sell it
- ability to use or sell it
- existence of market or P of IA
- availability of technical, financial to complete the development & use it or sell it
- ability to measure exp. attributable to it

## Cost of self generated IA

expenditure incurred from time when IA first meets the recognition criteria

### Comprises

all exp attributable, allocated to create, produce & make IA ready for use

### Cost includes

- exp. on material & services used
- Salaries, wages & other employment related costs
- exp. directly attributable
- overheads that are necessary to generate Asset

### NOT included in cost

- S & D, admin & general OH
- Clearly identified inefficiencies &
- initial operating losses
- exp. on training the staff

if an enterprise not able to distinguish research & development phase & exp. to be treated as if incurred in research phase only.

Date: \_\_\_\_\_

## Recognition of an expense

- exp recognise as it incurred unless
  - It forms part of cost
  - It is attributed to G/W as on date of acq.  
(in case of amalgamation: Nature of purchase)

## Subsequent exp.

- exp incurred after purchase or completion recognised in cost of asset; only if
  - It is probable that exp. will enable the asset to generate future economic benefit in excess of its originally assessed standard
  - Expenditure to be measured & attributed to asset reliably

## Carrying amt cost

- (-) accumulated amortisation
- (-) accumulated impairment loss

## Amortisation Period

cannot exceed 10 years, unless clear evidence available

## Method

- SIM
- WDV
- unit of prod<sup>n</sup>

## Residual value

cannot be more than '0', unless

(a) - there is a commitment by third party to purchase asset at end of useful life.

**OR**

(b) - there is active market for asset

**AND**

- (i) residual value → with reference to market
- (ii) Probable that market will exist at end of useful life

## Retirement & Disposal

if

- disposed
- when no future benefits expected

## Disclosure

- useful life
  - amortisation method
  - Gross carrying amt & acc. dep<sup>n</sup> + acc. impairment losses
  - reconciliation of carrying amt. showing:
    - additions
    - retirement, disposals
    - impairment losses
  - amortisation
  - other changes
- [ recognised ] during the year  
reversed

## Other disclosures

- If amortised over more than 10 years then, reason & factors to such decision
- description 

|   |                               |
|---|-------------------------------|
| ┌ | carrying amt                  |
|   | remaining amortisation period |
- existence & carrying amt of \$A  
whose title is restricted & pledged
- amt. of commitments