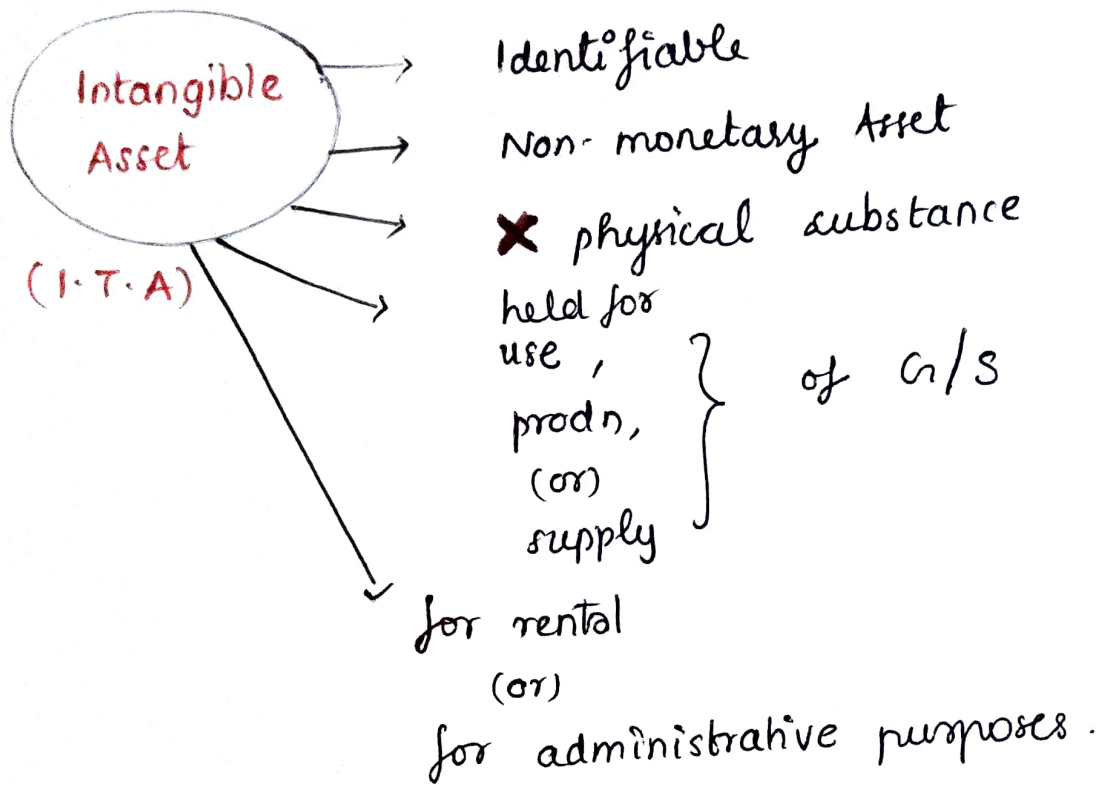


AS 26: Intangible Assets



Recognition & Initial Measurement of an I.T.A

IF & ONLY IF

@ COST

- ✓ FEB flow to enterprise
 - ✓ COST of asset measured
- Reliability

(+)

- ✓ definition of I.T.A satisfied

Cost of Intangible Asset :

1. Procurement / Separate Acquisition

Purchase Price

- (+) Import duties & other taxes (non refundable)
- (+) Directly attributable expns (for ready to use)
- (-) Trade disc. & rebates.

2. Acquired in exchange of shares / other securities

FMV of Asset given / securities issued

(OR)

FMV of Asset acquired

} whichever

clearly evident



3. By way of govnt. grant.

I.T.A acquired free of charge (or) for Nominal Consideration

- Acqn Cost (or)
 - NV
- includes directly attributable exp.
- } as appropriate.

Acquisition as part of Amalgamation:

Trf/ee Co.



Allocate consideration to individual identifiable assets & liabilities on basis of their **FV**



Active Market ✓

Active Market ✗

- ① Quoted M P
- ② current bid price
- ③ Price of most recently similar transaction

Amnt that enterprise would have paid

IF **FV** — ✗ measured reliability
Then **I.T.A** — ✗ recognised as separate I.T.A
but included in GOODWILL

Internally generated Goodwill

↳ ~~X~~ recognized as asset

bcuz

- ~~X~~ identifiable resource controlled by enterprise
- ~~X~~ measurable reliability @ COST.

Internally generated I.T.A

★ 2 phases — Research phase
Development phase.

★ Research Phase

NO I.T.A - arising from RP recognised

Instead

↳ Recognized as EXPENSE in P&L

★ Development Phase

I.T.A recognised IF & ONLY IF: all of following demonstrated by enterprise.

- (1) technical feasibility
- (2) intention to complete
- (3) ability to use / sell
- (4) probable FEB generated
- (5) ability to generate measure expenditure

attributable reliably

(6) availability of adequate technical, financial or other resources.

Note: ↷

Brands
Mastheads
Publishing titles
customer list



(NOT) RECOGNISED AS I.T.A

'bcuz it cannot be distinguished from cost of developing business as whole.

Cost of internally generated I.T.A

INCLUDE

All directly attributable expns

↳ like

- Expenditure on materials
- Expenditure on services used
- Salaries, wages & other 'ee related costs.
- Fees to register legal right
- Amortization of patents & licenses.

Exclude

- selling OH
- Adm OH
- other general OH
- initial operating losses
- Cost of staff training

Recognition of Expense

Expenditure on I.T.A - recognized as Expn when incurred

- * Expenditure on research - Expn ✓
- * Expenditure on start-up activities - Expn ✓
(start up costs)
 - Preliminary expns
 - Legal & secretarial cost
 - Expn to open new facility
 - Expn for commencing new operation / product

- * Expenditure on training activities - Expn ✓
- * Expenditure on advertising & promotional activities - Expn ✓
- * Expenditure on relocating / reorganising - Expn ✓

Note:

Expenditure on I.T.A

recognized as Expn

in PY FS /
interim financial report

~~recognized as~~
part of COST of
I.T.A @ later date

Amortization

- Max. amortization period : 10 years
from date when asset is available for use.
- Amortization method :
 - ↳ SLM
 - ↳ Diminishing balance method
 - ↳ unit of production method .

- computer software.
& other I.T.A
susceptible to
technological obsolescence } useful life = short
[3-5 yrs]

Retirements and Disposals

- ▷ I.T.A disposed
(or)
X FEB expected } (eliminated from BS)
derecognised.
- ▷ Gain / Loss — arising from retirement / disposal
 - ↳ recognized as diff btw net disposal proceeds and carrying amnt.
 - ↳ recognised as **income / expense** in P&L

Imp't - note:

Some I.T.A may be contained in/on physical substance

- Compact disk (in case of computer software)
- Legal documentation (in case of license / patent)
- Film (in case of motion pictures)



- Cost of physical substance \Rightarrow **NOT SIGNIFICANT**
Physical substance containing I.T.A, though tangible in nature, is ~~can~~ treated as part of I.T.A
 \hookrightarrow ie, included in cost of I.T.A.

- In cases involving practically non-separable intangible & tangible elements in asset

professional judgement — ? element — PREDOMINANT

If Intangible element predominant

treated as
I.T.A

If tangible element predominant

treated as T.A
and accounted as per
AS 10.