



AS-26: INTANGIBLE ASSETS

Bs

software

MEANING OF INTANGIBLE ASSETS

It is an

- ✓ Identifiable → separate distinguish from gw i.e. Rent, sell, exchange etc
- ✓ Non monetary asset → Amt specified and Amt Recd. can differ paid
- ✓ Without any physical substance
- ✓ Held for economic benefits [i.e. either for use in production or supply of goods or services, for rental to others or for administrative purposes]
- ✓ Under the control of entity

Example: Goodwill, Trademarks, Patents, License, etc.

RECOGNITION CRITERIA

An intangible asset should be recognized if and only if

- ✓ It meets all the essential elements of an intangible assets Identifiable, Physical substance X, Non-monetary, Control ✓, use
- ✓ It is probable that future economic benefits will flow to the enterprise
- ✓ Cost of the asset can be measured reliably

AS-10
PPE

MEASUREMENT

In case of Direct Purchase

Initial → ecost
Subsequent → ecost (-) Amortisation

Computation of Cost of Intangible Asset

Purchase Price	xx
Add: Non-refundable Taxes	xx
Add: Directly attributable costs	xx
Less: Trade discounts and Rebates	(xx)
Cost of Intangible asset	xx

AS 10
PPE

In case of Exchange

Cost of Intangible Asset is

- ✓ FMV of Asset given / Securities issued

Pref:- 1st FMV asset given

2nd FMV asset recd.

3rd carrying amt → asset given

OR

- ✓ FMV of the Asset acquired

whichever is more clearly evident.

In case of Government Grant → AS 12 → later

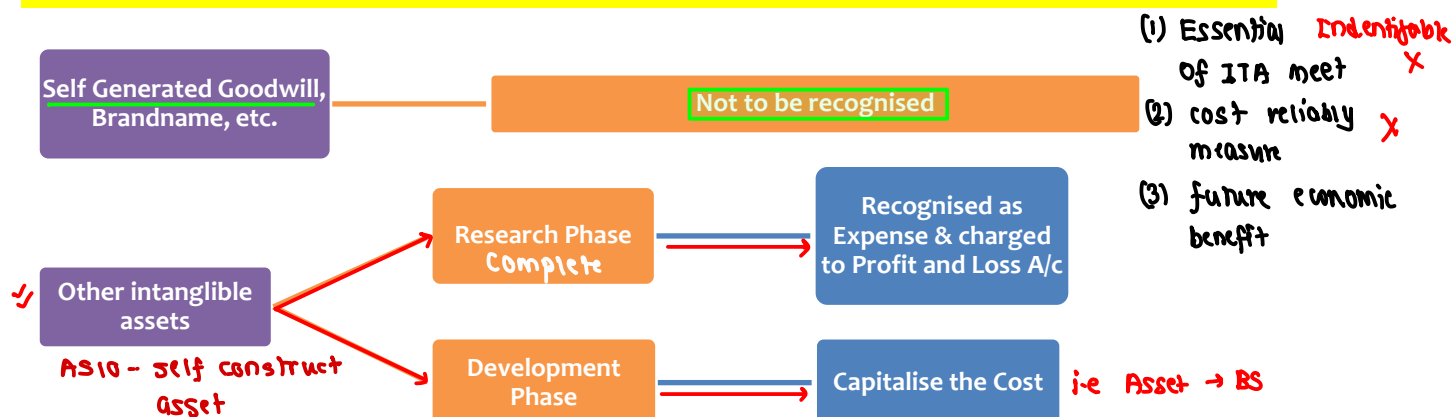
Given at concessional rate	On the basis of their acquisition costs
Given free of cost	Record at nominal value



Note: any subsequent expenditure shall be treated as Expense unless

- ✓ it is probable that the expenditure will enable the asset to generate future economic benefits in excess of its originally assessed standard of performance; and
- ✓ the expenditure can be measured and attributed to the asset reliably

INTERNALLY GENERATED INTANGIBLE ASSETS



Conditions of Development Phase:

1. Technical Feasibility established → Product or service, can it be implemented using available technology
2. Marketability Proved
3. Identification of cost incurred
4. Sufficient future revenue to cover cost FEB X
5. Intention to complete asset

ITA develop
Disclosure at lower of [During Development Phase]

- a) Cost Incurred
OR
- b) Recoverable amount [Present value of cash flows]
RM

Note:

1. Difference between cost and recoverable amount shall be transferred to P/L
2. If an enterprise cannot distinguish the research phase from the development phase, the expenditure should be treated as of research phase only.

AMORTISATION OF INTANGIBLE ASSETS

Depn → Tangible

Period of Amortisation

Software and website	3 - 5 Years
Goodwill arising under amalgamation in nature of purchase ✓	5 Years
Other Intangible assets	✓ ✓ 10 Years

BS	RMV	Amt paid £ 150L
Land 20L	100L	Net Asset £ 115L [100 + 45 - 30]
Loan 30L	Bldg 40L	GW £ 35L
	45L	

KAISE HOH RAJA ! ALL WELL & SET



Method of Amortisation

Reflecting pattern of consumption

[Example: in the ratio of future economic benefits, otherwise use SLM]

Note:

- ✓ Amortisation should commence when asset is available for use
- ✓ It will not exceed 10 years from the date when the asset is available for use unless there is persuasive evidence that intangible asset has higher useful life.

DERECOGNITION OF INTANGIBLE ASSETS

Intangible asset should be derecognized

- ✓ on disposal OR
- ✓ when no future economic benefits are expected from its use & subsequent disposal

Note: Difference between the net disposal proceeds and the carrying amount of the asset shall be transferred to Profit and Loss A/c

DISCLOSURE REQUIREMENTS

Kya राजा ! Ab Disclose कर ले ?

- ✓ The useful lives or the amortization rates used.
- ✓ The amortization methods used.
- ✓ The gross carrying amount & the accumulated amortization at the beginning & end of period.
- ✓ Reconciliation of carrying amount at beginning & end of period showing:
 1. Additions, indicating separately those from internal development and through amalgamation.
 2. Retirements and disposals
 3. Amortisation recognised during the period and
 4. Other changes in the carrying amount during the period



Q10

Patent \longrightarrow Cost ₹80,00,000

Amortisation \longrightarrow ₹10,00,000 p.a

\therefore carrying amount after 2 years = 80,00,000 E) 20,00,000
= ₹60,00,000

Year	Net cash flow	\therefore Amortisation
3	36,00,000	60,00,000 \times 36/200
4	46,00,000	46/200
5	44,00,000	44/200
6	40,00,000	40/200
7	34,00,000	34/200
	<u>2,00,00,000</u>	

CQ6

Year	120L/15	120/10
	Amortisation charged	correct
01/04/16 - 31/03/17	8L	12L
17 - 18	8L	12L
18 - 19	8L	12L
19 - 20	8L	12L
20 - 21	8L	12L
21 - 22 [CY]	8L	12L

prior period

31/03/22 \longrightarrow Amortisation A/c Dr. 4L (increase)

P&L A/c (Prior Period) Dr. 20L (4L \times 5)

To Intangible Asset 24L



Q15

Year	Cash flow	Amortisation	
1	300	$600L \times 300 / 1200$	150
2	300	$600L \times 300 / 1200$	150
3	300	$600L \times 300 / 1200$	150
4	150	$150L \times 150 / 375$	60
5	150	$150L \times 150 / 375$	60
6	75	$150L \times 75 / 375$	30
			<u>600L</u>

$$CA = 600L - 450L$$

$$= 150L$$



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Bs

software

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It is an

- ✓ Identifiable → Arised from gouv. contract → Telecom License / spectrum
- ✓ Non monetary asset → separate distinguish from gw i.e. Rent, sell, exchange etc
- ✓ Without any physical substance → Amt specified and Amt Recd. can differ paid
- ✓ Held for economic benefits [i.e. either for use in production or supply of goods or services, for rental to others or for administrative purposes]
- ✓ Under the control of entity

↓
If held for sale in ordinary course → AS 2

Example: Goodwill, Trademarks, Patents, License, etc.

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Identifiable. Physical substance X,
Non-monetary, Control ✓, use

AS-10
PPE

MEASUREMENT

In case of Direct Purchase

Initial → cost
Subsequent → cost + Amortisation

Computation of Cost of Intangible Asset

Purchase Price	xx
Add: Non-refundable Taxes	xx
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Cost of Intangible asset	xx

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whichever is more clearly evident.

In case of Government Grant → AS 12 → later

Given at concessional rate	On the basis of their acquisition costs
Given free of cost	Record at nominal value

Intangible Asset Acquired in exchange of share

ITA shall be recorded 1st FV of Asset Acquired

2nd FV of share given which ever is more clearly evident

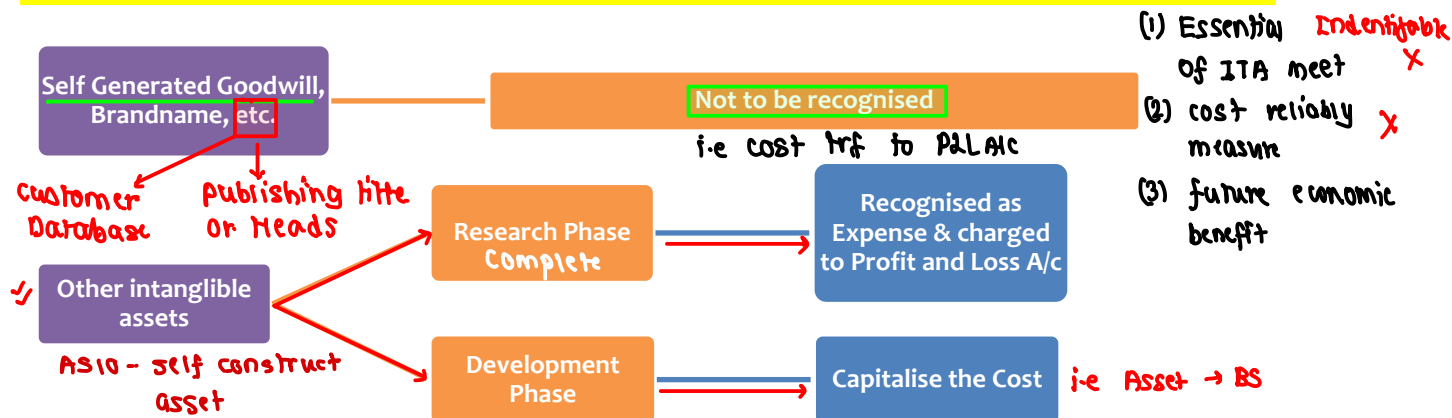
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ITA develop
Disclosure at lower of [During Development Phase]

a) Cost Incurred
OR
b) Recoverable amount [Present value of cash flows] [TVM]

AS 28
Impairment LOSS = CA - RA
↓
Higher of
(1) value in use [PV of Future CF]
(2) Net selling price

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 4. *Other changes in the carrying amount during the period*

* guidance no. :- Element which has more significance

<u>computer purchase with legal windows and microsoft office</u>	→ AS 10	AS 26
Hardware	PPE	ITA
<u>CD purchase with software</u>	→ AS 10	AS 26
Hardware	PPE	ITA

* Intangible Asset → windows legal vdhgaya → service → ₹2000 → P2L A/c
 ↳ Renewal [License] → one time → capitalise ✓
 ↳ annual → P2L A/c

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3



* Bekhawa / Chalawa

- (1) Research Expense
 - (2) Advertisement / Promotional Activity Expense
 - (3) Startup Expense to start co. for ITA development
- } P&L A/c

* Residual value

Q. silent → Assume Nil

But if Q. gives details

Regarding commitment of 3rd w.r.t acquisition of ITA after its useful life then we will consider it