IFRS AT A GLANCE
IAS 38 *Intangible Assets*

Also refer:
SIC-32 *Intangible Assets - Web Site Costs*

Effective Date
Periods beginning on or after 31 March 2004

IAS 38 *Intangible Assets*

SCOPE

Scope exclusions: financial and intangible assets covered by other IFRSs (IAS 2, IAS 12, IAS 17, IAS 19, IAS 32, IFRS 4, IFRS 5).

DEFINITIONS

Intangible assets - identifiable, non-monetary assets, without physical substance.

Assets - resources, controlled from past events and with future economic benefits expected.

Identifiable if either:

- Capable of being separated and sold, licensed, transferred, exchanged or rented separately
- Arise from contractual or other legal rights.

RECOGNITION AND MEASUREMENT

SEPARATE ACQUISITION

1. Probable - expected future economic benefits will flow to the entity; and
2. Cost can be reliably measured.

Recognition at cost.

ACQUIRED IN BUSINESS COMBINATION

1. Probable - always met if fair value (FV) can be determined; FV reflects expectation of future economic benefits.
2. Cost - FV at acquisition date.

- Acquirer recognises it separately from goodwill
- Irrespective of whether the acquiree had recognised it before acquisition.

INTERNALLY GENERATED

Research phase - expense costs as incurred.

Development phase - Capitalise if all criteria are met:

- Technical feasibility of completion of intangible asset
- Intention to complete
- Ability to use or sell the intangible asset
- Adequate technical, financial and other resources to complete
- Probable future economic benefits
- Expenditure measured reliably.

EXCHANGE OF

- Measure acquired asset at its fair value
- If not possible, at book value of asset given up.

INTERNALLY GENERATED

Internally generated goodwill is never recognised as it is not an identifiable resource that can be measured reliably.

Examples include:

- Internally generated brands
- Customer lists.

COSTS INCURRED UNEVENLY

Initially recognised at either:

- Fair value
- Nominal value plus direct expenses to prepare for use.

Examples include:

- License to operate national lottery
- Radio station.

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SUBSEQUENT ACCOUNTING

Finite useful life - Choose either amortised cost or revaluation model:

Cost model

- Determine useful life
- Residual value - assumed zero unless active market exists or a commitment by third party to purchase the intangible asset exists
- Determine amortisation method
- Review above annually
- Rebuttable presumption that revenue based amortization is inappropriate
- Amortisation method reflects the pattern in which future economic benefits are expected to be consumed.
- Amortisation begins when available for use.

Revaluation model

- Fair value at revaluation date
- Fair value determined by referring to active market
- If no active market, use cost model
- Revaluation done regularly
- The net carrying amount of the asset is adjusted to the revalued amount and
  - The gross carrying amount is adjusted in a manner that is consistent with the revaluation of the carrying amount of the asset. For example, the gross carrying amount may be restated by reference to observable market data or it may be restated proportionately to the change in the carrying amount. The accumulated amortisation at the date of the revaluation is adjusted to equal the difference between the gross carrying amount and the carrying amount of the asset after taking into account accumulated impairment losses
  - Accumulated amortisation is eliminated against the gross carrying amount.
- Credit to revaluation surplus net of Deferred Tax
- Transfer to retained earnings on realisation.

Indefinite useful lives

- No foreseeable limit to future expected economic benefits
- Not amortised
- Test for impairment annually or when an indication exists
- Review annually if events and circumstances still support indefinite useful life
- If no longer indefinite change to finite useful life.

OTHER

Past expenses cannot be capitalised in a later period.

Contact

For further information about how BDO can assist you and your organisation, please get in touch with one of our key contacts listed below.

Alternatively, please visit www.bdo.global where you can find full lists of regional and country contacts.

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