1. BACKGROUND

This chapter deals with accounting for intangible assets which is covered by three areas of regulation.

- **IAS 38 Intangible assets** prescribes the accounting treatment for intangible assets generally and includes accounting for research and development costs (once a separate accounting standard).
- **SIC 32** deals specifically with accounting for Web Site costs.
- Unique to South Africa is the issue of accounting for Black Economic Empowerment transactions which is regulated by local accounting practice.

Goodwill is perhaps the best known intangible asset, but this derives from different circumstances (a business combination) and therefore the calculation of and accounting for purchased goodwill is dealt with separately in Chapter 4 of this text.

Intangible assets in various guises exist in the statement of financial position of many companies and they can represent quite substantial values. These different guises are classified in IAS 38 as follows:

- Brand names;
- Mastheads and publishing titles;
- Computer software;
- Licences and franchises;
- Copyrights, patents and other industrial property rights, service and operating rights;
- Recipes, formulae, models, designs and prototypes; and
- Intangible assets under development.

Statements of financial position of companies involved in research and development activities often contain significant values attributed to intangible assets. For example, in the 2011 consolidated financial statements of Astra Zeneca (the world’s 5th largest pharmaceutical company), intangible assets of $11 billion represent 21% of the group’s total assets and is the single largest classification in the net assets section of their statement of financial position. In this case, the largest classification of intangibles is product, marketing and distribution rights.

In terms of the conceptual framework, the contentious area in respect of intangible assets is in meeting the recognition criteria in respect of the probability that future economic benefit associated with the item will flow to the enterprise. This is inevitably problematic particularly in terms of assessing the future cash flows associated with new products or technologies.

It is interesting to note that intangible assets can be acquired in FOUR distinct ways:

- Separate acquisition
- Acquisition as part of a business combination
- Acquisition by way of a government grant
- Internally generated intangible asset.
2. SCOPE

The following intangible assets are specifically excluded from the scope of IAS 38:

- intangible assets covered by another Standard;
- financial assets as defined in IFRS 9 Financial instruments;
- the recognition and measurement of exploration and evaluation assets (see IFRS 6 Exploration for and Evaluation of Mineral Resources); and
- expenditure on the development and extraction of minerals, oil, natural gas and similar non-regenerative natural resources.

The following intangible assets are covered by another accounting standard:

- intangible assets held for sale in the ordinary course of business (IAS 2),
- deferred tax assets (IAS 12),
- leases within the scope of IAS 17,
- assets arising from employee benefits (IAS 19),
- financial assets as defined by IFRS 9,
- goodwill acquired in a business combination (IFRS 3),
- deferred acquisition costs and intangible assets arising under insurance contracts (IFRS 4), and
- non-current intangible assets held for sale under IFRS 5.

3. DEFINITIONS

An intangible asset is defined as:

- an identifiable\(^1\)
- non-monetary\(^2\)
- asset\(^3\),
- without physical substance.\(^4\)

\(^1\) An asset meets the identifiability criterion when it;
- is separable (i.e. capable of being separated from the entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, asset or liability); or
- arises from contractual or other legal rights, regardless of whether those rights are transferable or separable from the entity or from other rights and obligations.

Goodwill acquired in a business combination represents payments made by the acquirer in anticipation of future economic benefits from assets that are not capable of being individually identified (e.g. benefits that result from synergy between the assets of the acquirer and the acquiree) and separately recognised.

\(^2\) Monetary assets are receivable in a fixed or determinable amount of money. All other assets are non-monetary. This requirement excludes, for example, financial instruments from the definition of intangible assets.

\(^3\) An asset is a resource, controlled by the entity, as a result of past events and from which future economic benefits are expected to flow to the entity.

\(^4\) When determining how to classify an asset with tangible and intangible elements, an entity must assess which element is more significant. A patent for instance is without physical substance. The fact that the patent may be recorded in a physical document does not give rise to a material physical substance to the patent.
IAS 38 specifically prohibits the recognition of internally generated goodwill as it clearly fails the definition of an intangible asset – i.e. it is not identifiable (it is neither separable nor does it arise from contractual or legal rights).

4. RECOGNITION AND INITIAL MEASUREMENT OF AN INTANGIBLE ASSET

4.1 Recognition

In order to recognise an intangible asset, the reporting entity must be able to demonstrate that the item meets:

(a) the definition of an intangible asset (as set out above), and
(b) the recognition criteria (as set out below).

An intangible asset shall be recognised as an asset if:

(a) it is probable that the expected future economic benefits that are attributable to the asset will flow to the entity, and
(b) the cost of the asset can be measured reliably.

An entity shall assess the probability of expected future economic benefits using reasonable and supportable assumptions that represent management’s best estimate of the probable set of economic conditions that will exist over the useful life of the asset. Greater weight shall be given to evidence that can be verified objectively.

Costs incurred after the intangible asset is in the working condition necessary for its operation in the manner intended by management (including initial operating losses) are not included in cost (i.e. they are expensed in the determination of profit or loss for the period).

4.2 Separate acquisition

Where an intangible asset is acquired as a separate acquisition, it is likely to satisfy the recognition criteria, as:

- Cost is usually readily determinable at the purchase price (including import duties and non-refundable purchase taxes but after trade discounts and rebates) plus directly attributable expenditure on preparing the asset for intended use.
- Where abnormal credit terms are granted to the acquirer for the acquisition of an intangible asset, then it is appropriate to measure the purchase price at its present value.
- The probability criterion is always satisfied as the price paid for the intangible asset acquired reflects the expectations about the probability that the future economic benefits embodied in the asset will flow to the acquirer.

Illustrative example 18.1: Abnormal credit terms

Iwantit Limited acquired the Coca-Cola brand name from the Coca-Cola Corporation for R2 000 million. The purchase price is to be settled in four equal advance annual instalments of R500 million each. The first instalment was paid on 1 January 20.5. The discount rate is 10% per annum.

Required:

Determine whether or not Iwantit Limited can raise the Coca-Cola brand name in its statement of financial position.
Solution:
The cost of the Coca-Cola brand name can be determined with sufficient reliability at R1 743 425 995 (W1), which is the present value of the payments to be made.

The price paid by Iwantit Limited for the world’s most valuable brand is sufficient evidence of the probability recognition criterion.

As both recognition criteria are satisfied for the acquired intangible asset it shall be raised in Iwantit Limited’s statement of financial position.

(W1) Cost
R1 743 425 995
Calculation:
Using a financial calculator set to an advance annuity: BGN -500 000 000, PMT, 4, n, 10, i, COMP, PV.

4.2.1 Examples of expenditure that are not part of the cost of an intangible asset

The following are not included in the cost:
- Cost of introducing a new product or service.
- Cost of conducting business in a new area.
- Administration and general overhead costs.
- Costs incurred before the asset is brought into use but after the asset is capable of operating as intended.
- Initial operating losses.
- Costs of redeploying an intangible asset.

4.2.2 Classes of intangible assets

Examples of separate classes of intangible assets include:
- brand names,
- mastheads and publishing titles,
- computer software,
- licences and franchises,
- copyrights, patents and other industrial property,
- recipes, formulae, models etc, and
- intangible assets under development.

4.3 Acquisition as part of a business combination

All of an acquiree’s intangible assets aside from goodwill have to be recognised in a business combination at costs equal to their fair value at acquisition, irrespective of whether they have been recognised by the acquired entity.

The fair value of the asset reflects market participants’ expectations at the acquisition date about the probability of the future economic benefits flowing to the entity and thus satisfies the probability criteria.

4.3.1 Intangible assets acquired in a business combination

An intangible asset acquired in a business combination might be separable, but only together with a related contract, identifiable asset or liability. In such cases, the acquirer recognises the intangible assets separately from goodwill, but together with the related item. The acquirer may recognise a group of complimentary intangible assets as a single asset provided the individual assets in the group have similar useful lives.

The new IFRS 13 *Fair value measurement* sets out a framework for measuring fair value. This standard is covered in Chapter 3 of this text.
If the fair value at the date of acquisition cannot be established with sufficient reliability, the intangible asset is NOT recognised and accordingly falls into the residual (i.e. goodwill). If an intangible asset acquired in a business combination has a finite useful life, there is a rebuttable presumption that its fair value can be measured reliably.

4.4 Intangible assets acquired by way of government grants or other grants

In accordance with IAS 20 Government Grants, an entity receiving an intangible asset free of charge from the government may account for the grant in either of the following ways:

- by recognising both the intangible asset and the grant (deferred income) initially at fair value.
- by recognising both the intangible asset and the grant at R0 (nominal amount). The cost of the intangible asset would therefore consist entirely of any costs that are directly attributable to preparing the asset for its intended use.

Where the government grant is raised as deferred income, it is amortised to profit or loss over the useful life of the intangible asset acquired by way of government grant.

**Illustrative example 18.2: Government grants related to assets**

On 1 January 20.4, Lucky Limited was granted a five-year broadcasting license by the South African government at no cost to the company. On 1 January 20.4, the broadcasting license has a fair value of R1 million. Lucky Limited appropriately amortises the broadcasting license on the straight-line method over the five-year license period.

**Consider the following scenarios**

- **Scenario 1:** Lucky Limited records neither the intangible asset nor the government grant.
- **Scenario 2:** Lucky Limited records both the intangible asset and the government grant.

**Required:**

Prepare the journal entries to record the broadcasting license and the government grant related thereto in the accounting records of Lucky Limited for the year ended 31 December 20.4.

**Solution:**

**Scenario 1:**

No entries are raised in the accounting records.

**Scenario 2:**

<table>
<thead>
<tr>
<th>Description</th>
<th>Calculation:</th>
<th>Debit Rand</th>
<th>Credit Rand</th>
</tr>
</thead>
<tbody>
<tr>
<td>Broadcasting license – cost</td>
<td>Given</td>
<td>1 000 000</td>
<td>1 000 000</td>
</tr>
<tr>
<td>Deferred income: Government grant (liability)</td>
<td>1 January 20.4: Broadcasting license received free of charge from the S.A. Government</td>
<td>Given</td>
<td>1 000 000</td>
</tr>
<tr>
<td>Amortisation expense – broadcasting license</td>
<td>(R1 000 000/5 years)</td>
<td>200 000</td>
<td>200 000</td>
</tr>
<tr>
<td>Accumulated amortisation – broadcasting license</td>
<td>31 December 20.4: Amortisation y/e 31 December 20.4</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Deferred income: Government grant (liability)</td>
<td>(R1 000 000/5 years)</td>
<td>200 000</td>
<td>200 000</td>
</tr>
<tr>
<td>Income: Government grant realised</td>
<td>31 December 20.4: Grant released to income</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

4.5 Exchange of assets

The cost of an intangible asset acquired in exchange for another intangible (or another asset) is measured at fair value unless:

- the exchange lacks commercial substance, or
- the fair value of neither of the assets exchanged can be determined reliably.
A transaction lacks commercial substance if future cash flows are not expected to change as a result of the transaction.

If the acquired asset is not measured at fair value, its cost is measured at the carrying amount of the asset given up.

### 4.6 Cost of internally generated intangible assets

Internally generated intangible assets have unique recognition problems particularly with respect to:
- identifying when, if at all, it becomes probable that the internally generated intangible asset will generate future economic benefits. (IAS 38 therefore expenses all expenditure incurred in the research phase of the development of an intangible asset), and
- determining the cost of the intangible asset reliably. (IAS 38 therefore expressly prohibits the recognition of internally generated brands, newspaper mastheads, publishing titles, customer lists and other similar internally generated intangible assets.)

Expenditure on an intangible item shall be expensed unless it forms part of the cost of an intangible asset that meets the recognition criteria or the item is acquired as part of a business combination in which case it will form part of goodwill.

Examples of expenditure to be expensed include:
- Start up costs.
- Training costs.
- Advertising and promotional activities.
- Relocation and reorganisation costs.

This restriction does not prevent an entity from recognising a prepayment as an asset when payment has been made in advance of goods or services having been received.

There is scope for recognition of internally generated intangible assets where entities are engaged in research and development activities.

#### 4.6.1 Research

Research is defined as the original and planned investigation undertaken with the prospect of gaining new scientific or technical knowledge and understanding. In the research phase, it can never be demonstrated that it is probable the asset will generate specifically attributable future economic benefits, and therefore research costs cannot be capitalised (i.e. research costs are expensed).

#### 4.6.2 Development

Development is defined as the application of research findings or other knowledge to a plan or design for the production of new or substantially improved materials, devices, products, processes, systems or services prior to the commencement of commercial production or use.

In the development phase, an intangible asset may be recognised, if, and only if, the entity can demonstrate all of the following:
- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- its intention to complete the intangible asset, and use it or sell it;
- its ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits (including the existence of a market or its internal usefulness);
- the availability of adequate technical, financial and other resources to complete the development, and to use or sell the intangible asset; and
• its ability to measure reliably the expenditure attributable to the intangible asset during its development.

Expenditure on an intangible asset that was initially recognised as an expense may not be recognised as part of the cost of an intangible asset at a later date.

Frequently the costs of securing copyrights, licences or developing computer software, can be measured reliably with reference to the entity’s costing systems. However, if the cost of generating the intangible asset cannot be distinguished from the cost of enhancing or maintaining internally generated goodwill or the cost of running day-to-day operations, the cost cannot be measured reliably. This would apply to brands, newspaper mastheads, publishing titles, customer lists and items similar in substance.

The costs of an internally generated intangible asset comprise those directly attributable expenditures (including overheads) that are necessary to get the asset into a state capable of operating in the manner intended by management.

It is interesting to note that companies do not always take advantage of these provisions. Bayer AG the global health care company revealed a spend of just over €3 billion on research and development in their 2011 financial statements – but they capitalise very little of it as they consider that they have failed to meet the ‘specific narrowly defined conditions’ required under IAS 38. In particular, Bayer state that “Since our own development projects are often subject to regulatory approval procedures and other uncertainties, the conditions for the capitalization of costs incurred before receipt of approvals are not normally satisfied”.

4.6.3 Web site costs

In accordance with SIC 32 a web site developed by an entity for its own use is an internally generated intangible asset. The four stages of development are:

- Planning stage,
- Application and Infrastructure Development stage,
- Graphic Design stage, and
- Content Development stage.

Costs incurred in the planning stage (e.g. feasibility studies, defining objectives and specifications, evaluating alternatives and selecting preferences) are akin to research costs and shall be expensed when incurred.

Costs incurred in:

- the Application and Infrastructure Development stage (e.g. obtaining a domain name, purchasing and developing hardware and operating software, installing developed applications and stress testing); and
- the Graphic Design stage and the Content Development stage (e.g. designing the appearance of the web pages and creating, purchasing, preparing and uploading information on the web site prior to becoming available for use).

are akin to development costs and are therefore capitalised as an intangible asset if, and only if, the requirements for capitalisation of development costs are satisfied.

Capitalisation ceases once the web site is available for use and subsequent expenditure would only be capitalised in rare circumstances. The appendix to SIC 32 provides useful guidance in this respect.
4.7 Black Economic Empowerment (BEE) Credentials

In South Africa, Black Economic Empowerment (BEE) is a programme launched by the South African government to redress the inequalities of Apartheid by giving previously disadvantaged groups of South African citizens economic privileges previously not available to them.

Accounting for BEE transactions is an important issue for South African companies who engage with BEE partners.

It is acknowledged that in certain types of transactions, the difference between the fair value of the identifiable consideration received (i.e. cash and non-cash) and the fair value of the equity instruments issued may arise because of specific goods or services that the BEE partners provides to the entity, or because of the BEE credentials that the entity has received.

In considering whether BEE credentials could be recognised as an intangible asset, it is noted that the BEE credentials are not separable as they are linked to the business as a whole. Furthermore, the entity’s ability to obtain the benefits of BEE credentials is significantly impacted by the extent to which its competitors have BEE credentials.

As the entity does not have the ability to prevent its competitors from obtaining BEE credentials, the entity does not have the power to restrict access of others to those benefits. It is concluded that:

- The difference between the fair value of the equity instruments and the identifiable consideration received, i.e. the BEE credentials represents a cost that does not qualify for recognition as an intangible asset, and therefore should be expensed. Where the cost of the BEE credentials is directly attributable to the acquisition of another intangible asset, the cost may be capitalised to the cost of the other intangible asset.
- Where the BEE credentials are obtained as part of the net assets acquired in a business combination, the BEE credentials do not qualify for recognition as an intangible asset and are therefore included as part of goodwill.

5. MEASUREMENT SUBSEQUENT TO ORIGINAL RECOGNITION

Subsequent to initial recognition the entity may choose to carry a class of intangible assets under either the cost model or the revaluation model.

Under the cost model, the intangible asset is carried at cost less any accumulated amortisation and any accumulated impairment losses.

The revaluation model is that, subsequent to its initial recognition at cost, the asset may be carried at its revalued amount (fair value at the date of the revaluation less any subsequent accumulated amortisation and accumulated impairment losses).

However, fair value must be measured reliably with reference to an active market (as defined by IFRS 13) in that type of intangible asset.

This active market requirement makes it impossible to revalue many intangible assets, as active markets do not exist for most classes of intangible assets.
Illustrative example 18.3: Revaluation of intangibles
Wish Limited is listed on the JSE Securities Exchange and owns the following intangible assets:
- Dreamy trademark,
- Casino license for Northern Cape region, and
- West coast fishing quota (license).

Required:
Determine whether or not Wish Limited may revalue its intangible assets.

Solution:
In order to revalue its intangible assets Wish Limited would need to adopt the accounting policy of revaluing such assets AND then only revalue in respect of those assets for which there is an active market (as defined). The existence of an active market for the individual intangible assets in South Africa is considered below:

Trademark:
An active market does not exist for trademarks as:
- they are neither homogenous nor traded in an open market (protection of their uniqueness is the purpose of registering the trademark),
- there are not usually willing sellers (and buyers) of a specified trademark at any given point in time, and
- the prices of trademarks sold are not usually public knowledge.

Casino license
An active market does not exist for casino licenses in South Africa as:
- they are neither homogenous nor traded in an open market (licenses are granted for specified geographic areas by a gambling board),
- there are not usually willing sellers of South African casino licenses, and
- the prices of any casino licenses sold are unlikely to be public knowledge.

Fishing quota
An active market may exist for fishing licenses in South Africa as fishing licenses may be homogenous and transferable, there may be willing buyers (large fishing companies) and willing sellers (individual license holders) and the prices of fishing licenses sold may be public knowledge.

If an intangible asset is revalued, the entire class of recognised intangible assets to which that asset belongs shall be revalued, unless there is no active market for those assets.

Revaluations may be accounted for on either of the following methods:
- restate accumulated amortisation proportionately, or
- reverse accumulated amortisation against the gross carrying amount immediately prior to revaluing.

If the fair value of a revalued intangible asset can no longer be measured with reference to an active market (an indication of impairment), it shall be carried at its revalued amount at the date of the last revaluation by reference to an active market less any subsequent accumulated amortisation and any accumulated impairment losses.

If a revaluation increases the intangible asset’s carrying amount, the increase is credited directly to comprehensive income and accumulated in equity (revaluation surplus reserve). However, a revaluation increase shall be recognised in profit or loss to the extent that it reverses a revaluation decrease, or an impairment loss, which was previously recognised as an expense in respect of the same asset.

Where the revaluation results in an increase in the deferred taxation liability (or reduction in a deferred tax asset) then the revaluation surplus must be stated net of the deferred taxation effects of the revaluation.
If a revaluation decreases the intangible asset’s carrying amount, then the decrease shall be recognised as an expense. However, a revaluation decrease shall be charged directly against any related revaluation surplus reserve to the extent that the decrease does not exceed the amount held in the revaluation surplus reserve in respect of that same asset.

6. USEFUL LIFE, AMORTISATION AND IMPAIRMENT

6.1 Useful life

An entity shall assess whether the useful life of an intangible asset is finite or indefinite.\(^1\)

The useful life is indefinite when there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows for the entity.

The term indefinite does not mean infinite. Indefinite useful life intangible assets require future expenditure (e.g. advertising) to maintain their standard of performance. Such expenditure should not be excessive (i.e. in excess of that required to maintain the asset’s level of performance).

Intangible assets with finite useful lives are amortised while those with indefinite useful lives are not.

The useful life of an intangible asset arising from contractual or other legal rights that are conveyed for a limited term that can be renewed, should include the renewal period(s) only if there is sufficient evidence to support renewal by the entity without significant cost.

Where the entity’s rights to the intangible asset are achieved through legal rights for a finite period (e.g. 5 year licence to broadcast) then the asset’s useful life shall not exceed the period of the legal right, unless:

- the legal rights are renewable, and
- there is evidence to support renewal by the entity without significant cost.

6.2 Amortisation

6.2.1 Amortisation method

Amortisation is applicable only to those intangible assets that have a finite useful life. Amortisation shall begin when it is available for use in the manner intended by management.

The amortisation method used shall reflect the pattern in which the asset’s future economic benefits are expected to be consumed by the entity. However, if that pattern cannot be established reliably, the straight-line method should be used.

6.2.2 Residual value

The residual value of an intangible asset with a finite useful life shall be assumed to be nil unless:

(a) there is a commitment by a third party to purchase the asset at the end of its useful life, or
(b) there is an active market as defined in IFRS 13 for that type of intangible asset, and:
  i. the residual value can be measured reliably by reference to that market, and
  ii. it is probable that such a market will exist at the end of the useful life.

An estimate of the residual value is based on the amount recoverable from disposal using prices prevailing at the date of the estimate for the sale of a similar asset that has reached the end of its useful life and has operated under conditions similar to those in which the asset will be used.

The amortisation method, amortisation period and residual value (where it is not deemed to be nil) shall be reviewed at each statement of financial position date and any material changes therein are
6.3 Indefinite useful life intangible assets

Intangible assets with an indefinite useful life are not amortised. However, indefinite useful life intangible assets are:

- Tested for impairment annually and whenever there is an indication that the intangible asset may be impaired.
- Subject to a useful life review each period, and if found to be finite they are immediately tested for impairment (and impaired if necessary) and thereafter prospectively amortised over their estimated remaining useful life (i.e. a change in accounting estimate results).

Illustrative example 18.4: Indefinite life intangible asset

On 1 January 20.1, Tipsy Breweries Limited acquired by way of separate acquisition the Laugh Lager brand from Drunk Breweries Limited at a cash cost of R200 million. Tipsy Breweries has always appropriately accounted for the Laugh Lager brand as an indefinite useful life intangible asset. However, early in 20.6, due to the unanticipated global ban on the advertising of alcoholic beverages scheduled to take place with effect from 1 January 20.8 Tipsy Breweries reclassified the Laugh Lager brand as a finite useful life intangible asset and computed its recoverable amount at R150 million with an estimated remaining useful life of ten years with no residual value.

Required:
Prepare the journal entries necessary to record the Laugh Lager brand for the year ended 31 December 20.6.

Solution:

<table>
<thead>
<tr>
<th>Calculation:</th>
<th>Rand</th>
</tr>
</thead>
<tbody>
<tr>
<td>Impairment expense</td>
<td>$200 million carrying amount – $150 million recoverable amount</td>
</tr>
<tr>
<td>Intangible asset – Laugh Lager brand</td>
<td></td>
</tr>
<tr>
<td>Impairment of the Laugh Lager brand</td>
<td></td>
</tr>
<tr>
<td>Amortisation expense</td>
<td>R150 million/10 years</td>
</tr>
<tr>
<td>Accumulated amortisation</td>
<td>(15 000 000)</td>
</tr>
<tr>
<td>Amortisation for the year</td>
<td></td>
</tr>
</tbody>
</table>

7. RETIREMENTS AND DISPOSALS

An intangible asset shall be eliminated from the statement of financial position on disposal or when no future economic benefits are expected from its use or disposal.

Gains or losses arising from the retirement or disposal of an intangible asset shall be determined as the difference between the net disposal proceeds and the carrying amount of the asset and shall be recognised in profit or loss.

8. DISCLOSURE

The financial statements shall disclose for each class of intangible assets, distinguishing between internally generated and other intangible assets:

(a) whether the useful lives are indefinite or finite and, if finite, the useful lives (e.g. five years) or the amortisation rates used (e.g. ten percent per annum),

(b) the amortisation methods used (e.g. straight-line method),
the gross carrying amount and any accumulated amortisation (including accumulated impairment losses) at the beginning and end of the period,

the line item(s) of the statement of comprehensive income or separate income statement in which any amortisation of intangible assets is included,

a reconciliation of the carrying amount at the beginning and end of the period, showing:

i. additions, indicating separately those from internal development, those acquired separately, and those acquired through business combinations,

ii. assets classified as held for sale or included in a disposal group classified as held for sale and other disposals,

iii. increases or decreases resulting from revaluations and from impairment losses recognised in comprehensive income and accumulated in equity or reversed appropriately.

iv. impairment losses recognised in profit or loss during the period,

v. impairment losses reversed in profit or loss during the period,

vi. any amortisation recognised during the period,

vii. the net exchange differences arising on the translation of the financial statements into a different presentation currency, and on the translation of a foreign operation into the presentation currency of the reporting entity, and

viii. other movements (i.e. retirements).

The financial statements shall also disclose:

(a) the carrying amount and reasons supporting the assessment of any indefinite useful life intangible asset (including also a description of the factor(s) that played a significant role in determining that the asset has an indefinite useful life),

(b) a description, the carrying amount and remaining amortisation period of any individual intangible asset that is material to the financial statements of the entity as a whole,

(c) for intangible assets acquired by way of a government grant and initially recognised at fair value:

i. the fair value initially recognised for these assets,

ii. their carrying amount, and

iii. whether they are measured after recognition under the cost or the revaluation model,

(d) the existence and carrying amounts of intangible assets whose title is restricted and the carrying amounts of intangible assets pledged as security for liabilities, and

(e) the amount of contractual commitments for the acquisition of intangible assets.

If intangible assets are carried at revalued amounts, additional disclosures are needed.

9. SUMMARY

This chapter has illustrated accounting for intangible assets, covering the various aspects of recognition, initial and subsequent measurement, amortisation, useful life and residual value.

Please refer to the “Illustrative Examples” towards the end of IAS 38 which give some good examples of assessing the useful lives of intangible assets.