PBE IPSAS 31: INTANGIBLE ASSETS

Version 1: 2014

Effective Periods Beginning 1 April 2015

RECOGNITION AND MEASUREMENT

SEPARATE ACQUISITION

- Probable - expected future economic benefits or service potential will flow to the entity; and
- Cost or fair value can be reliably measured.
- Initial recognition at cost.
- If intangible asset is acquired through a non-exchange transaction, cost is the fair value at acquisition date.

ACQUIRED IN BUSINESS COMBINATIONS

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 if 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 or service potential; and
- Expenditure measured reliably.

EXCHANGE OF ASSETS

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

INTERNALLY GENERATED GOODWILL

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

- Examples: internally generated brands, mastheads, publishing titles, lists of users of a service and similar items.

DEFINITION

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, rented, transferred, exchanged or rented separately; **or**
- Arises from binding agreements (contractual or other legal rights).
- Can include intangible heritage assets.

Scope Exclusions: Financial assets, intangible assets and deferred tax assets covered by other PBE Standards as well as powers and rights conferred by legislation or a constitution.

SUBSEQUENT ACCOUNTING

Finite Useful Life - Choose either cost or revaluation model:

Cost model:

- Carried at cost less accumulated amortisation and accumulated impairment losses.
- Determine useful life; and
- Residual value - assumed zero unless active market exists or a commitment by 3rd party to purchase the Intangible Asset exists.
- Amortisation method.
- Review above annually.
- Amortisation begins when available for use.

Revaluation model:

- Carried at fair value at the 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 consistent with the net carrying amount. Accumulated amortisation is adjusted to equal the difference between the gross and net carrying amount; or
  - Accumulated amortisation is eliminated against the gross carrying amount.
- Credit to revaluation surplus in other comprehensive revenue and expense.
- Transfer to accumulated comprehensive revenue and expense 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; and
- If no longer indefinite change to finite useful life.

OTHER

Past expenses cannot be capitalised in a later period.

TIER 2 RDR REPORTERS

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