IAS - 38

Intangible Assets

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International Accounting Standard No 38 (IAS 38)

Intangible Assets

Objective

1. The purpose of this Standard is to prescribe the accounting treatment of intangible assets which are not covered specifically in another Standard. This standard requires entities to recognize an intangible asset if, and only if certain criteria are met. The Standard also specifies how to determine the carrying amount of intangible assets, and requires disclosure of specific information on these assets.

Scope

2. **This Standard applies to all entities in accounting for intangible assets, except in the following cases:**

   (a) intangible assets that are covered in other Standards;

   (b) financial assets, as defined in IAS 32 Financial Instruments: Presentation;

   (c) recognition and valuation of exploration and evaluation assets (see IFRS 6 Exploration for and evaluation of mineral resources) and

   (d) Expenditures related to the development and extraction of minerals, oil, natural gas and similar non-regenerative resources.

3. In the event that another Standard deals with accounting for a specific class of intangible asset, an entity applies that Standard instead of this. For example, this Standard does not apply to:

   (a) Intangible assets held by the entity for sale in the ordinary course of its activities (see IAS 2 Inventories and IAS 11 Construction Contracts).

   (b) Deferred tax assets (see IAS 12 Income Taxes).

   (c) Leases to be included in the scope of IAS 17 Leases.

   (d) Claims arising for the salaries of employees, (see IAS 19 Employee Benefits).

   (e) Financial assets as defined in IAS 32. The recognition and valuation of certain financial assets can be found in IAS 27 Consolidated and Separate Financial Statements, IAS 28 Investments in Associates and IAS 31 Interests in Joint Ventures.

   (f) Goodwill arising from business combinations (see IFRS 3 Business Combinations).

(g) deferred acquisition costs and intangible assets arising from the contractual rights of an insurer in insurance contracts that are within the scope of IFRS 4 Insurance Contracts. IFRS 4 requires disclosure requirements specific to those deferred acquisition costs, but not for intangible assets. Therefore, the disclosure requirements of this standard apply to those intangible assets.

(h) Non-current intangible assets classified as held for sale (or included in a disposal group classified as held for sale) in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations.

4. Some intangible assets may be contained in, or contain, a holder of nature or physical appearance, such as a compact disc (in the case of software), legal documentation (in the case of a license or patent) or film. In determining whether an asset, which includes both tangible and intangible, will be treated under IAS 16 Property, or as an intangible asset under this Standard, the entity in time of trial to assess which of the two elements has a more significant weight . For example, software for a computer cannot function without a specific program, are an integral part of the team and will be treated as tangible fixed assets. The same applies to a computer operating system. When the software is not an integral part of the team, will be treated as intangible assets.

5. This Standard applies, inter alia, to the disbursements for expenses of advertising, staff training, beginning the activity or entity and those for research and development. The research and development activities are aimed at developing new knowledge. Therefore, although these activities may result in an asset with physical (e.g. a prototype), the material substance of the element is of secondary importance with regard to its intangible component, which is composed of knowledge embodied in the asset question.

6. In the case of a lease, the underlying asset may be either tangible or intangible. After initial recognition, the lessee shall account for an intangible asset held in the form of a lease, as provided in this Standard. The rights under licensing agreements for items such as films, video recordings, plays, manuscripts, patents and reprographic rights are excluded from the scope of IAS 17, but are within the scope of this standard.

7. The exclusions from the scope of a Rule may, in the case of certain activities or transactions that are of such a specialized nature accounting issues arise, they need different treatment. This is the case of accounting for expenditure on the exploration, development or extraction of oil, gas and mineral deposits in extractive industries, as well as in the case of insurance contracts. Therefore, this Standard does not apply to expenditure incurred in these activities and contracts. However, this Standard is applicable to other intangible assets used (such as software) and other disbursements (such as those corresponding to the beginning of the activity), in extractive industries or in the insurers.

Definitions

8. The following terms are used in this Standard with the meanings specified:
An active market is a market where there are all the following conditions:

(a) the items traded in the market are homogeneous;

(b) it can find buyers and sellers at any time;

(c) prices are available to the public.

Date of agreement in a business combination is the date on which substantial agreement is reached between the parties involved in the combination and in the case of publicly traded entities, it is announced to the public. In the case of a hostile takeover, the earliest date that yields a substantive agreement between the parties involved in the combination is one in which they have accepted the offer of the acquiring a number of owners of the foreground which is enough to gain control over it.

Depreciation is the systematic allocation of the depreciable amount of an intangible asset during the years of its life.
An asset is a resource:

(a) controlled by the entity as a result of past events and

(b) the entity expects to obtain in the future economic benefits.

Carrying amount is the amount at which an asset is recognized in the balance, after deducting accumulated depreciation and accumulated impairment losses, which relate to it.

Cost is the amount of cash or cash equivalents paid or the fair value of the consideration given to acquire an asset at the time of its acquisition or construction or, where applicable, the amount attributed to that asset when initially recognized according to the specific requirements of other IFRSs, e.g. IFRS 2 Share-based Payment.

Depreciable amount is the cost of an asset or the amount it has replaced, less its residual value.

Development is the application of research results or any other kind of scientific knowledge to a particular plan or design for the production of materials, products, methods, processes or systems new or substantially improved before the start of his production or commercial use.

Entity-specific value is the present value of cash flows the entity expects to receive by the continued use of an asset and the sale or other disposition thereof, at the end of its useful life. In the case of a liability is the present value of cash flows it expects to incur to cancel.

Fair value of an asset is the amount for which an asset could be exchanged between willing parties informed in a transaction entered into arm's length.
The impairment loss is the amount that exceeds the carrying amount of an asset exceeds its recoverable amount.

An intangible asset is an identifiable asset, non-monetary and without physical.
Monetary assets are cash and assets that are to receive or determinable amounts of money.

Research is original and whoever planned study, undertaken with the aim of gaining new scientific or technological knowledge.
The residual value of an asset is the estimated amount that an entity would currently obtain for the sale or other disposition of assets, after deducting the estimated costs of that sale or disposal if the asset were already of the age and condition expected at the end of its useful life.

Useful life is:

(a) the period during which it expects to use the depreciable asset by the entity;

(b) the number of production or similar units expected to be obtained from the asset by the entity.

Intangible assets

9. Often, entities expend resources, or incur liabilities in the acquisition, development, maintenance or enhancement of intangible resources such as scientific or technical knowledge, design and implementation of new processes or systems, licenses or concessions, intellectual property, commercial knowledge or trademarks (including brand names and publishing rights). Common examples of items that fall under these broad headings are computer software, patents, copyright, movies, customer lists, mortgage servicing rights, fishing licenses, import quotas, the franchises, business relations with customers or suppliers, customer loyalty, market share and marketing rights.

10. Not all the items described in paragraph 9 meet the definition of an intangible asset, that is, identifiability, control over a resource and existence of future economic benefits. If an element within the scope of this Standard does not meet the definition of intangible asset, the amount derived from its purchase or generate it internally by the entity, is recognized as an expense in the period in which incurred. However, if the item had been acquired in a

business combination will form part of goodwill recognized on the date of acquisition (see paragraph 68).

Identifiability

11. The definition of an intangible asset requires that it be identifiable, so it can be distinguished clearly from goodwill. The goodwill acquired in a business combination represents a payment made by the acquirer in anticipation of future economic benefits from assets that could not be individually identified and separately recognized. These future economic benefits may result from the synergy that occurs between the identifiable assets acquired or from assets that, individually, are not eligible for recognition in the financial statements but for which the acquirer is willing to pay when making a business combination.

12. **An asset meets the identifiability criterion included in the definition of an intangible asset when:**

    (a) is separable, i.e. is capable of being separated or divided from the entity and sold, assigned, as in farming, leased or exchanged, either individually or together with the contract, asset or liability that relates; or

    (b) arises from contractual or other legal rights, regardless of whether those rights are transferable or separable from the entity or other rights or obligations.

Control

13. An entity controls an asset if you have the power to obtain the future economic benefits emanating from the resources that underlie it, and also could restrict the access of others to those benefits. The capacity of an entity has to control the future economic benefits of an intangible asset is justified, normally stem from legal rights that are enforceable in court. In the absence of such rights of legal, will be more difficult to demonstrate control. Yet legal enforceability of a right in the element is not a necessary condition for the existence of control, since the entity may exercise control over future economic benefits otherwise.

14. The technical and market knowledge can lead to future economic benefits. An entity controls those benefits if, for example, has such knowledge protected by legal rights such as intellectual property or copyright, the restriction of trade agreements (if they were allowed), or by a legal obligation on employees to maintain confidentiality.

15. An institution may have a team of trained people, so you can identify opportunities to improve their level of competition by improving their specialist training, which will produce future economic benefits. The entity may also expect that the staff continue to provide its services within the entity. However, generally, the entity will be insufficient control over the expected future profits that can produce a team of employees with greater specialization, and to consider that the amounts spent on training meet the definition of an intangible asset.

For similar reasons, it is unlikely that technical skills or management of specific character meet the definition of intangible asset, unless they are protected by legal rights to use it and achieve the economic benefits expected from it, and also meet the other conditions of the definition of an intangible asset.

16. The entity may have a portfolio of customers or a market share, and expect that due to the efforts in building customer relationships and loyalty, they will continue to demand goods and services they are offering. However, in the absence of legal rights or other forms of control to protect this expectation of continuing relationships and loyalty by customers, the entity will, in general, an insufficient control over the economic benefits that could accrue of them, as to consider that such items (portfolio of customers, market share, customer relations, customer loyalty) meet the definition of an intangible asset. When you do not have legal rights to protect customer relationships, exchange transactions for the same or similar non-contractual relationships with customers (other than those that are part of a business combination) that the entity is nonetheless , able to control the future economic benefits expected from the relationship with customers. As such exchange transactions also show that customer relationships are separable, those customer relationships meet the definition of an intangible asset.

Future economic benefits

17. Among the future economic benefits from an intangible asset include revenues from the sale of products or services, cost savings and other income different from the use of the asset by the entity. For example, the use of the intellectual within the production process may reduce future production costs rather than increase future revenues.

Recognition and Measurement

18. The recognition of an item as an intangible asset requires an entity to demonstrate that the item meets:

(a) the definition of intangible asset (see paragraphs 8 to 17) and

(b) the criteria for recognition (see paragraphs 21 to 23).

This requirement applies to costs incurred initially to acquire or internally generate an intangible asset and those in which incurred subsequently to add, replace parts or perform maintenance.

19. The paragraphs 25 to 32 deal with the application of the recognition criteria for intangible assets acquired separately, and paragraphs 33 to 43 deal with their application to intangible assets acquired in a business combination. Paragraph 44 deals with the initial measurement of intangible assets acquired through a government grant, the paragraphs 45 to 47 deal with the intangible asset swaps and paragraphs 48 to 50, the treatment of internally generated

goodwill. Paragraphs 51 to 67 sought initial recognition and evaluation of internally generated intangible assets.

20. The nature of intangible assets is such that, in many cases there is no possibility of performing in the asset additions or replacements of parts. Consequently, most subsequent expenditures are likely to keep the expected future economic benefits embodied in an existing intangible asset, but not meet the definition of an intangible asset and the recognition criteria contained in this Standard. Furthermore, it is often difficult to attribute subsequent expenditure directly to an intangible asset, not the business overall. Therefore, only rarely, subsequent expenditure-expenditure incurred after the initial recognition of an acquired intangible asset or after completion of an internally-generated intangible asset be recognized in the carrying amount of the asset. According to paragraph 63, subsequent expenditure on brands, mastheads of newspapers or magazines, publishing titles, customer lists or other similar items (whether acquired externally or internally generated) is always recognized in profit or loss which incurred. This is because such expenditure cannot be distinguished from disbursements to develop the business as a whole.

21. An intangible asset is recognized if, and only if:

(a) it is probable that 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.

22. An entity shall assess the probability of future economic benefits using reasonable assumptions and unfounded, that represent the best estimates of management for all of the economic conditions that exist during the life of the asset.

23. The entity shall use his trial to assess the degree of certainty attached to the flow of future economic benefits attributable to the use of assets, from the evidence available at the time of initial recognition, giving greater weight to evidence from external sources.

24. **Goodwill will be valued initially at cost.**

Independent acquisition

25. Normally, the price paid by the entity to independently acquire an intangible asset reflects expectations about the likelihood that future economic benefits embodied in the asset will flow to the entity. In other words, the effect of probability is reflected in the cost of the asset. Therefore, the probability criterion for recognition as a requirement contained in paragraph (a) of paragraph 21, shall be deemed always satisfied in the case of intangible assets acquired independently.

26. Moreover, the cost of an intangible asset acquired independently can usually be measured reliably. This is particularly true when the consideration for the purchase takes the form of

cash or other monetary assets.

27. The cost of an intangible asset acquired independently comprises:

    (a) the purchase price, including import tariffs and non-recoverable taxes that fall on the acquisition, after deducting trade discounts and rebates, and

    (b) any costs directly attributable to preparing the asset for its intended use.

28. Examples of directly attributable costs:

    (a) the cost of employee benefits (as defined in IAS 19), directly derived from the active set in their conditions of use;

    (b) professional fees arising directly from the asset to its terms of use, and

    (c) the costs of testing whether the asset is functioning properly.

29. examples of expenditures that are not part of the cost of an intangible asset are:

    (a) costs of introducing a new product or service (including costs of advertising and promotional activities);

    (b) the costs associated with opening for business in a new location or a new class of customer (including costs for staff training) and

    (c) costs of administration and other general overhead costs.

30. The recognition of costs in the carrying amount of an intangible asset will end when the asset is in place and conditions for operating in the manner intended by management. Therefore, the costs incurred by the use or the rescheduling of the use of an intangible asset are not included in the carrying amount of the asset. For example, the following costs are not included in the carrying amount of goodwill:

    (a) the costs incurred when an element capable of operating in the manner intended by management has yet to be started and

    (b) initial operating losses, such as those generated while realizing the demand for products made with the asset.

31. Some operations occur in connection with the development of an intangible asset is not necessary to locate the asset in the condition necessary for it to operate as intended by management. These incidental operations may occur before or during development activities. Because these ancillary operations are not essential for the asset can operate in the manner intended by management, revenues and expenses associated with operations are recognized in profit of exercise, by inclusion in the appropriate class of income and expenses.

32. If, in the acquisition of an intangible asset is deferred for a period beyond normal credit terms, its cost is the cash price equivalent. The difference between this amount and the total payments is recognized as interest expense, over the period of credit unless it is capitalized

in accordance with IAS 23 Borrowing Costs.

Acquisition as part of a business combination

33. According to the provisions of IFRS 3, if an intangible asset acquired in a business combination, its cost is its fair value at the acquisition date. The fair value of an intangible asset reflects market expectations about the likelihood that future economic benefits embodied in the asset will flow to the entity. In other words, the effect of probability is reflected in measuring the intangible asset's fair value. Therefore, the probability criterion for recognition as a requirement contained in paragraph (a) of paragraph 21, shall be deemed always satisfied in the case of intangible assets acquired in business combinations.

34. Thus, in accordance with this standard and IFRS 3, an acquirer recognizes at the acquisition date, separately from goodwill, an intangible asset of the acquiree if the asset's fair value in question can be measured reliably, irrespective of whether the asset has been recognized by the acquiree before the business combination. This means that the acquirer recognizes as a separate asset from goodwill, research projects and ongoing development of the acquiree, provided they meet the definition of an intangible asset and its fair value can be measured reliably. A research and development project that has acquired entity in the process, meet the definition of an intangible asset when:

    (a) meets the definition of assets and

    (b) is identifiable, i.e. is separable or arises from contractual or other rights of a legal nature.

Determining the fair value of an intangible asset acquired in a business combination

35. The fair value of intangible assets acquired in business combinations can normally be measured with sufficient reliability to be recognized separately from goodwill. When, in consequence of the estimates used to measure the fair value of an intangible asset, there is a range of possible values with different probabilities, that uncertainty will be taken into account in determining the fair value of assets, rather than being indicative of the inability to determine fair value reliably. If an intangible asset acquired in a business combination has a finite useful life, there is a rebuttable presumption that fair value can be measured reliably.

36. An intangible asset acquired in a business combination could be independent, but only when considered along with other material or intangible assets associated with it. For example, it is possible that the title under which publishes a magazine might not be able to be sold separately from the associated database of subscribers, or a trademark for natural spring water could be associated with a particular source and could not be sold independently of it. In such cases, the acquirer recognizes the pool of assets as a single asset, regardless of goodwill if the fair values of assets of the group cannot be measured reliably.

37. A similar case is that the terms "brand" and "brand name" which are often used as synonyms for trademarks and other marks. However, the first general commercial terms normally used to refer to a group of complementary assets as a trademark (or service mark) next to a trade name, formulas, components and technical expertise associated with that brand. The acquirer will recognize as a single asset a group of complementary intangible assets, among which includes a mark, provided the individual fair values of complementary assets cannot be measured reliably. If the fair value of complementary assets could be

measured reliably, the acquirer may recognize them as an individual asset assuming that the individual assets have similar useful lives.

38. The only circumstances in which it might not be possible to measure reliably the fair value of an intangible asset acquired in a business combination will be given when the intangible asset arises from legal or contractual rights and either:

(a) is not separable, or

(b) is separable, but there is no history or evidence of exchange transactions for the same or similar assets, and estimating the fair value depends on variables cannot be measured.

39. The quoted prices in active markets provide the most reliable estimate of fair value for an intangible asset (see also paragraph 78). The appropriate market price is usually the current bid price. If offer prices were not available, the price of the most recent similar transaction may provide a basis for estimating the fair value, assuming no significant change occurred in economic circumstances between the transaction date and the date of Fair value of assets.

40. If there is no active market for intangible assets, fair value is the amount the entity would have paid for the asset at the acquisition date, in a transaction between a buyer and a willing seller and knowledgeable, to be performed at arm's length, taking into account the best available information. In determining this amount, an entity considers recent transactions for similar assets.

41. The entities are typically involved in the purchase and sale of intangible assets of singular nature, may have developed techniques for indirect estimation of their fair values. These techniques can be used for initial assessment of an intangible asset acquired in a business combination if their objective is to estimate the fair value and whether they reflect current transactions and practices in the sector to which the asset belongs. These techniques include, when appropriate:

(a) applying multiples reflecting current market transactions to indicators related to profitability of the asset (such as revenue, market share and operating margin), or the flow of rights which could be provided to license exploitation of the asset to a third party in a transaction entered into arm's length (as in the method known as "compensation for the collection of license or use rights), or

(b) by discounting the estimated future cash flows of the asset.

Subsequent expenditure on a project acquired research and development in progress

42. The Expenditure on research and development that:

(a) are associated with a research and development project underway, acquired separately or in a business combination and recognized as an intangible asset and

(b) incurred after the acquisition of that project.

To be accounted for in accordance with paragraphs 54 to 62.

43. The application of the requirements in paragraphs 54 to 62 means that subsequent expenditure associated with a research and development underway purchased separately or in a business combination and recognized as an intangible asset are:

(a) recognized as an expense when incurred, provided that such disbursements research;

(b) recognized as an expense when incurred, if it is for development expenditure not satisfying the criteria set out in paragraph 57 for recognition as an intangible asset and

(c) added to the carrying amount of research and development project under way acquired, whether disbursements by development meet the recognition criteria in paragraph 57.

Acquisition through government grant

44. In some cases, the intangible asset may be acquired free or at nominal cost, through government grant. This can happen in cases where the government transferred or assigned to the entity's intangible assets, such as landing rights, licenses to operate radio or television licenses or quotas or rights of access to other resources, as restricted. As set out in IAS 20 Accounting for Government Grants and Disclosure of Government Assistance, an entity may choose to acknowledge, at baseline, both the intangible asset as a grant, at their fair values. If the entity did not choose the accounting treatment described above, recognize the asset initially by a symbolic value (as the other treatment permitted in IAS 20) plus any expenditure that is directly attributable to the operations of preparing the asset for the use to which it is intended.

Asset swaps

45. Some intangible assets may be acquired in exchange for one or more non-monetary assets or a combination of monetary and nonmonetary assets. The following discussion refers only to an exchange of a non-monetary asset for another, but also applies to all exchanges described in the first sentence of this paragraph. The cost of that intangible asset is measured at fair value unless (a) the exchange transaction lacks commercial, or (b) cannot be measured reliably the fair value of the asset received nor the asset given up. The acquired item is measured in this way even if the institution is unable to cancel immediately the asset given up. If the item purchased is not measured at fair value, its cost is measured at the carrying amount of the asset given up.

46. The entity determines whether an exchange transaction has commercial substance by considering the extent to which expected to change future cash flows as a result of such transaction. An exchange has commercial substance if:

(a) the configuration (risk, timing and amount) of cash flows of the asset received differs from the configuration of the cash flows of the transferred asset, or

(b) the specific value for the entity, a part of their activities affected by the swap, is modified as a result of the exchange, and

(c) the difference in (a) or (b) is significant relative to the fair value of the assets exchanged.

In determining whether an exchange transaction has commercial substance, the specific value for the principal part of its operations affected by the transaction shall take into account cash flows after tax. The result of these tests can be clear without an entity should perform detailed calculations.

47. In paragraph (b) of paragraph 21 specifies that a condition for recognition of an intangible asset is that the cost of that asset can be measured reliably. The fair value of an intangible asset for which there are no comparable market transactions, can be measured reliably if (a) the variability in the range of reasonable fair value estimates is not significant, or (b) the probabilities of the various estimates within the range can be reasonably assessed and used in estimating fair value. If the entity is able to determine reliably the fair value of the asset received or the asset given up, will use the fair value of the asset given to assess the cost of the asset received, unless you have a clearer evidence of fair value asset received.

Internally generated goodwill

48. The internally generated goodwill is not recognized as an asset.

49. In some cases, expenditure is incurred to generate future economic benefits, without necessarily generating an intangible asset that meets the recognition criteria in this Standard. It is often said that these expenditures contribute to an internally generated goodwill. The goodwill generated by the entity itself is not recognized as an asset because it is not an identifiable resource (i.e., not separable or arises from contractual or other legal rights) controlled by the entity that can be measured reliably at cost.

50. The differences, in a given time, between the market value of the entity and the carrying amount of its identifiable net assets, may capture a wide range of factors affecting the value of the entity as a whole. However, it can be considered that these differences represent the cost of intangible assets controlled by the entity.

Other intangible assets generated internally

51. It is sometimes difficult to assess whether an internally generated intangible asset qualifies for recognition as an asset, as a result of problems:

(a) determine whether and at what time, emerges an identifiable asset to be derived, so likely to generate future economic benefits and

(b) establish the cost of the asset reliably. In some cases, the cost of generating an intangible asset internally cannot be distinguished from the cost of maintaining or improving internally generated goodwill, nor the cost to carry out day to day activities of the entity.

Therefore, in addition to complying with the requirements for recognition and initial measurement of an intangible asset, the entity applies the requirements and guidelines set out in paragraphs 52 to 67 for all internally generated assets.

52. To assess whether an internally generated intangible asset meets the criteria for recognition, an entity classifies the generation of the asset:

(a) the research stage, and

(b) the development phase.

Although the terms "research" and "development" have been defined in this Standard, the "research phase" and "development phase" has the meaning of it, a broader meaning.

53. If the entity is not able to distinguish the research phase of the development phase of an internal project to create an intangible asset expenditures incurred will this project as if they were supported only in the research phase.

Research phase

54. **It is not recognized intangible assets arising from research (or research phase of internal projects). Expenditure on research (or in the research phase, in an internal project) shall be recognized as expense in the period in which incurred.**

55. In the research phase of an internal project, the entity can demonstrate that there is an intangible asset that can generate probable future economic benefits. Therefore, this expenditure is recognized as an expense when they occur.

56. Following are examples of research activities:

(a) activities aimed at obtaining new knowledge;

(b) exploration, evaluation and final selection of applications of research findings or other knowledge;

(c) the search for alternatives for materials, devices, products, processes, systems or services;

(d) the formulation, design, evaluation and final selection of possible alternatives for materials, devices, products, processes, systems or services that are new or have been improved.

Development Phase

57. An intangible asset arising from development (or from the development phase of an internal project) shall be recognized as such if and only if, the entity can demonstrate all of the following:

(a) the technical feasibility of completing the production of the intangible asset so that may be available for use or sale.

(b) its intention to complete the intangible asset in question, and use or sell.

(c) its ability to use or sell the intangible asset.

(d) how the intangible asset will generate probable future economic benefits. Among other things, the entity can demonstrate the existence of a market for the output of the asset or the intangible asset itself or, in the event that will be used internally, the usefulness of the intangible asset.

(e) The availability of adequate technical, financial or otherwise, to complete the development and use or sell the intangible asset.

(f) its ability to measure reliably the expenditure attributable to the intangible asset during its development.

58. In the development phase of an internal project, an entity may, in some instances, identify an intangible asset and demonstrate that it will generate probable future economic benefits. This is because the development phase in a project covers more advanced stages of the research phase.

59. Following are examples of development activities:

(a) the design, construction and testing prior to production or use of models and prototypes;

(b) the design of tools, dies, molds and templates involving new technology;

(c) the design, construction and operation of a pilot plant that does not have a scale economically feasible for commercial production and

(d) the design, construction and testing of a chosen alternative for materials, devices, products, processes, systems or services that are new or have been improved.

60. To establish whether an intangible asset will generate probable future economic benefits, the entity will assess the economic returns to be received the same using the principles of IAS 36 Impairment of assets. If the asset would generate income only when acting in combination with other assets, an entity applies the concept of cash-generating unit, established in IAS 36.

61. The availability of resources to complete, use and benefit from an intangible asset can be demonstrated, for example through the existence of a business plan that highlights the technical, financial or otherwise, required and entity's ability to source these resources. In some cases, an entity demonstrates the availability of external funding, through obtaining a lender's indication of its willingness to finance the plan submitted.

62. Often the cost of the system entity can reliably assess the associated costs of internal generation of an intangible asset, such as salaries and other expenses incurred in ensuring the rights of intellectual property or licenses or to develop software.

63. It is recognized as intangible assets brands, mastheads of newspapers or magazines, publishing titles stamps, the customer lists and other similar items that have been generated internally.

64. The expenditure incurred for the internal generation of brands, mastheads, publishing titles stamps, customer lists or other similar items cannot be distinguished from the cost of developing the business as a whole. Therefore, these items are not recognized as intangible assets.

Cost of an internally generated intangible asset

65. The cost of an internally generated intangible asset for the purposes of paragraph 24 is the sum of the expenditure incurred from the time the item meets the conditions for recognition set out in paragraphs 21, 22 and 57. Paragraph 71 prohibits reinstatement in the form of assets, the expenditure previously recognized as expenses.

66. The cost of internally generated intangible assets comprise all directly attributable costs to create, produce and prepare the asset for it to operate as intended by management. Examples of directly attributable costs:

(a) costs of materials and services used or consumed in generating the intangible asset;

(b) costs of employee benefits (as defined in IAS 19) derived from the generation of the intangible asset;

(c) fees for registering the right, and

(d) amortization of patents and licenses that are used to generate intangible assets.

In IAS 23 sets out the criteria for recognizing borrowing costs as a component of cost of internally generated intangible assets.

67. The following are not components of the cost of internally generated intangible assets:

(a) administrative expenditures, sales or other general overhead expenditure unless the expenditure can be directly attributed to preparing the asset for use;

(b) inefficiencies clearly identified, and initial operating losses in incurred before the asset achieves planned performance and

(c) the expenditures for training of personnel who operate the asset.

Example illustrating paragraph 65

An entity is developing a new production process. During 20X5, expenditure was 1,000 um (a), including 900 um were incurred before 1 December 20X5, while the 100 um remaining ones were between that date and 31 December 20X5. The entity is able to demonstrate that, at 1 December 20X5, the production process met the criteria for recognition as an intangible asset. The estimated recoverable amount of the body of knowledge built into the process, so far, is 500 um (whereas, in the calculation thereof, the future cash outflows to complete the development of the production process before it can be used).
At the end of 20X5, the production process will be recognized as an intangible asset with a cost of 100 um (equal to the disbursements made since the time of met the criteria for recognition, i.e. from 1 December). The disbursements, amounting to 900 um, which was incurred before 1 December 20X5, are recognized as an expense because the recognition criteria were not met until that date. These amounts are not part of the cost of the production process, once recognized in the balance.

Throughout the year 20X6, expenditure has been the amount of 2,000 um At end of year 20X6 is estimated that the recoverable amount of the body of knowledge built into the process, so far, amounts to 1,900 um (whereas, in the calculation thereof, the future cash outflows to complete the development of the production process before it can be used).

At the end of 20X6, the cost of the production process will 2,100 um (100 disbursements recognized at the end of 20X5 plus the 2,000 um generated in 20X6). The entity recognizes an impairment loss, amounting to 200 um, in order to adjust the carrying amount before impairment of its value (which were 2100 um), reaching its recoverable amount (that is 1,900 um) . This impairment loss recaptured in a later year, provided that the requirements for the reversal, as set out in IAS 36.

In this Standard, monetary amounts are expressed in "currency units" (CU)

Recognition as an expense

68. **The Expenditure on an intangible item shall be recognized as expenses when incurred, unless one of the following circumstances:**

(a) included in the cost of an intangible asset that meets the recognition criteria (see paragraphs 18 to 67), or

(b) the item is acquired in a business combination, and cannot be recognized as an intangible asset. In that case, this amount (included in the cost of business combination) will be part of the amount attributed to goodwill at the acquisition date (see IFRS 3).

69. In some cases, expenditure is incurred to provide future economic benefits to an entity, but not acquired or created any assets or intangible or otherwise which may be recognized as such. In the case of supply of goods, the entity recognizes these payments as an expense, provided he has a right of access to these goods. In the case of supply of services, the entity recognizes the disbursement as an expense whenever you receive services. For example, expenditure on research is recognized as an expense when incurred in them (see paragraph 54), except that acquired as part of a business combination. Other examples of expenditure that is recognized as an expense when incurred in them are:

(a) Disbursements by establishment (i.e., costs of implementation of activities), unless the relevant items included in the cost of an item of property, according to the provisions of IAS 16. The disbursements by settlement costs may include initiation of activities such as legal and administrative costs incurred in the creation of a body corporate, capital expenditure required to open a new facility, an activity or to start a farm (pre-opening costs) or costs of launching new products or processes (pre-operating costs).

(b) Disbursements for activities.

(c) Disbursements by advertising and promotional activities (including mail order catalogs).

(d) Disbursements by relocating or reorganizing part or all of an entity.

69A. An entity has a right of access to goods when holding Similarly, have a right of access to these goods if these have been built by a supplier under the terms of a supply contract and the entity may require delivery thereof in exchange for payment. The services are received when they are provided by a supplier under a contract for delivery to the entity and not when the entity uses to provide another service, for example, to deliver a notice to customers.

70. When a payment for goods was made before the entity obtaining a right of access to these goods, paragraph 68 does not prevent it recognizes the prepayment as an asset. Similarly, when payment for services was made before the entity receives the services, paragraph 68 does not prevent it recognizes the prepayment as an asset.

Prohibition of recognizing as assets prior year expenditures

71. The expenditure on intangible assets initially recognized as an expense shall not be recognized later as part of the cost of an intangible asset.

MEASUREMENT AFTER RECOGNITION

72. The entity shall choose as its accounting policy between the cost model in paragraph 74 or the revaluation model in paragraph 75. If an intangible asset is accounted for under the revaluation model, all other assets belonging to the same class will also be recorded using the same model, unless there is an active market for the asset class.

73. A class of intangible assets is a grouping of assets of similar nature and use in the activities of the entity. The items belonging to the same class of intangible assets are revalued simultaneously to avoid selective revaluation of assets and the amounts of intangible assets in the financial statements represent a mixture of costs and values as at different dates.

Cost Model

74. **Subsequent to initial recognition, an intangible asset is carried at cost less accumulated depreciation and any accumulated impairment losses in value.**

Revaluation Model

75. With Subsequent to initial recognition, an intangible asset is carried at revalued amount, which is its fair value at the time of revaluation, less accumulated depreciation, and the aggregate amount of impairment losses he has suffered. To determine the amount of revaluations under this Standard, the fair value is determined by reference to a market active. The revaluation will be made with sufficient regularity to ensure that the carrying amount of the asset in the balance sheet date, differs significantly from that could be determined using fair value.

76. The revaluation model does not include:

(a) the revaluation of intangible assets that have not previously been recognized as assets, nor

(b) the initial recognition of intangible assets at amounts other than cost.

77. The revaluation model is applied after the asset has been recognized initially at cost. If, however, is recognized only as an active, part of the total cost of the item, for not fulfilling the criteria for recognizing it to reach an intermediate stage of production process (see paragraph 65), the revaluation model may be applied to all assets. In addition, the

revaluation model can be applied to an intangible asset that is received through government grant and is recognized by a symbolic value (see paragraph 44).

78. It is rare that there is an active market, such as described in paragraph 8, for intangible assets, although it is possible there. For example, in some countries, active market may exist for freely transferable taxi licenses and for licenses or fishing quotas and production. However, there are no active markets for the brands, mastheads of newspapers or magazines, film rights or sheet music, patents or trademarks, because each of these assets has peculiarities that make them unique. Moreover, although the intangible assets are bought and sold, contracts are negotiated between buyers and sellers acting in isolation, and therefore the transactions are relatively infrequent. For these reasons, the price paid for an asset may not provide sufficient evidence of fair value of another. Moreover, very often, prices are not available to the public.

79. The frequency of revaluations depends on the volatility of the fair values of intangible assets that are subject to revaluation. If the fair value of a revalued asset differs materially from its carrying amount will require a reassessment. Certain intangible assets may experience significant movements and volatility in fair value thus necessitating annual revaluation. Such frequent revaluations are unnecessary for intangible assets with only insignificant movements in fair value.

80. When an intangible asset is revalued, any accumulated depreciation until the date of revaluation can be treated in two ways:

    (a) restated proportionately with the change in the gross carrying amount of assets, so that the carrying amount of the same after revaluation equals its revalued amount, or

    (b) eliminated against the gross carrying amount of assets, so that restates what is the net worth result, up to the revalued amount of the asset.

81. If an intangible asset within a class of revalued intangible assets, could not be revalued because there is no active market for it, the item in question is carried at cost less accumulated depreciation and impairment losses cumulative value could have affected him.

82. If no longer be determined the fair value of an intangible asset, by missing the market serves as a reference asset, the carrying amount of the element will be the revalued amount at the date of the last revaluation by reference to active market, unless the accumulated depreciation and impairment losses accumulated.

83. The fact that there still exists an active market for an item come to revalue the intangible asset may indicate that the value of that asset has been impaired and therefore it is necessary to implement the content of IAS 36.

84. If, at some later date, the fair value of goodwill be determined by reference back to an active market, it applies the revaluation model from the same date.

85. If you increase the carrying amount of an intangible asset revaluation as a result of this increase is recognized in accumulated other comprehensive and result in equity under the heading of revaluation surplus. However, the increase is recognized in profit or loss to the extent involving reverses a revaluation decrease of the same

asset previously recognized in earnings.

86. **When a reduction in the carrying amount of an intangible asset following a revaluation, the decrease is recognized in profit or loss. However, the reduction is recognized in other comprehensive outcome to the extent that credit balance exists in the revaluation surplus relating to that asset. The decrease recognized in other comprehensive result reduces the amount accumulated in equity under the heading of revaluation surplus.**

87. **When are deemed to be, reserves cumulative revaluation surplus included in equity may be transferred directly to the account of retained earnings. The total amount of the revaluation surplus may be performed when there is alienation or other disposition of assets. However, can also be made part of the amount of the revaluation surplus, as it is used by the entity, in which case the amount to be construed as the difference between depreciation for the current year, calculated from the revalued carrying amount, and would have been calculated using the historical cost of assets. The transfer from revaluation surplus to retained earnings is not made with changes in the outcome.**

Life

88. **The entity shall assess whether the useful life of an intangible asset is finite or indefinite and, if finite, will assess the duration or the number of production or similar units that constitute life. The entity considers that an intangible asset has an indefinite useful life when, on the basis of an analysis of all relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate active net inflows cash for the entity.**

89. The recording of an intangible asset is based on his life. An intangible asset with a finite useful life are amortized (see paragraphs 97 to 106), while an intangible asset with an indefinite useful life are not amortized (see paragraphs 107 to 110). Illustrative Examples accompanying this Standard illustrate the determination of useful life for different intangible assets and the subsequent accounting for those assets based on measurements of the lifetime.

90. To determine the life of an intangible asset, one must consider many factors, including:

(a) the expected usage of the asset by the entity and whether the asset could be managed efficiently by another management team different;

(b) the typical life cycle of the product, as well as public information on estimates of useful life for similar types of assets that are used in a similar way;

(c) impact of technical obsolescence, technological, commercial or otherwise;

(d) the stability of the industry in operating assets and changes in market demand for products or services produced with the asset;

(e) expected actions by competitors, whether current or potential competitors;

(f) the level of maintenance expenditure required to achieve the expected economic benefits of assets as well as the ability and willingness of the entity to achieve that level;

(g) the period of control over the asset and the legal limits or other similar limits on the use of assets, such as the expiration date of the leases associated with it, and

(h) if the asset's useful life depends on the useful life of other assets held by the entity.

91. The term "indefinite" does not mean "infinite." The life of an intangible asset reflects only the level of future maintenance expenditures needed to preserve the asset in its normal level of performance, measured at the date on which an estimated useful life of assets as well as the ability of the entity and its intention to reach that level. The conclusion that the life of an intangible asset is indefinite should not depend on the surplus of future capital expenditure initially planned on the assets required to maintain that level of performance.

92. Given the experience of rapid changes in technology, software and other intangible assets are subject to rapid technological obsolescence. It is therefore likely that life is short.

93. The life of an intangible asset can be very long or even indefinitely. Uncertainty justifies a conservative estimate of the useful life of goodwill, but does not justify the choice of an amortization period that is so short that it is unreal.

94. The life of an intangible asset that arises from contractual or other legal rights shall not exceed the term of the contract or legal rights, but may be lower, depending on the period over which the entity expects to use the asset . If the contract or other legal rights have been set for a limited period may be renewed, the useful life of intangible assets include the renewal period only if there is evidence to support renewal by the entity without significant cost.

95. It may be economic and legal factors influencing the life of an intangible asset. Economic factors determine the period over which to receive future economic benefits. Legal factors may restrict the time interval in which the entity will control access to these benefits. The useful life is the shortest period of determined by these factors.

96. The existence of the following factors, among others, indicate that renewal of legal rights is virtually certain, without incurring a significant cost:

(a) There is evidence, possibly based on experience, that will be renewed any contractual or other legal rights. If the renewal is contingent required the consent of a third party is needed evidence that the third party will access;

(b) There is evidence that the conditions for renewal are met, and

(c) The cost of renewal for the entity is not significant compared to the future economic benefits expected to flow to the entity because of the renovation.

If the cost of renewal is significant compared to the future economic benefits expected to flow to the entity following the renewal, costs of "renewal" represent, in essence, the acquisition cost of a new intangible asset at the renewal date.

Intangible assets with finite useful lives

Amortization period and method

97. The depreciable amount of an intangible asset with a finite useful life, will be distributed on a systematic basis over its useful life. Amortization will begin when the asset is available for use, i.e. when it is in the location and condition necessary for it to operate as intended by management. The redemption shall cease on the earliest date among those in which the asset is classified as held for sale (or included in a disposal group classified as held for sale) in accordance with IFRS 5 and the date the given asset is derecognized. The amortization method used shall reflect the expected pattern of consumption by the entity, the future economic benefits of the asset. If this pattern cannot be measured reliably shall be the straight-line method. The depreciation charge for each period is recognized in profit or loss unless another Standard permits or requires that this amount is included in the carrying amount of another asset.

98. may use different depreciation methods to systematically distribute the depreciable amount of an asset over its useful life. These methods include the linear, the constant percentage of the carrying amount of units produced. The method used is selected from the expected pattern of consumption of the expected future economic benefits embodied in assets and be applied consistently from year to year, unless there is a change in the expected pattern of economic benefits such future.

99. Usually, depreciation is recognized in profit or loss. However, sometimes the future economic benefits embodied in an asset are absorbed within the entity in producing other assets. In these cases, the charge for depreciation will be part of the cost of the other asset and included in its carrying amount. For example, the amortization of intangible assets used in the production process will be incorporated in the carrying amount of inventories (see IAS 2 Inventories).

Residual value

100. It will mean that the residual value of an intangible asset is zero unless:

(a) an undertaking by a third party to purchase the asset at the end of its useful life, or

(b) an active market for the asset, plus:

(i) residual value can be determined with reference to that market, and

(ii) it is probable that a market will exist at the end of the asset's useful life.

101. The depreciable amount of an asset with a finite useful life is determined after deducting its residual value. A residual value other than zero implies that the entity expects to sell the intangible asset before the end of its economic life.

102. The estimate of the residual value of an asset is based on the amount recoverable through the sale or other disposition, using prices at the date of the estimate of the sale for a similar asset that has reached the end of their life and has operated under conditions similar to those in which the asset is used. The residual value will be reviewed at the end of each

financial year. A change in the residual value of the asset is recorded as a change in estimate in accordance with IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors.

103. The residual value of an intangible asset may increase to an amount equal to or greater than the carrying amount of the asset. In that case, the charge for amortization of the asset will be zero unless and until its residual value subsequently decreases to an amount below the asset carrying amount.

Review of the period and amortization method

104. Both the period and the amortization method used for intangible assets with finite useful life are reviewed at least at the end of each year. If the expected useful life differs from previous estimates, changes the amortization period to reflect this change. If there has been a change in the expected pattern of future economic benefits from the asset, the amortization method shall be amended to reflect these changes. The effects of these changes in the period and the amortization method, are treated as changes in accounting estimates, as set out in IAS 8.

105. A along the life of the intangible asset can be shown that the estimated useful life is inappropriate. For example, the recognition of an impairment loss may indicate that the amortization period should be modified.

106. Over time, the pattern of occurrence of future profits expected by the entity for a certain intangible assets may change. For example, it may become apparent that instead of applying the straight-line method is more appropriate depreciation method based on applying a constant rate on the carrying amount at the beginning of each year. Another example occurs when postponing the use of the rights represented by a license pending actions linked to other components of the business plan. In that case, the economic benefits from the asset cannot begin to arrive until later periods.

Intangible assets with indefinite useful lives

107. The intangible assets with indefinite useful lives not be amortized.

108. According to IAS 36, the entity will check if an intangible asset with an indefinite useful life has seen impairment loss by comparing its recoverable amount with its carrying amount

(a) annually, and

(b) at any time when there is an indication that the asset may be impaired.

Review of life assessment

109. The life of an intangible asset that is not being amortized each year will be reviewed to determine if there are facts and circumstances continue to maintain an indefinite useful life for that asset. If no such circumstances, the change in the life of indefinite to finite is accounted for as a change in accounting estimate in accordance with IAS 8.

110. Under IAS 36, to reconsider the life of an intangible asset as finite, instead of as indefinite, is an indication that the asset may have become impaired. As a result, the entity

will check if the value of the asset has been impaired, by comparing its recoverable amount, determined in accordance with IAS 36, with its carrying amount, and recognizing any excess of the carrying amount over the recoverable amount as a loss by impairment.

Recovery of the carrying amount - impairment losses

111. For determining whether there has deteriorated the value of intangible assets, an entity applies IAS 36. That Standard explains when and how an entity to review the carrying amount of its assets, and also how it determines the recoverable amount of an asset, to recognize or reverse an impairment loss in value.

Retirements and disposals of intangible assets

112. A goodwill written off in accounts:

(a) in the disposal or disposal of, another source; or

(b) when no future economic benefits anticipated from its use, sale or other disposition.

113. **Gain or loss arising from the derecognition of an intangible asset is determined as the difference between the net amount realized by its sale or disposal by other means and the carrying amount of the asset. It is recognized in profit or loss when the item is withdrawn on accounts (unless IAS 17 provides otherwise, in the event of a sale and leaseback). Benefits are not classified as revenue.**

114. The sale or other disposition of an intangible asset can be carried out in various ways (e.g. by sale, by the same lease contract, or by donation). To determine the date of the sale or other disposition of assets, the entity applies the criteria in IAS 18 Revenue for the recognition of revenue from sale of property. IAS 17 will apply if the disposal by a sale and leaseback.

115. If, in accordance with the recognition criteria in paragraph 21, an entity recognizes in the carrying amount of an asset the cost of replacing part of the intangible asset derecognizes the carrying amount of the replaced part. If it is impracticable for the entity to determine the carrying amount of the replaced part, you can use the cost of replacement as an indication of what might be the cost of the replaced part, on the date on which it was acquired or internally generated.

116. The consideration receivable on the sale or other disposition of an intangible asset is recognized initially at fair value. If a deferment of the payment to be received by the intangible asset, the consideration received is recognized initially at the cash price equivalent. The difference between the nominal amount of the consideration and the cash price equivalent is recognized as interest revenue in accordance with IAS 18 as to reflect the effective yield on the receivable.

117. The amortization of intangible assets with finite useful lives will not cease when the intangible asset is no use unless you are fully depreciated or is classified as held for sale (or included in a disposal group classified as held for sale) in accordance with IFRS 5.

Disclosures

General

118. **The entity shall disclose for each class of intangible assets, distinguishing between assets that have been generated internally and others:**

(a) the useful lives are indefinite or finite and, in this case, the useful lives or the amortization rates used;

(b) the depreciation methods used for intangible assets with finite useful lives;

(c) the gross carrying amount and accumulated depreciation (together with the cumulative amount of impairment losses) at the beginning and end of each year;

(d) the line item in the income statement, which included the amortization of intangible assets;

(e) a reconciliation between the carrying amount at the beginning and end of the period showing:

(i) additions, indicating separately from those from internal development, those acquired separately and those acquired in business combinations;

(ii) assets classified as held for sale or included in a disposal group that is classified as held for sale in accordance with IFRS 5, as well as the alienation or other disposition;

(iii) increases or decreases during the period, from revaluations carried out as described in paragraphs 75, 85 and 86 and from impairment losses recognized or reversed, the overall result taken to another following the rules of the IAS 36 (if any);

(iv) impairment losses recognized in profit or loss using the IAS 36 (if any);

(v) reversals of previous impairment losses, throughout the year, which have led to the results (if any);

(vi) the amount of amortization recognized during the period;

(vii) net exchange differences arising from translation of financial statements to the presentation currency, and the conversion of a foreign operation to the presentation currency of the entity, and

(viii) other changes in the carrying amount during exercise.

119. One class of intangible assets is a grouping of assets of similar nature and use in the activities of the entity. The following are examples of separate classes:

(a) brand names;

(b) mastheads of newspapers, magazines and stamps publishing titles;

(c) computer software;

(d) licenses and franchises;

(e) intellectual property rights, patents and other industrial property or exploitation rights;

(f) recipes, formulas, models, designs and prototypes, and

(g) intangible assets in progress.

The classes mentioned above are disaggregated (aggregated) into smaller (larger) if it generates more relevant information for users of financial statements.

120. The entity shall include information on the intangible assets that have suffered impairment losses in accordance with IAS 36, in addition to that required in paragraphs (e) (iii) through (e) (v) of paragraph 118.

121. The IAS 8 requires an entity to disclose the nature and effect of changes in accounting estimates that have a significant effect in the current period or which are expected to have significant impact in future years. These disclosures may arise from changes in:

(a) the amortization period set for an intangible asset;

(b) the amortization method, or

(c) residual values.

122. The entity shall also disclose information about:

(a) In the case of an intangible asset with indefinite useful life, the carrying amount of the asset and the reasons on which rests the estimation of an indefinite useful life. By providing these reasons, the entity describes the factor or factors that played a significant role in determining that the asset has an indefinite useful life.

(b) A description of the carrying amount and remaining amortization period of any intangible asset that is material to the financial statements of the entity.

(c) for intangible assets that were acquired through a government grant and initially recognized at fair value (see paragraph 44):

(i) the fair value initially recognized that such assets;

(ii) their carrying amount and

(iii) if the evaluation after initial recognition is performed using the cost model or the revaluation model;

(d) The existence and carrying amounts of intangible assets whose title is restricted and the carrying amount of intangible assets that serve as collateral for debts.

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

123. When the appropriate entity to describe the factor or factors which have played an important role in determining the fact that the intangible asset has an indefinite useful life, consider the list of factors in paragraph 90.

Intangible assets valued thereafter as the revaluation model

124. In the case of intangible assets accounted for at revalued amounts, the entity shall disclose the following information:

(a) for each class of intangible assets:

(i) the effective date of the revaluation;

(ii) the carrying amount of revalued intangible assets and

(iii) the carrying amount that would have recognized if the intangible assets have been subsequently evaluated using the cost model in paragraph 74;

(b) the amount of the revaluation surplus associated with intangible assets at the beginning and end of the year, indicating the changes that have occurred during the period and any restrictions on the distribution of the balance between shareholders and

(c) the methods and significant assumptions used in estimating the fair value of assets.

125. It can be necessary to comply with the disclosure required in the preceding paragraph, proceed to the aggregation of the classes of revalued intangible assets. However, those classes are not aggregated if this presentation could be mixed stocks, which include assets valued under the cost model along with other valued according to the revaluation model.

Expenditure on research and development

126. The entity shall disclose the aggregate amount of expenditures for research and development that have been recognized as an expense during the year.

127. The research and development outlays include all directly attributable to research and development (see paragraphs 66 and 67, for guidance on the types of expenditures that may be included to meet the objectives of the requirements information identified in paragraph 126).

Other Information

128. It is recommended but not required, that the entities provide the following information:

(a) a description of fully amortized intangible assets that are still in use, and

(b) a brief description of significant intangible assets controlled by the entity but are not recognized as assets did not meet the recognition criteria set out in this Standard, or because they were acquired or generated before she could force the version of IAS 38 Intangible Assets issued in 1998.

Transitional provisions and effective date

129. If the entity elects, in accordance with paragraph 85 of IFRS 3, to apply IFRS 3 from any date prior to the entry into force set out in paragraphs 78 to 84 of IFRS 3, also apply this Standard prospectively from the same date. Therefore, the entity shall not adjust the carrying amount of intangible assets recognized at that date. However, the entity shall, on that date, this Standard to re-estimate the useful lives of these intangible assets recognized. If as a result of this reassessment, the entity changes its assessment of the life of an asset, that change is accounted for as a change in accounting estimate in accordance with IAS 8.

130. **In another case, an entity applies this Standard:**

(a) for accounting for intangible assets acquired in business combinations in which the agreement date on or after 31 March 2004, and

(b) to account for all other intangible assets prospectively from the beginning of the first financial year beginning 31 March 2004. Therefore, the entity shall not adjust the carrying amount of intangible assets recognized at that date. However, the entity shall, on the same date, this Standard to reconsider the lives of such intangible assets. If as a result of this reassessment, the entity changes its assessment of the life of an asset, that change is accounted for as a change in accounting estimate in accordance with IAS 8.

130A. An entity shall apply the amendments to paragraph 2 for annual periods beginning on or after 1 January 2006. If an entity applies IFRS 6 in an earlier period, these amendments shall be applied in the previous period.

130B. IAS 1 Presentation of Financial Statements (revised 2007) amended the terminology used in IFRS. In addition, amended paragraphs 85, 86 and 118 (e) (iii). An entity shall apply those amendments for annual periods beginning on or after 1 January 2009. If an entity applies IAS 1 (revised 2007) for earlier years, the amendments also apply to these exercises.

130D. is amended paragraphs 69, 70 and 98 and paragraph 69A was added by the improvements document Standards and Interpretations issued in May 2008. An entity shall apply those amendments for annual periods beginning on or after 1 January 2009. Earlier application is permitted. If an entity applies the amendments in a financial year beginning before, disclose that fact.

Similar asset swaps

131. The requirement, contained in paragraphs 129 and paragraph (b) of paragraph 130 of this Standard apply prospectively, meaning that if an exchange of assets was assessed,

before the effective date of this Statement on the basis of the carrying amount of the asset given, the entity does not restate the carrying amount of the asset acquired to reflect its fair value at the acquisition date.

Early activation

132. Institutions are advised to apply to paragraph 130, to implement the requirements of this Standard before the effective dates specified in paragraph 130. However, if an entity applies this Standard before those effective dates, while also apply IFRS 3 and IAS 36 (revised 2004).

Withdrawal of IAS 38 (issued in 1998)

133. This Standard supersedes IAS 38 Intangible Assets (adopted in 1998).