IAS 38 Intangible Assets

### Recognisation and Measurement

#### Separate Acquisition
1. Probable - expected future economic benefits will flow to the entity; and
2. Cost can be reliably measured.
Recognition at cost.

#### Acquired in Business Combination
2. Probable - always met if fair value (FV) can be determined; FV reflects expectation of future economic benefits.
3. Cost - FV at acquisition date.
   - Acquirer recognises it separately from goodwill.
   - Irrespective of whether the acquiree had recognised it before acquisition.

#### Internally Generated

- **Research phase** - expense costs as incurred.
- **Development phase** - Capitalise if all criteria are met:
  - Technical feasibility of completion of intangible asset
  - Intention to complete
  - Ability to use or sell the intangible asset
  - Adequate technical, financial and other resources to complete
  - Probable future economic benefits
  - Expenditure measured reliably.

#### Exchange of 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 include:
  - Internally generated brands
  - Customer lists.

#### Government Grant
Initially recognised at either:
- Fair value
- Nominal value plus direct expenses to prepare for use.

Examples include:
- License to operate national lottery
- Radio station.

### 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, transferred, exchanged or rented separately
- Arise from contractual or other legal rights.

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

### Subsequent Accounting

#### Finite Useful Life
- Choose either amortised cost or revaluation model:

- **Cost model**
  - Determine useful life
  - Residual value - assumed zero unless active market exists or a commitment by third party to purchase the intangible asset exists
  - Determine amortisation method
  - Review above annually
  - Amortisation begins when available for use.

- **Amendments to IAS 38 (Effective 1 January 2016)**
  - Rebuttable presumption that revenue based amortisation is inappropriate
  - Amortisation method reflects the pattern in which future economic benefits are expected to be consumed.

- **Revaluation model**
  - Fair value at revaluation date
  - Fair value determined by referring to active market
  - If no active market, use cost model
  - Revaluation model
  - 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 eliminated against the gross carrying amount.
  - Credit to revaluation surplus net of Deferred Tax
  - Transfer to retained earnings on realisation.

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

### Other
Past expenses cannot be capitalised in a later period.
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