

IPSAS 31 INTANGIBLE ASSETS

**IPSAS Accrual Accounting Workshop – Jabatan Akuntan Negara
28-29 August 2012**

INTRODUCTION

The objective of IPSAS 31 is to prescribe the accounting treatment for intangible assets:

- to recognize an intangible asset if, and only if, specified criteria are met.
- specifies how to measure the carrying amount of intangible assets, and
- requires specified disclosures about intangible assets.

IPSAS 31

- i. Definition
- ii. Recognition Criteria
- iii. *Measurement*
 - *Initial*
 - *Subsequent*
- iv. *Disclosure*

Scope and Definition

Scope

- *Intangible assets*
- *Intangible Heritage assets*

Definition

Identifiable non-monetary asset without physical substance

i.e. identifiability, control over a resource, and existence of future economic benefits or service potential.

Definition

Identifiable – separable or arises from binding arrangements

Control over a resource- if the entity has the power to obtain the future economic benefits or service potential flowing from the underlying resource and to restrict the access of others to those benefits or that service potential.

The **future economic benefits or service potential** flowing from an intangible asset may include revenue from the sale of products or services, cost savings, or other benefits resulting from the use of the asset by the entity.

Recognition

Recognition Criteria (*Conceptual Framework*)

- *probable that future economic benefits or service potential associated with the asset will flow to the enterprise; and*
- *the cost or fair value of the asset can be measured reliably.*

Measurement

Initial – at cost

Measurement of Costs

- Separate Acquisition
- Non-exchange Transactions
- Exchange of Assets

Measurement

i. Initial – At cost

(note: asset acquired through non- exchange transaction, its initial cost at the date of acquisition, shall be measured at its fair value as at that date .

ii. Subsequent

- Cost Model (at cost less accumulated depreciation and any accumulated impairment losses)
- Revaluation Model (at revalued amount, fair value at revaluation date, less subsequent acc depreciation and subsequent acc impairment losses)

Examples

Revaluation Model

Accounting treatment of revaluation surplus and deficit

Initial

- Surplus – recognise directly to revaluation reserve
(transfer to retained earnings in each period)
- Deficit – recognise as expense

Subsequent

- Surplus or Deficit – reverse previous deficit or surplus where applicable

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Internally Generated Intangible Assets

- Internally generated goodwill
- Internally generated intangible assets identified by IPSAS 31
- Research and development costs

Research and Development Costs

- Research phase – expense
- Development phase – capitalised only if **ALL** recognition criteria are met

Development phase –recognition criteria

- (a) The technical feasibility of completing the intangible asset so that it will be available for use or sale;**
- (b) Its intention to complete the intangible asset and use or sell it;**
- (c) Its ability to use or sell the intangible asset;**
- (d) How the intangible asset will generate probable future economic benefits or service potential. Among other things, the entity can demonstrate the existence of a market for the output of the intangible asset or the intangible asset itself or, if it is to be used internally, the usefulness of the intangible asset;**

Development phase –recognition criteria

- (e) The availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- (f) Its ability to measure reliably the expenditure attributable to the intangible asset during its development.

Others

- Amortisation
- Impairment
- *Intangible Assets with Finite Useful Life and Indefinite Useful Life*
- Derecognition
- Disclosure

Thank you

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