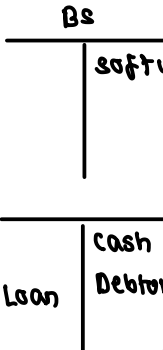




AS-26: INTANGIBLE ASSETS



MEANING OF INTANGIBLE ASSETS

It is an

- ✓ Identifiable → separate distinguish from gw i.e. Rent, sell, exchange etc
- ✓ Non monetary asset → Amt specified and Amt Recd. can differ paid
- ✓ **Without any physical substance**
- ✓ Held for economic benefits [i.e. either for use in production or supply of goods or services, for rental to others or for administrative purposes]
- ✓ Under the control of entity

Example: Goodwill, Trademarks, Patents, License, etc.

RECOGNITION CRITERIA

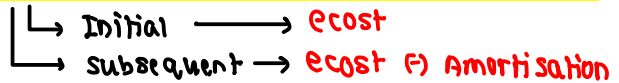
An intangible asset should be recognized if and only if

- ✓ It meets all the essential elements of an intangible assets Identifiable, Physical substance X, Non-monetary, Control ✓, use
- ✓ It is probable that future economic benefits will flow to the enterprise
- ✓ Cost of the asset can be measured reliably

AS-10 PPE

MEASUREMENT

In case of **Direct Purchase**



Computation of Cost of Intangible Asset

Purchase Price	XX
Add: Non-refundable Taxes	XX
Add: Directly attributable costs	XX
Less: Trade discounts and Rebates	(XX)
Cost of Intangible asset	XX

AS 10 PPE

In case of Exchange

Cost of Intangible Asset is

- ✓ FMV of Asset given / Securities issued

- OR**
- 1st FMV asset given
 - 2nd FMV asset recd.
 - 3rd carrying amt → asset given

OR

- ✓ FMV of the Asset acquired

whichever is more clearly evident.

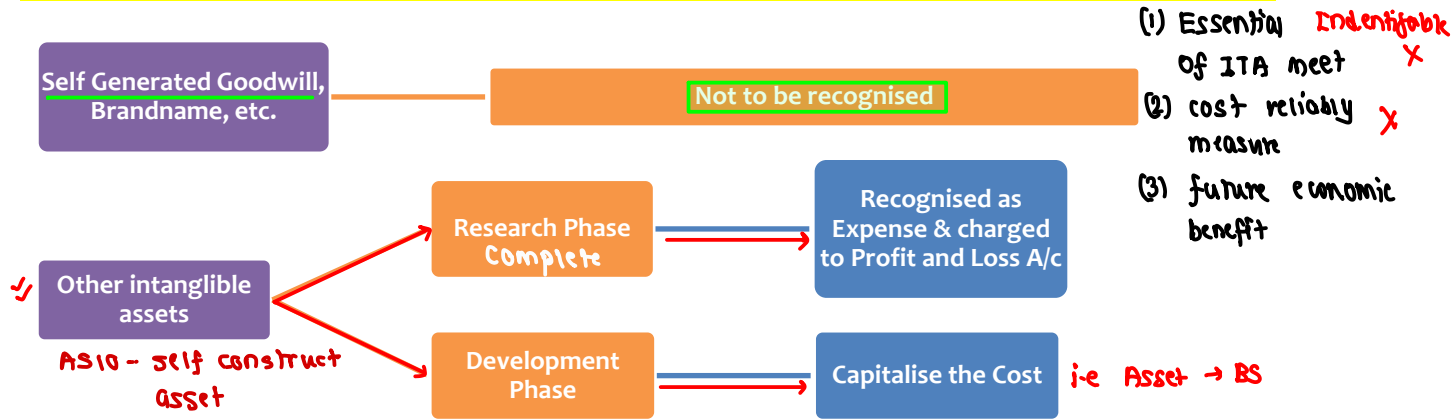
In case of Government Grant → AS 12 → later

Given at concessional rate	On the basis of their acquisition costs
Given free of cost	Record at nominal value



- Note:** any subsequent expenditure shall be treated as Expense unless
- ✓ it is probable that the expenditure will enable the asset to generate future economic benefits in excess of its originally assessed standard of performance; and
 - ✓ the expenditure can be measured and attributed to the asset reliably

INTERNALLY GENERATED INTANGIBLE ASSETS



Conditions of Development Phase:

1. Technical Feasibility established → Product or service, can it be implement using available technology
2. Marketability Proved
3. Identification of cost incurred
4. Sufficient future revenue to cover cost FEB X
5. Intention to complete asset

ITA develop
Disclosure at lower of [During Development Phase]

- a) Cost Incurred
OR
- b) Recoverable amount [Present value of cash flows]
=

Note:

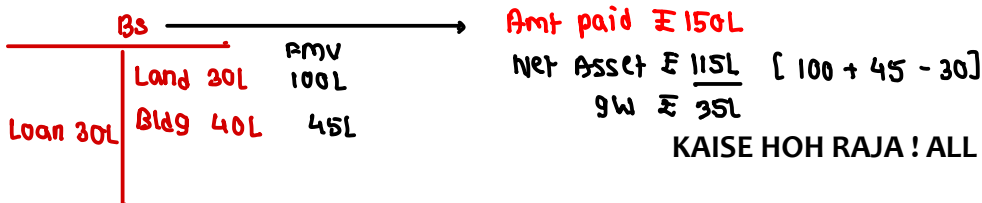
1. Difference between cost and recoverable amount shall be transferred to P/L
2. If an enterprise cannot distinguish the research phase from the development phase, the expenditure should be treated as of research phase only.

AMORTISATION OF INTANGIBLE ASSETS

Depn → Tangible

Period of Amortisation

Software and website	3 - 5 Years
Goodwill arising under amalgamation in nature of purchase ✓	5 Years
Other Intangible assets	✓ ✓ 10 Years





Method of Amortisation

Reflecting pattern of consumption

[Example: in the ratio of future economic benefits, otherwise use SLM]

Note:

- ✓ Amortisation should commence when asset is available for use
- ✓ It will not exceed 10 years from the date when the asset is available for use unless there is persuasive evidence that intangible asset has higher useful life.

DERECOGNITION OF INTANGIBLE ASSETS

Intangible asset should be derecognized

- ✓ on disposal OR
- ✓ when no future economic benefits are expected from its use & subsequent disposal

Note: Difference between the net disposal proceeds and the carrying amount of the asset shall be transferred to Profit and Loss A/c

DISCLOSURE REQUIREMENTS

Kya राजा ! Ab Disclose कर ले ?

- ✓ The useful lives or the amortization rates used.
- ✓ The amortization methods used.
- ✓ The gross carrying amount & the accumulated amortization at the beginning & end of period.
- ✓ Reconciliation of carrying amount at beginning & end of period showing:
 1. Additions, indicating separately those from internal development and through amalgamation.
 2. Retirements and disposals
 3. Amortisation recognised during the period and
 4. Other changes in the carrying amount during the period



PAID

Patent → Cost ₹80,00,000

Amortisation → ₹10,00,000 p.a

∴ carrying amount after 2 years = 80,00,000 - 20,00,000
= ₹60,00,000

Year	Net cash flow	∴ Amortisation
3	36,00,000	60,00,000 × 36/200
4	46,00,000	46/200
5	44,00,000	44/200
6	40,00,000	40/200
7	34,00,000	34/200
	<u>2,00,00,000</u>	

COG

Year	120L/15	120/10
	Amortisation charged	correct
01/04/16 - 31/03/17	8L	12L
17 - 18	8L	12L
18 - 19	8L	12L
19 - 20	8L	12L
20 - 21	8L	12L
21 - 22 [CY]	8L	12L

} prior period

31/03/22 → Amortisation A/c Dr. 4L (increase)
P&L A/c (Prior Period) Dr. 20L (4L x 5)
To Intangible Asset 24L



Q15

Year	Cash flow	Amortisation	
1	300	$600L \times 300 / 1200$	150
2	300	$600L \times 300 / 1200$	150
3	300	$600L \times 300 / 1200$	150
4	150	$150L \times 150 / 375$	60
5	150	$150L \times 150 / 375$	60
6	75	$150L \times 75 / 375$	30
			<u>600L</u>

$CA = 600L - 450L = 150L$



AS-26: INTANGIBLE ASSETS

MEANING OF INTANGIBLE ASSETS

It is an

- ✓ Identifiable → Arised from gouv. contract → Telecom License | spectrum
- ✓ Non monetary asset → separate distinguish from gw i.e. Rent, sell, exchange etc
- ✓ Without any physical substance → Amt specified and Amt Recd. can differ paid
- ✓ Held for economic benefits [i.e. either for use in production or supply of goods or services, for rental to others or for administrative purposes]
- ✓ Under the control of entity

If held for sale in ordinary course → AS 2

Example: Goodwill, Trademarks, Patents, License, etc.

Bs
software
Cash
Debtor
Loan

RECOGNITION CRITERIA

- An intangible asset should be recognized if and only if
- ✓ It meets all the essential elements of an intangible assets
 - ✓ It is probable that future economic benefits will flow to the enterprise
 - ✓ Cost of the asset can be measured reliably
- Identifiable, Physical substance X, Non-monetary, Control ✓, use

AS-10 PPE

MEASUREMENT

In case of **Direct Purchase**

- ↳ Initial → cost
- ↳ Subsequent → cost (-) Amortisation

Computation of Cost of Intangible Asset

Purchase Price	XX
Add: Non-refundable Taxes	XX
Add: Directly attributable costs	XX
Less: Trade discounts and Rebates	(XX)
Cost of Intangible asset	XX

AS 10 PPE

In case of Exchange → Pref:- 1st FMV asset given
2nd FMV asset recd.
3rd carrying amt → asset given

Cost of Intangible Asset is

- ✓ FMV of Asset given / Securities issued
- OR
- ✓ FMV of the Asset acquired

whichever is more clearly evident.

In case of Government Grant → AS 12 → later

Given at concessional rate	On the basis of their acquisition costs
Given free of cost	Record at nominal value

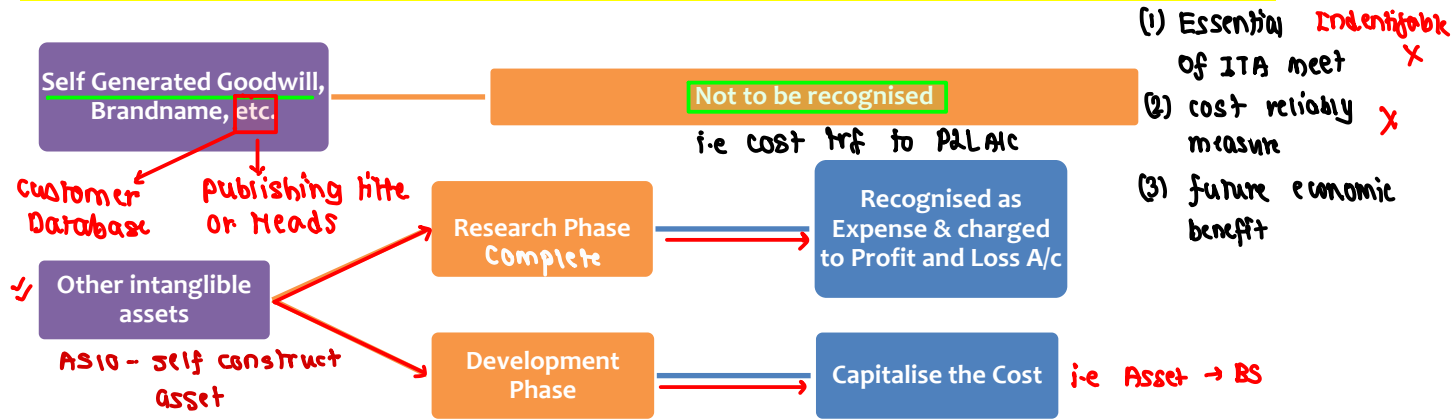
Intangible Asset Acquired in exchange of share

ITA shall be recorded 1st FV of Asset Acquired
2nd FV of share given which ever is more clearly evident



- Note:** any subsequent expenditure shall be treated as Expense unless
- ✓ it is probable that the expenditure will enable the asset to generate future economic benefits in excess of its originally assessed standard of performance; and
 - ✓ the expenditure can be measured and attributed to the asset reliably

INTERNALLY GENERATED INTANGIBLE ASSETS



Conditions of Development Phase:

1. Technical Feasibility established → Product or service, can it be implement using available technology
2. Marketability Proved
3. Identification of cost incurred
4. Sufficient future revenue to cover cost FEB X
5. Intention to complete asset

ITA develop
Disclosure at lower of [During Development Phase]

- a) Cost Incurred
OR
- b) Recoverable amount [Present value of cash flows] [TVM]

AS28
Impairment LOSS = CA (-) RA
↓
Higher of
(1) value in use [PV of Future CF]
(2) Net selling price

Note:

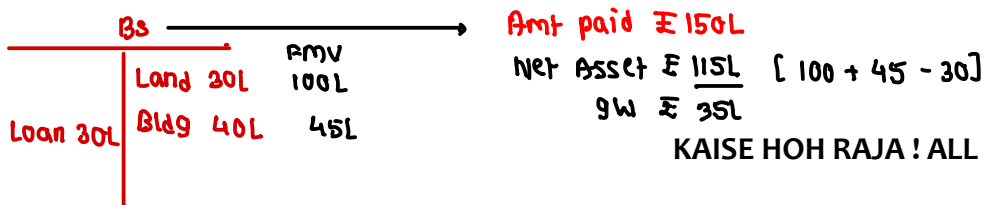
1. Difference between cost and recoverable amount shall be transferred to P/L
2. If an enterprise cannot distinguish the research phase from the development phase, the expenditure should be treated as of research phase only.

AMORTISATION OF INTANGIBLE ASSETS

Depn → Tangible

Period of Amortisation

Software and website	3 - 5 Years
Goodwill arising under amalgamation in nature of purchase ✓	5 Years → AS14
Other Intangible assets	✓ ✓ 10 Years





Method of Amortisation ↴

Reflecting pattern of consumption

[Example: in the ratio of future economic benefits, otherwise use SLM]

Note!

- ✓ Amortisation should commence when asset is available for use
- ✓ It will not exceed 10 years from the date when the asset is available for use unless there is persuasive evidence that intangible asset has higher useful life.

DERECOGNITION OF INTANGIBLE ASSETS

Intangible asset should be derecognized

- ✓ on disposal OR fire sold
- ✓ when no future economic benefits are expected from its use & subsequent disposal

Note: Difference between the net disposal proceeds and the carrying amount of the asset shall be transferred to Profit and Loss A/c

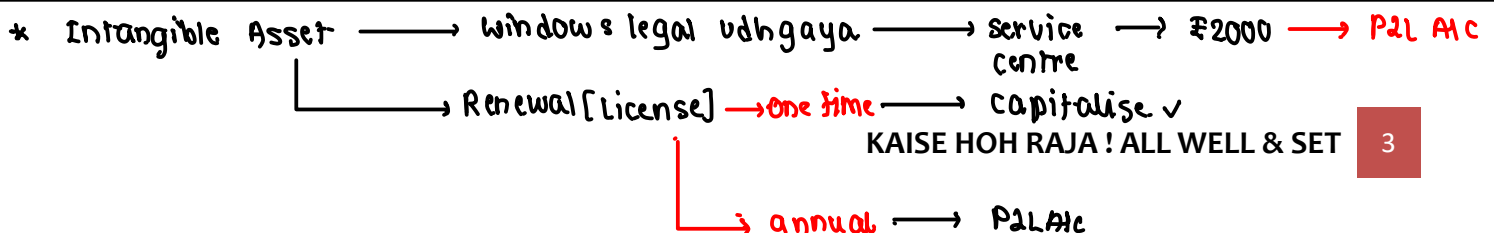
DISCLOSURE REQUIREMENTS

Kya राजा ! Ab Disclose कर ले ?

- ✓ The useful lives or the amortization rates used.
- ✓ The amortization methods used.
- ✓ The gross carrying amount & the accumulated amortization at the beginning & end of period.
- ✓ Reconciliation of carrying amount at beginning & end of period showing:
 1. Additions, indicating separately those from internal development and through amalgamation.
 2. Retirements and disposals
 3. Amortisation recognised during the period and
 4. Other changes in the carrying amount during the period

* guidance note :- Element which has more significance

<u>computer purchase with legal windows and microsoft office</u>	✓		✗
Hardware	→ AS 10	PPE	AS 26
software			ITA
<u>CD purchase with software</u>	✗		✓
Hardware	→ AS 10	PPE	AS 26
			ITA





* Bekhawa / Chalawa

- (1) Research Expense
 - (2) Advertisement / Promotional Activity Expense
 - (3) Startup Expense to start co. for ITA development
- } P&L A/c

* Residual value

Q. silent → Assume Nil

But if Q. gives details

Regarding commitment of 3rd w.r.t acquisition of ITA after its useful life then we will consider it