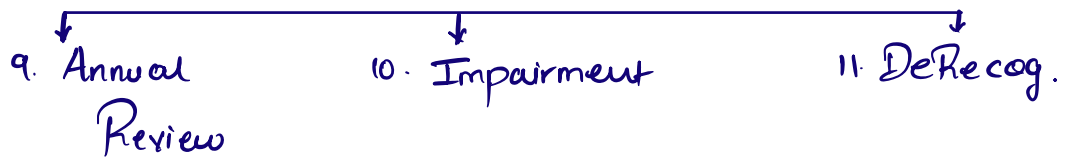
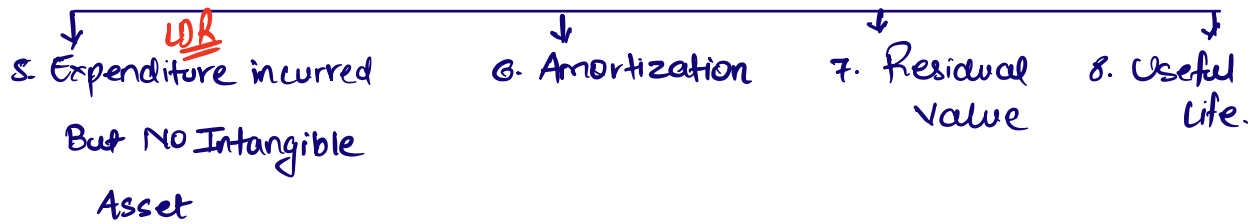
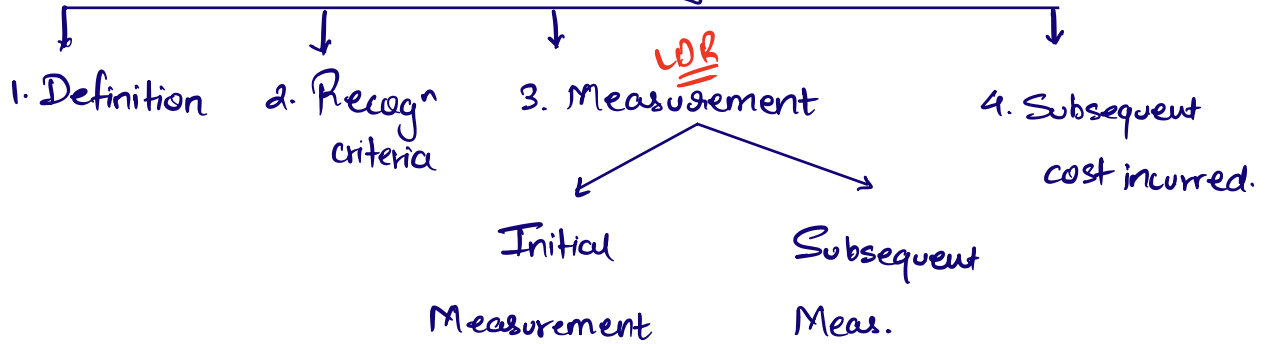
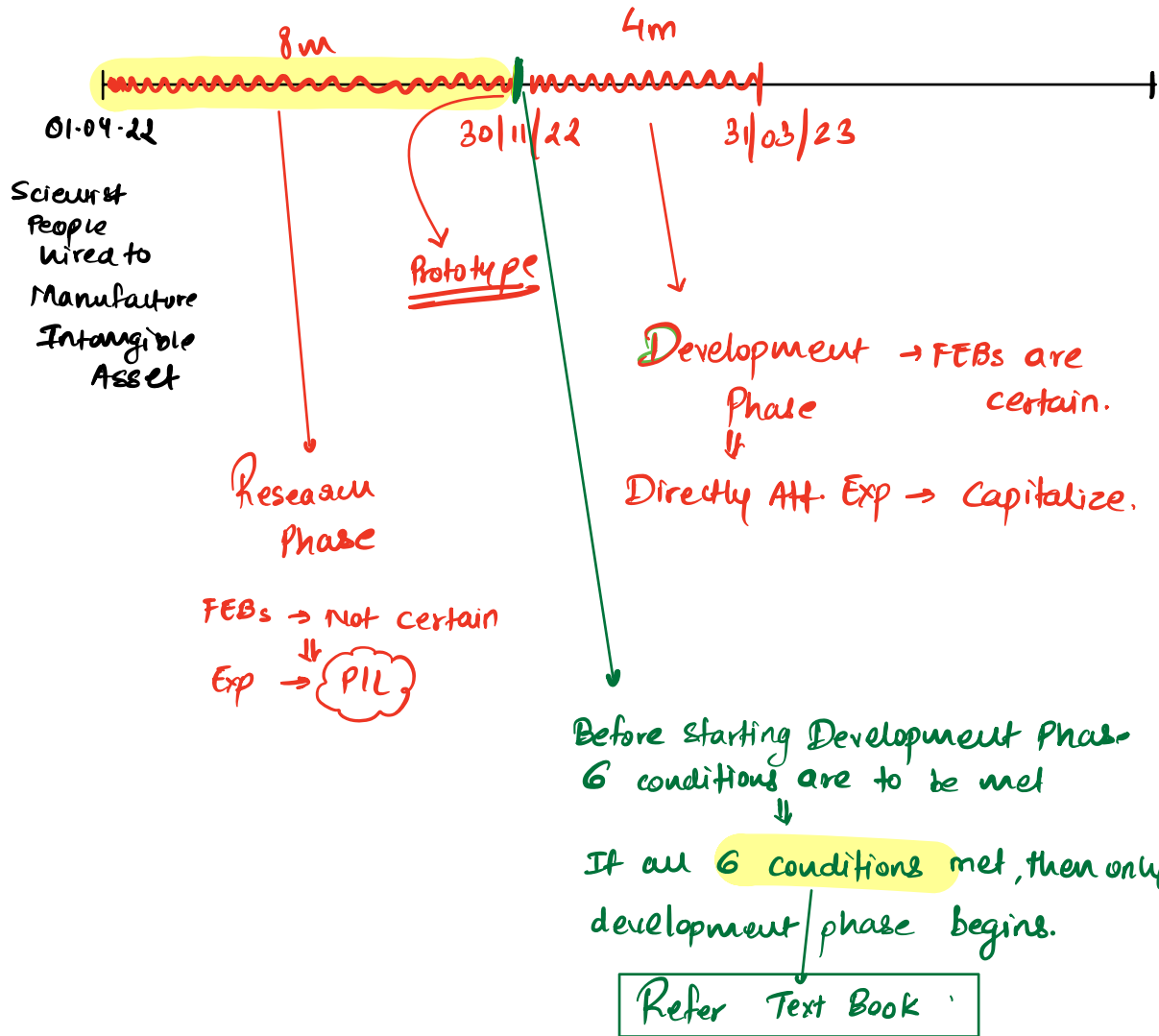


IND AS 38 - Intangible Assets



* Eg: Internally Generated Intangible Asset



Eg: Intangible Asset acquired as a part of Business Combination (Amalgamation)

BB Virtuals (sellr Co.)

		C.A	F.V
Esc	<u>Intangible Asset</u>		
o.E	Software	1L	1.5L
	License	2L	3L
<u>Liab</u>	<u>PPE</u>	5L	7L
100m	Debt	3L	3L
	Inventom.	2L	2L
Cus	Cash Bal	2L	2L

FV Same as C.A.

Net Assets (F.V.) = 13.5 + Glw

PC Quote = 17 Lakhs

AK Ltd (Purchasing Co.)
PC = 17 Lakhs.

↓
Acquires all Asset & Liabilities of BB Virtuals

Record @ Fair Value

↓
Ind AS 38

AK Ltd

Intangible Assets

Record @ Fair value.

Software → 1.5L

License → 3L

PC Paid	17L	
(-) N.A @ FV	13.5L	14.5L (1L for Customer Database)
purchased Glw (Blf)	3.5L	2.5L
→ Intangible Asset		

Eg 2:

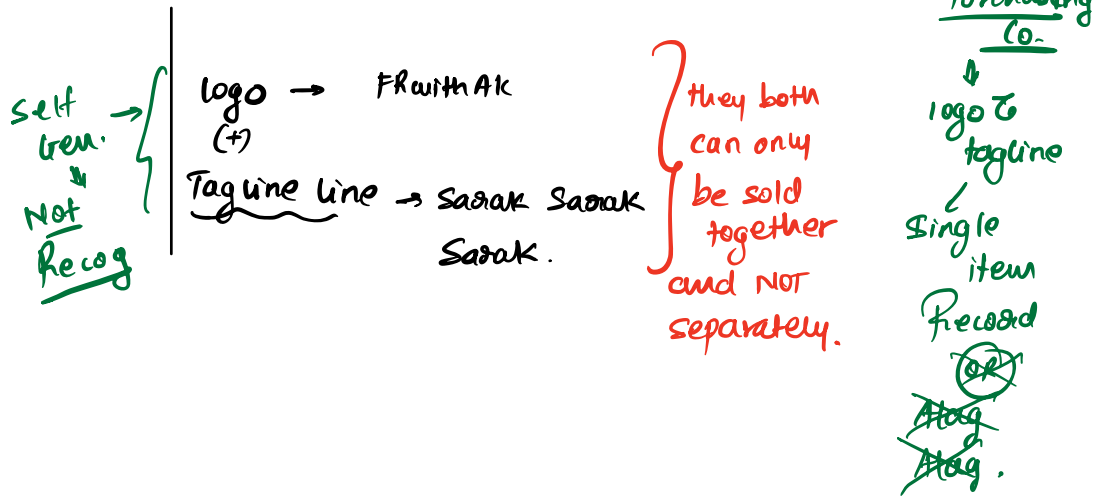
BB Virtuals

<u>Intangible Asset</u>	
Software	Recogn
License	Recogn
Customer Database (Self Gen)	Not Recogn x ↳ F.V → 1L.

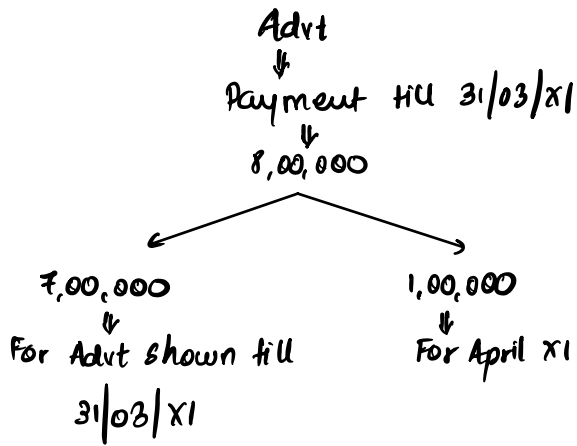
B/S AK Purch
Can AK Recogn Customer Database? YES (1L)
↓
YES (Purchased)
~~Self Gen~~

Ex 3:

BB violations (Sui & Co.)



Illus 3 (LOR)



J-E · 31/03/x1

Advt^{Exp} (P/L) A/c Dr 7,00,000
 ↑
 Prepaid Exp (Asset) A/c Dr 1,00,000
 TO ClB A/c 8,00,000

Prepaid Asset &
Not Intangible Asset.

April 20x1

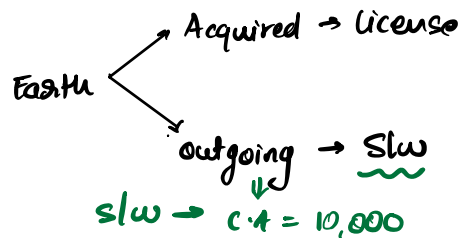
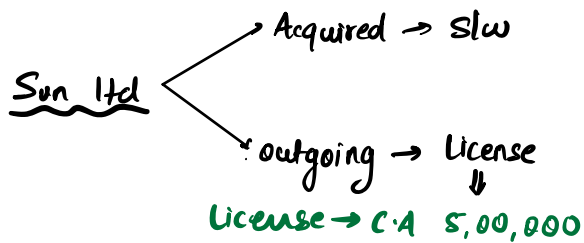
P/L (Advt Exp) A/c Dr 1,00,000
 TO Prepaid Exp 1,00,000

X1-X2 Advt Exp (P/L) A/c Dr 4,00,000
 TO ClB 4,00,000

Convert
J-E
in
English
when
J-E
is NOT
asked.

Note: Advt Exp cannot be clf as intangible Asset.

Illust 6 (LOR)



As per Ind AS 38 → Exchange of Assets

- ① FV of Asset Given up (+) cash paid (if any)
- ② FV of Asset Acquired
- ③ C.A of Asset Given up (+) cash paid (if any)

<u>Sun Ltd</u> Journal Entries	<u>Eastn Ltd</u> Journal Entries.
<p>① FV of SLW - 5.2L</p> <p>Software A/c Dr 5,00,000 TO License A/c (@C.A) 5,00,000 [1st pref: FV of Asset given up]</p>	<p>FV of license 5L.</p> <p>License A/c Dr 5,20,000 TO Software (@C.A) 10,000 TO Profit on Exch 5,10,000 [1st pref: F.V of Asset given up]</p>
<p>② FV of SLW - N.A. FV of license - 4.9L</p> <p>Software A/c Dr 4,90,000 Loss on Exch. (PL) Dr 10,000 TO License A/c (@C.A) 5,00,000 [1st pref: FV of Asset given up]</p>	<p>License A/c Dr 4,90,000 TO Software 10,000 TO Profit on Exchange 4,80,000 [2nd pref: FV of Asset acquired]</p>
<p>③ FV of SLW - N.A & FV of license - N.A</p> <p>Software A/c Dr 5,00,000 TO License A/c (@C.A) 5,00,000 [3rd pref: C.A of Asset Given up]</p>	<p>License A/c Dr 10,000 TO Software 10,000 [3rd pref: C.A of Asset given up]</p>

Illust 8

For the Year 20X1-X2

1st April to 31st Dec 'x1 → R.P → ₹ 2700 → PIL

1st Jan 'x2 to 31st Mar 'x2 → D.P → ₹ 900 → Cap. → C.A
₹ 1000 → R.A

Imp loss NIL.

<u>31/03/x2</u>
C.A → ₹ 900
Charge to PIL → ₹ 2700

For the Year X2-X3

01.04.x2 → C.A	900
(+) Dev Phase	<u>6000</u>
31.03.x3 C.A	6900

<u>31/03/x3</u>
C.A 6900
Charge to PIL -

For the Year 20X3-X4

⇒ Available for use.

01.04.x3 C.A	6900	(life 6yrs)
less: X3-X4 Amortizat ⁿ (1150)		
[6900 × 1/6]		
31.3.x4 C.A	5750	
31.3.x4 R.A	<u>5000</u>	

IL 750 → PIL → I.L A/c Dr, 750
TO Intangible Asset 750

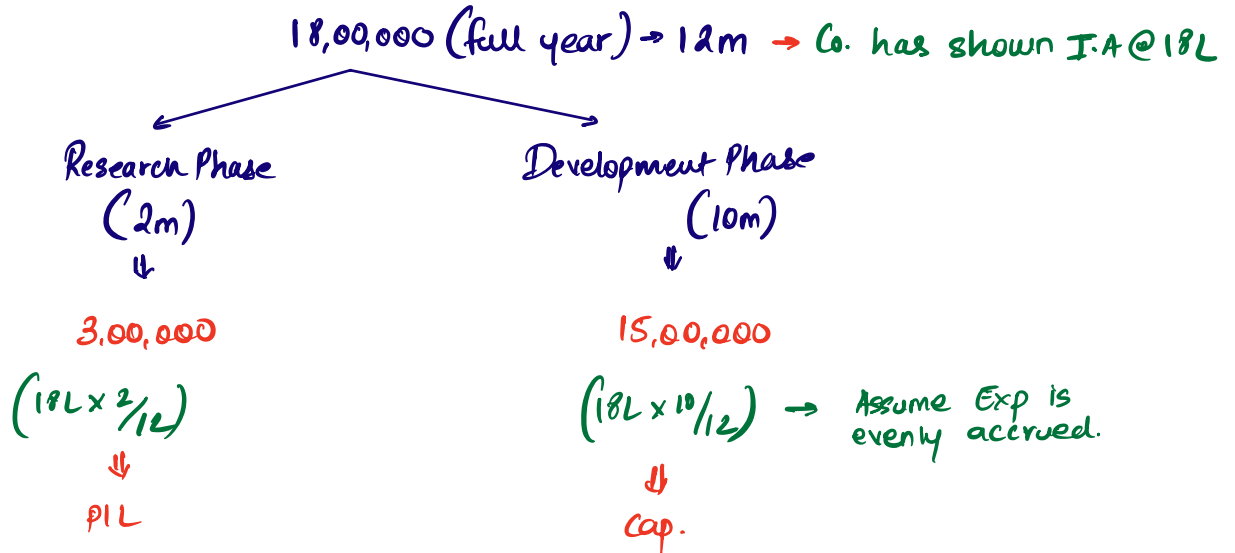
31.03.x4 Revised C.A 5000 (life 5yrs)

31/3/24

C.A → 5000

Charge to P/L → Amortⁿ → 1150
→ Imp loss → 750

Illustration 27 (LOR) 01/04/15 - 31/05/15 → (2m) → R.P
 01/06/15 - 31/03/16 → (10m) → D.P



31/03/16 → I.A (C.A)		15,00,000
	R.A	9,60,000
	I.L	5,40,000
Revised C.A	31.03.16	960000

Journal Entry (Imp)

R.P (PIL) A/c Dr	3,00,000
I.L (PIL) A/c Dr	540000
TO Intang. Asset A/c	840000

Question 3 (LDR)

BS Extract 31.3.20	
<u>JJ Assets</u>	
<u>NCA</u>	
Intangible Asset (WN1)	6945000

PL Extract (19-20)	
<u>Rev</u> from op	10,00,000
<u>Exp</u>	
Amortization (WN1)	16,25,000
Infringement case	7,00,000
<u>2% Annual Royalty fees</u> [10L x 2%]	20,000

Working Note

① <u>Intangible Assets</u> →	Op ⁿ (Gross Block)	Amortization	CLs (Net Block)
i) GLW [PC - 13.2L, N.A = 10L]	320000	-	320000
ii) Franchise (life 5 yrs)	80,00,000	(16,00,000)	64,00,000
iii) Copyright (life 10 yrs)	250000	(25000)	225000
		<u>16,25,000</u>	<u>69,45,000</u>

WN ② Co. follows full yr Amortization in 1st year of acquisition.

WN ③ GLW → Never Amortized. It is only tested for Impairment Annually.