

श्री अरुण शर्मा

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As-26

I.T.A.

## #1 Applicability

eg. of I.T.A.



- i) purchased gw
- ii) Software/website
- iii) Copyrights & telemarketing
- iv) Patents & knowhow
- v) plays, manuscripts, motion pictures etc.

eg. of I.T.A.

not covered by  
As-26



- i) Natural Resources
- ii) gw on Comoli
- iii) gw on Amal<sup>n</sup>
- iv) Employee benefits
- v) Investments.
- vi) Debtors.

eg. of I.T.

which  
should be  
w/o to

SOPIL

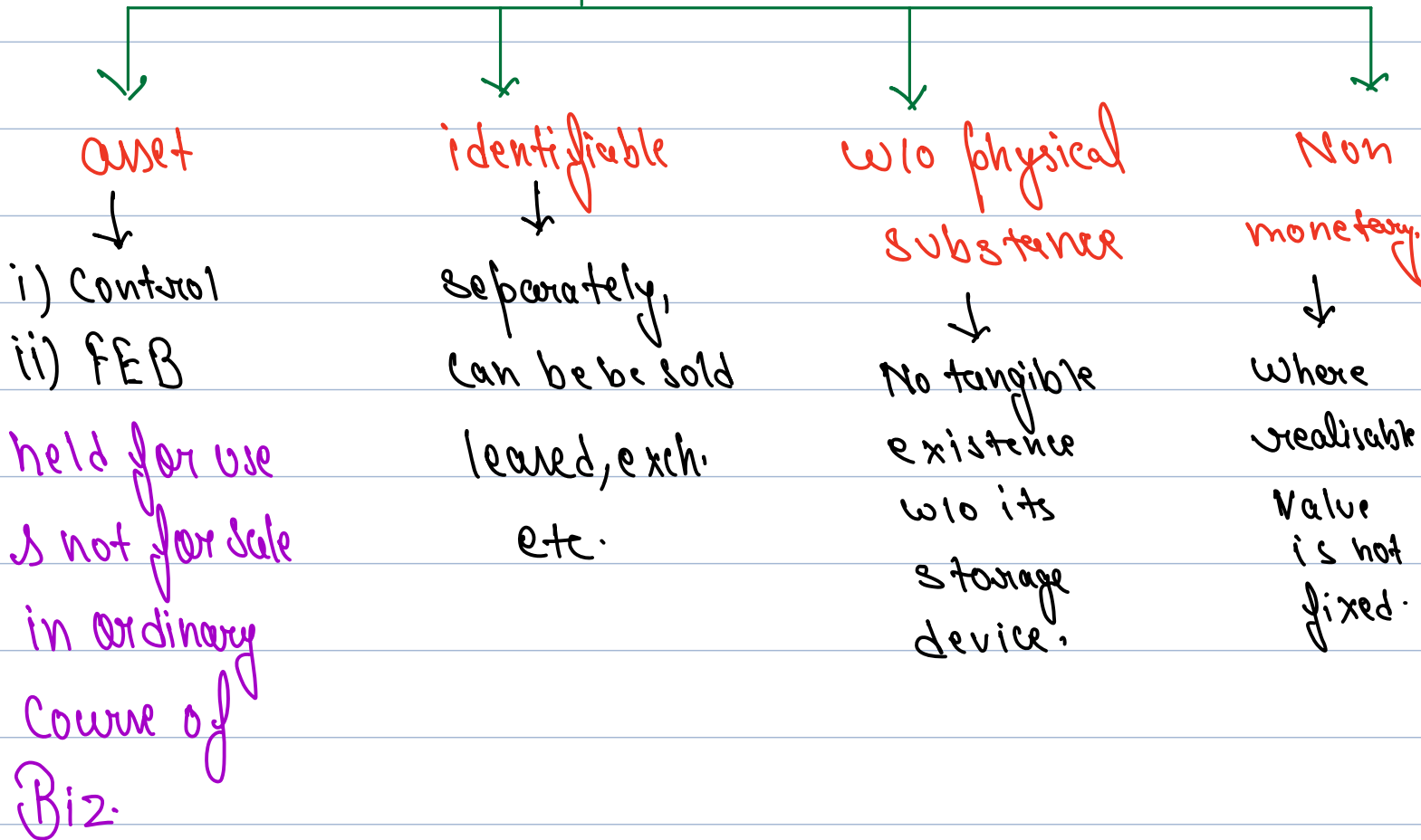


- i) preliminary exps
- ii) staff train. exp.
- iii) underwriting exps.
- iv) Exp. on brand Building.
- v) Relocation exps

## #2 Definition



I.T.A. is an identifiable, non monetary asset, w/o physical substance, held for use in → prod<sup>n</sup> of goods,  
→ supply of ser. or  
→ rentals to others or  
→ for administrative purpose.



### #3 Recognition & Measurement of Initial Recognition



purchase

Exchange

obtained from govt.

self generated.

measurement.

measurement.

measurement

Purchase price	xx
+ Taxes	x
+ Val <sup>n</sup> exps.	x
	<u>xxx</u>

→ @ FV of asset given up.

→ else @ f.v. of asset acquired.

at amt paid.

Recognition

IT A Dr  
To CIB

Recognition

IT A Dr xx  
To old IT A. xx  
(diff = PIL) → C.A.

Recognition

IT A Dr  
To CIB

Research phase

Development phase.

means exp. on planning investigation with object of gaining knowledge.

means creation of Asset started.

measurement.

@ amt. spent.

Recognition

↳ PIL w/ off.

Indicators.

- a) Technical feasibility has been established.
- b) Resources are available
- c) market research done.
- d) mgmt has approved.



Measurement.

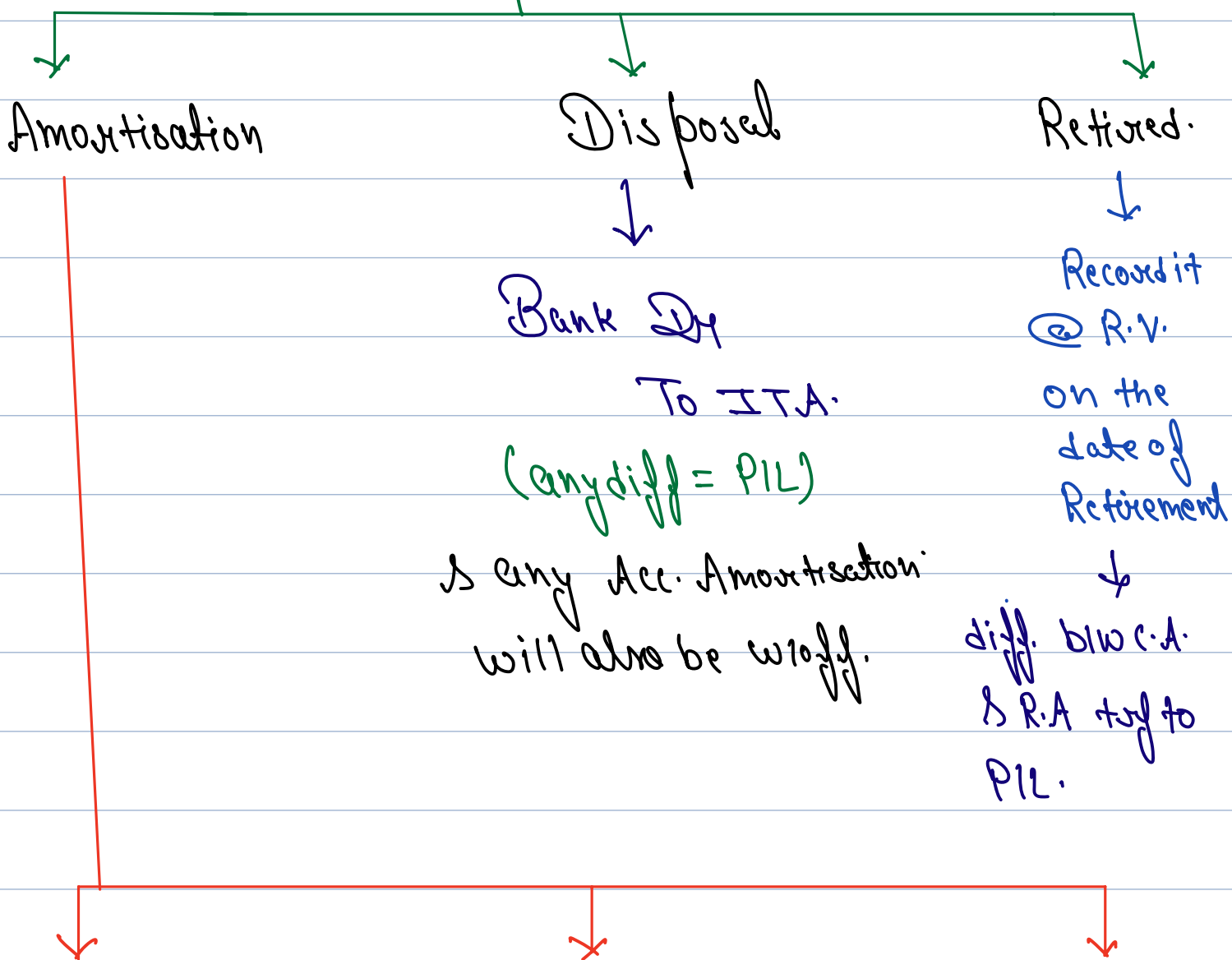
@ amount spent.

Recognition

II TA. Dr  
To CIB.

↓  
Capitalisation.

## b) Subsequent Recognition



## Meaning



- i) write off I.T.A. over its useful life or economic life ↓

## Measurement



- i) SLM  
ii) Ratio of FEB  
↓  
Cashflows generated by I.T.A.

## Recognition



Amount (PIL) Dr  
To I.T.A.

- ii) Useful life can be maximum 10 yrs. else it needs to be justified by mgmt.

eg-1 Patent = 400 lacs, life = 5 years  
Cashflow generated by Patent. (₹ in lac)

Year	1	2	3	4	5
Amount	200	200	200	100	100

after 3<sup>rd</sup> year, estimated life was 6 years & 5<sup>th</sup> year cfs = ₹ 50 lacs.

Do treatment as per AS-26.

Soln:-

Year	cfs	Ratio	Amount
1	200	$\frac{200}{800} \times 400$	100



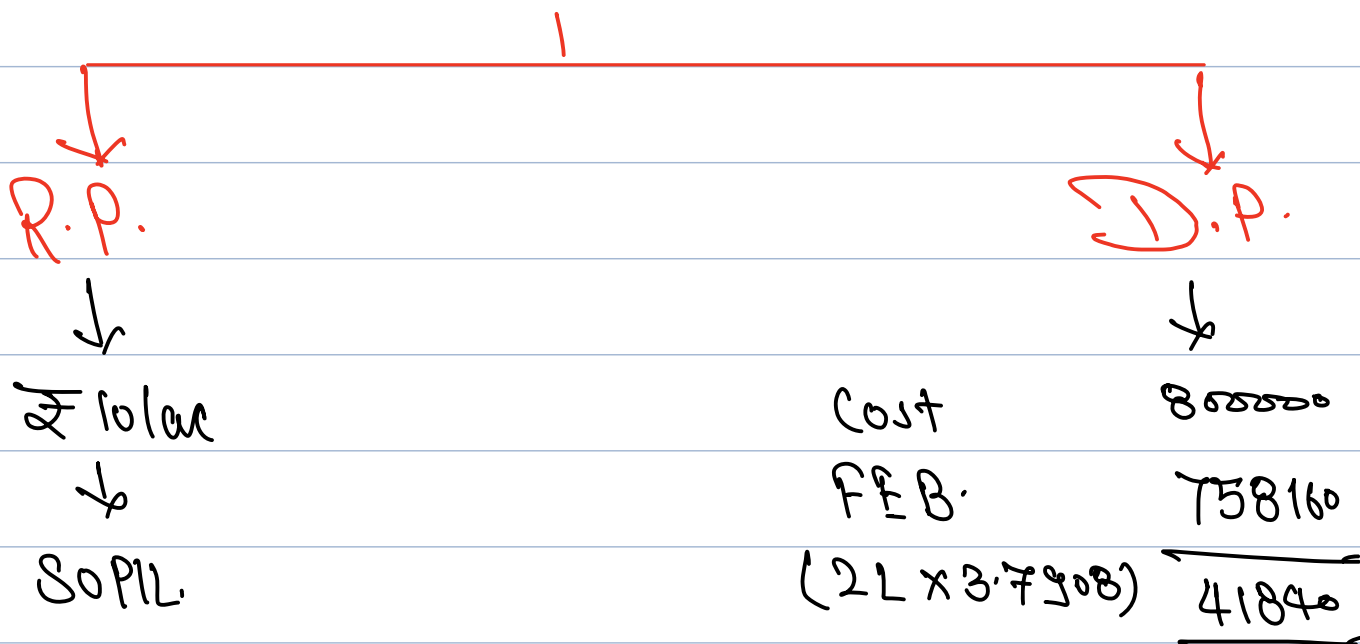
2	200	$\frac{200}{800} \times 400$	100
	200	$\frac{200}{800} \times 400$	100 (A=100)
4	100	$\frac{100}{250} \times 100$	40 (400-300)
5	100	$\frac{100}{250} \times 100$	40
6	50	$\frac{50}{250} \times 100$	20
	<u>850</u>		<u>200</u>

eg-2 HD Ltd incurred ₹ 10 lac. on R. phase.  
 ₹ 8 lac on D. phase

Benefit expected from I.T.A. = ₹ 2 lac  
 tax saving for next 5 years @ cost of capital  
 = 10% with Annuity factor = 3.7908.

Do treatment of R.P. & D.P. as per AS 26.

Soln →



i) we will capitalize  
 ₹ 758160

↓  
 SOPIL.

