

AS 26: Intangible Assets

Meaning

- ★ Identifiable
- ★ Non Monetary Assets
- ★ Without physical substance
- ★ Held for economic benefits
- ★ Under control of entity

Recognition criteria

- ★ Probable future economic benefits
- ★ Cost can be measured reliably

Measurement

Separate Acquisition

Purchase Price (net of trade disc.)
+ Non Refundable taxes
+ Directly Attributable expenditure

Exchange

Same as
AS 10

Govt. Grant

Refer AS 12

Internally Generated

Self Generated
Goodwill, Brand, etc.

Not to be recognised
as cost cannot be
measured reliably

Other Intangible Assets
(Software, Patents, Copyrights, Trademark etc.)

Research Phase
(Acquisition of knowledge)

Recognised as expense
charged to P&L A/c

Development Phase
(Application of knowledge)

Capitalise & recognise as Intangible asset
Amount capitalised = Lower of
Cost or Recoverable Amount
(P.V. of Future cash flows)
(Difference to be t/d. to P&L A/c)

Development Phase

Conditions to be fulfilled

- ★ Technical feasibility established
- ★ Marketability proved
- ★ Identification of cost incurred
- ★ Sufficient future revenue to cover cost
- ★ Intention to complete asset

Capitalisation of Expenditure

All directly attributable expenditure
(Cost of material & services consumed, Employee costs, etc.)

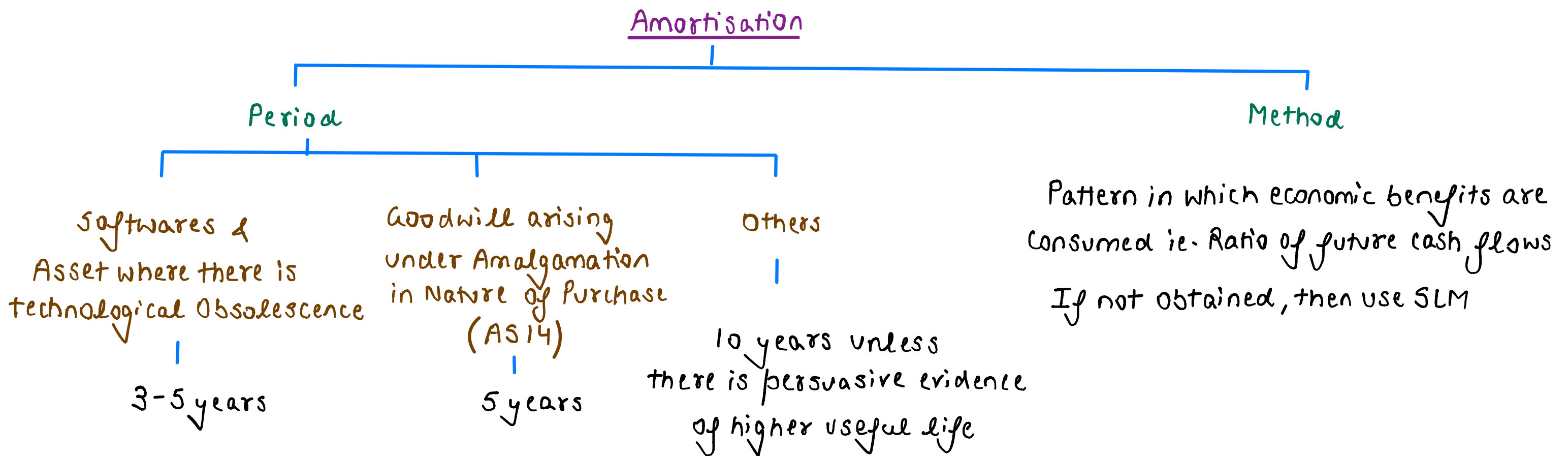
Exclusions: Staff training costs, Abnormal losses, Selling, Administrative & General Overheads, Initial operating losses

Recognition of Expense: Following types of expenditure always recognised as expense when incurred

- ★ Expenditure on advertising & promotional activities
- ★ Expenditure on training activities
- ★ Startup costs
- ★ Expenditure on relocating or reorganising

Subsequent Expenditure: Recognise as expense when incurred

Exception: Future economic benefits in excess of original assessed standard of performance & amount can be reliably measured.



- Notes:
- ★ Amortisation should commence when asset is available for use
 - ★ Change in useful life or change in Future cash flows → Prospective Effect
 - ★ Impairment Loss (Refer AS 28) = Carrying Amount - Recoverable Amount
 - ★ Profit/Loss on disposal to be tpd. to P&L A/c.

