Intangible Assets (AS-26)

Meaning

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

Recognition Criteria

- Probable future economic benefits
- Cost can be reliably measured

Measurement

Separate Acquisition

Purchase Price
+ Non Refundable taxes
+ Directly Attributable Expenditure
(-) Trade discount

Govt. Grant

AS-12

Exchange

FMV of Asset Acquired
Or
FMV of Asset/Shares given w.e. is clearly evident

Subsequent Expenditure

Expense

Exception:

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

Internally Generated

Self generated Goodwill, brandname, etc.

Not to be recognised

Other Intangible Assets like Software, Patents, copyrights, Trademark, knowhow, etc.

To be Recognised

Research Phase

Recognised as expense
&
Charged to P&L A/c

Development Phase

(ie. when it meets recognition criteria)**

Capitalise the cost & disclose at
Lower of Cost or
Recoverable Amount
(Discounted value: Present value of cash flows)
(Difference to be tfd. to P&L A/c)

Development Phase: Conditions

* Technical feasability established
* Marketability proved
* Identification of cost incurred
* Sufficient future revenue to cover cost
* Intention to complete asset

Amortisation

Period

- Softwares & Website → 3-5 years
- G/w arising under Amalgamation in nature of Purchase → 5 years
- Others → 10 years

Method

Reflecting pattern of consumption

ie. In ratio of future economic benefits.

If not obtained, then use SLM.

Note:

1) Amortisation should commence when asset is available for use.
2) Profit / Loss on disposal to be tfd. to P&L A/c.