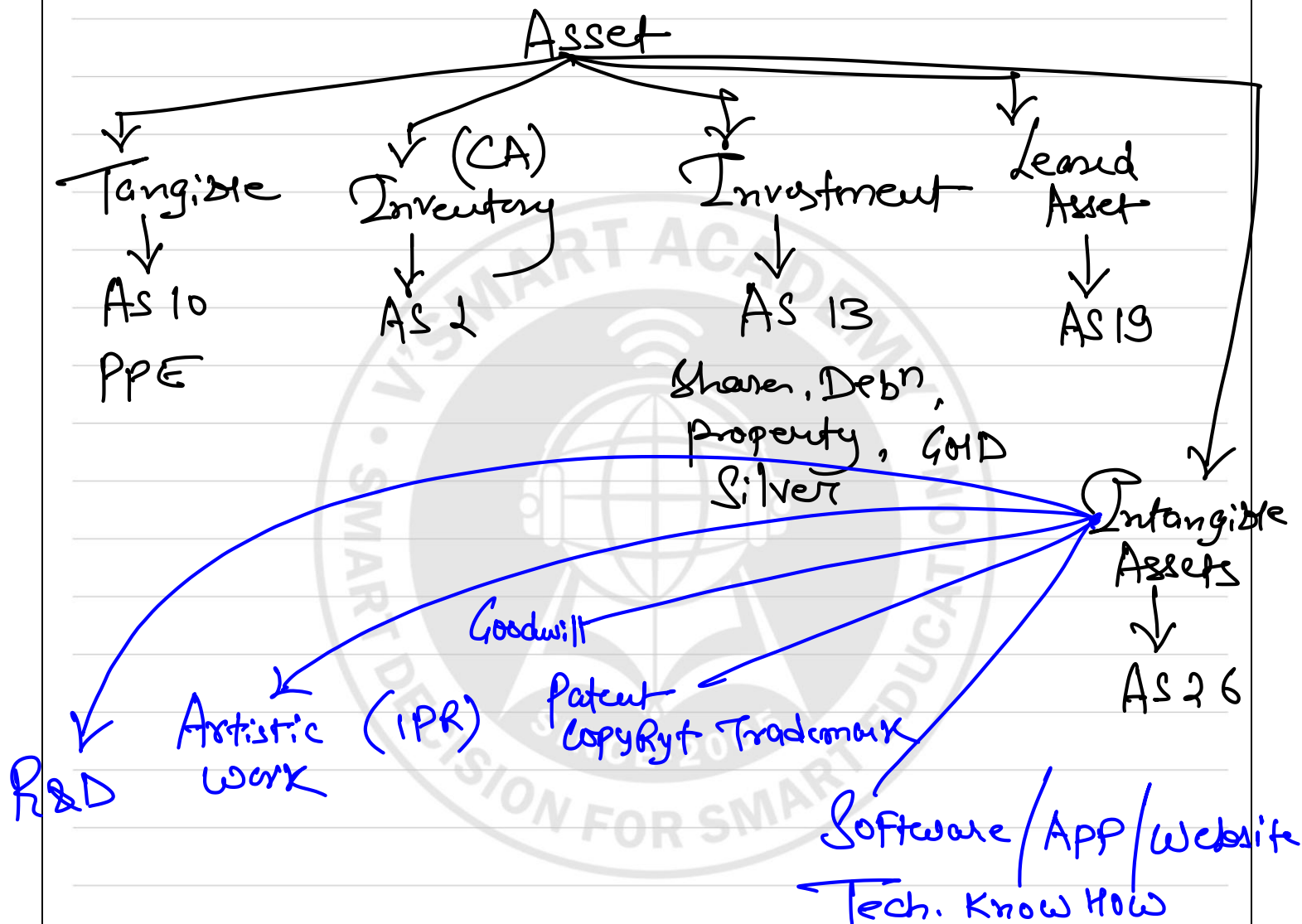


AS 26 Intangible Assets



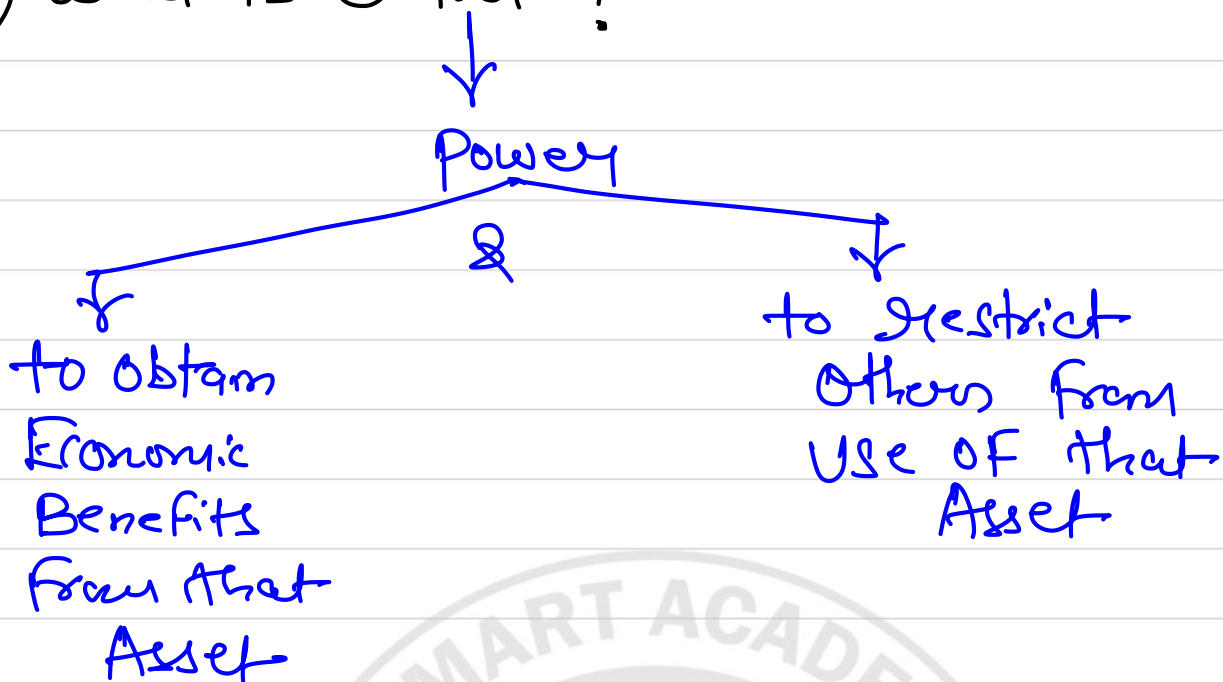
1) What is Asset ?

Any resource from which **FEB** are expected & which is controlled by Cash(or) entity.

Kind

Revenue Cost Saving

2) What is Control ?



3) What is Intangible Asset ?

Any Intangible item will be treated as an Asset if it satisfies all the following Conditions :-

- a) FEB must be expected to flow
- b) It is Controlled by entity
- c) It must be Identifiable
- d) Without physical substance
- e) It is Held For Use in production of G/s, or for supply of G/s or adminstr. purpose
- f) It is non-monetary item.

4) What is Identifiable?



a) Any Intangible item has ability to generate Individual Economic Benefits by Sale/use/Lease/Exchange etc

Laptop

Op. system → X

✓ A/c Software
Anti virus softw.
ERP System

✓ Identifiable

(or)

b) When Intangible item arise from any Contractual agreement.

→ Telecom Licence
Franchise agreement

5) When to Record the Intangible Asset?
When Cost of Asset can be measured Reliably.

6) Initial Recognition of Intangible Asset?

First Time Recording at Cost



$$\begin{aligned} &P_c \\ &+ DAC \\ &+ BC \text{ (if I.A is} \\ &\quad \text{QA)} \end{aligned}$$

If Intangible Asset is acquired thru Amalgam.
What should be the cost?

Amalg. in
the nature
of purchase



Cost = Fair Value
or
agreed value

Amalg. in the
nature of
merger



Cost = Book
Value
in Trce

Intangible Asset is acquired thru Govt Grant

→ Cost = Nominal Value as per As 12

Self generated Intangible Asset (Software)

Cost $\Rightarrow$ Employee Benefit Exp

(+) PPE (Equipments) purchased for Software develop.

(+) Lease rent of premise where Software development is carried on

(+) Test for exp.

(+) Legal cost/expenses

(+) any other DAC Cost

7) Amortisation OF Intangible Assets :-

a) Amortisation period :-

Period OF Amortisation shall not exceed 10 yrs. Unless it is evidenced.

b) Amortisation method :- Intangible Asset shall be amortised as per following

methods :-

(i) In proportion OF Estimated Future Economic Benefits : (or) (1st priority)

(ii) In absence of above method, Use SLM

c) Residual Value :- Rv of any Intangible Asset shall be Zero Unless there is a third party Commitment to purchase such Asset after certain period.

Eg:- We bought Software OF 50lacs.
& Estimated 5 yrs. OF life
But our estimated period OF Use is 2 yrs.
There is a 3rd party Commitment to buy after 2 yrs at 18lacs.

Calculate Amortisation every year in both cases :-

a) SLM

b) Estimated FEB are 80lacs First yr.
40lacs 2nd yr.

Sol):- Cost = 50,00,000

(-) R. Value = 18,00,000

Max. Amortisation = 32,00,000
to be done

Period of Amortisation = 2 yrs.

Case 1:- Amortisation 1st yr = $\frac{3200000}{2}$
= 16 lacs.

———— " ——— 2nd yr = 16 lacs.

Case 2:- Amortisation

1 st	2 nd
$3200000 \times \frac{2}{3}$	$3200000 \times \frac{1}{3}$
21,33,333/-	10,66,667/-

8) Subsequent Expenditure on Intangible Asset :-

If such expenditure increases the earning efficiency of I. Asset, such exp shall be added to the Carrying Amt of Asset. Otherwise Charge it to SPL.

9) De Recognition of Intangible Asset :-

Intangible Assets shall be DeRecognised in following Cases :-

- a) When the Useful life is over; (or)
- b) When Asset is sold/disposed/Leased under F/L

or
c) When I. Asset stops generating FEB.

Gain/Loss on De Recognition shall be transfer to P&L.

an Under:-

Amortisation for next 3 year:-

<u>Year</u>	<u>FEB</u>	<u>Working</u>	<u>Amount Amt.</u>
4	300	$300 \times \frac{300}{750}$	120
5	300	"	120
6	150	$300 \times \frac{150}{750}$	60
	<u>750</u>		

10) Research & Development Exp.
on Internally generated Int. Asset
(Such as Software / Technology)

Research Exp

↓
Always transfer
to SPL
↓

At the time of Research
FEB are not Certain
to be realised Until

Development Exp.

↓
a) Development begins only
when Research is
Successful

b) Expenditure on Develop.
Can be Capitalised
& treated as Int. Asset
on Fulfillment of

Following Conditions:-

(i)

There is **Technical feasibility** of Completion of Development.

↓
Are Skills required to Complete the Development; available

Kabiliyat

(ii)

Entity should have **Clear Intention** to Complete the Development.



BOD
(5 members)

Pakka irada

(iii)

Ability to generate FEB after the Development



Product or **marketable** **Kayam** or **Shamta**

(iv)

Demonstration of FEB i.e. How the Entity will generate FEB & How many years.

(v)

Adequate Financial Resources to Complete the Development

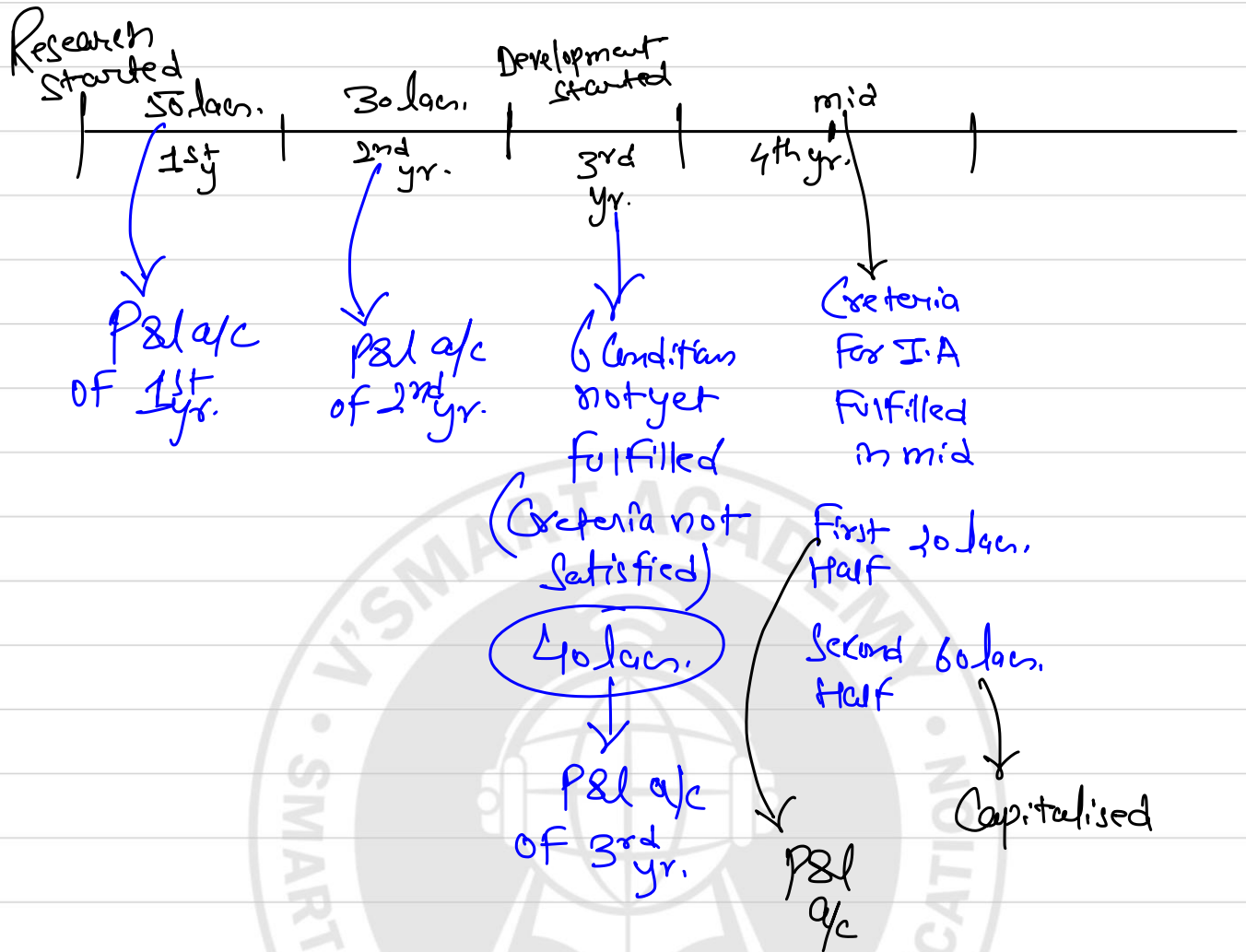


Paisa Aukaat

(vi)

Cost can be measured **Realistically**

Eg:-



Once the Exp. is changed to P&L & later on if Criteria to Record I. Asset is satisfied, such Exp can never be reversed.

— This is not Prior period Item.

— This is change in A/c estimate

11) Customer list

Self generated



NO I.A
Should be
Recorded

Acquired



I.A Can be
Recorded
if all 6 + 1
Condition
Satisfied

12) To Amortise any I.A., always Consider Useful life instead of Legal life.

13) Asset Comprise of Tangible & Intangible elements :-

If Intangible
element is
Integral part
of Hardware



Do not Recognise
Separately

If Intangible
element is
not Integral
part i.e. it

Can be used
Separately



Intangible element
Can be Recorded
Separately.

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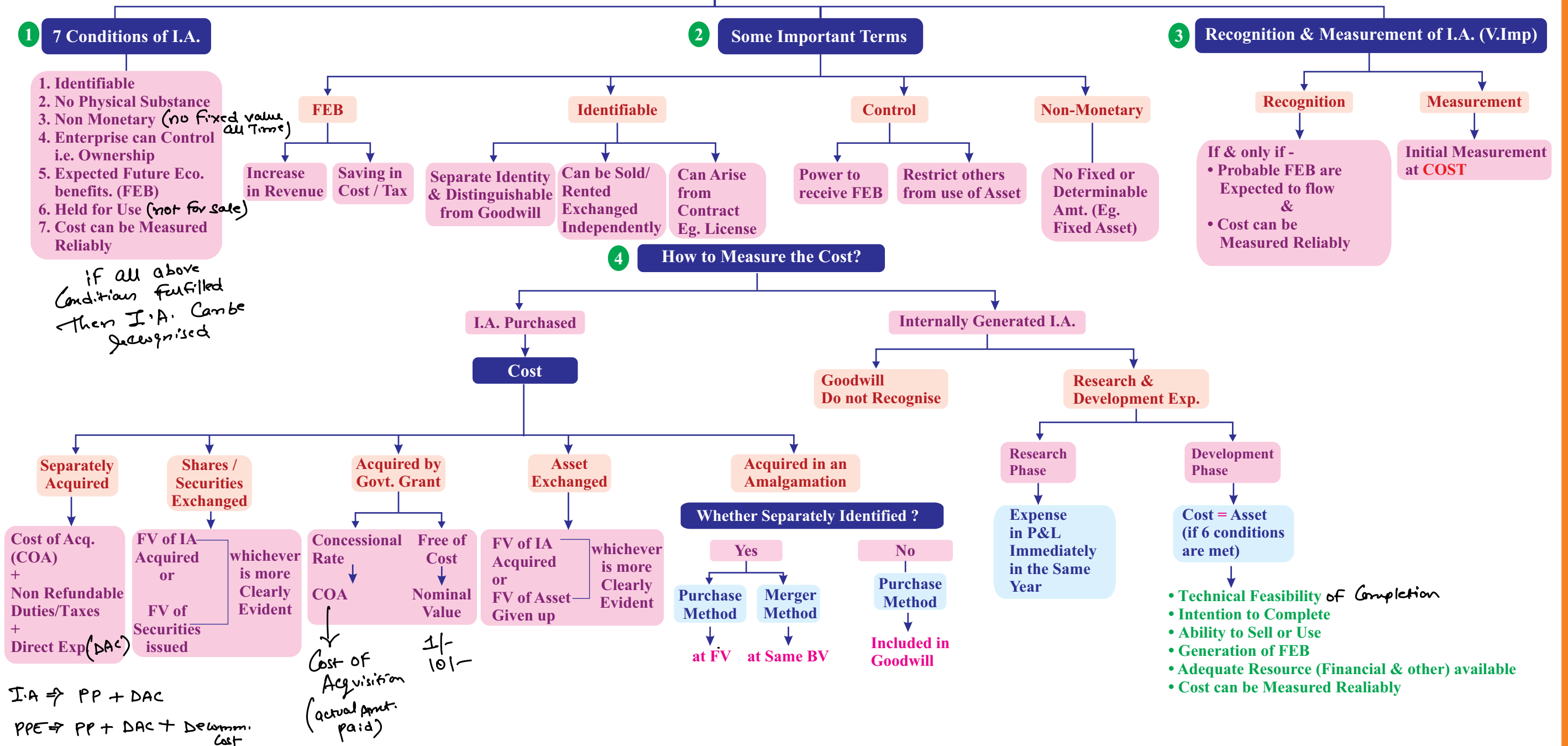
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