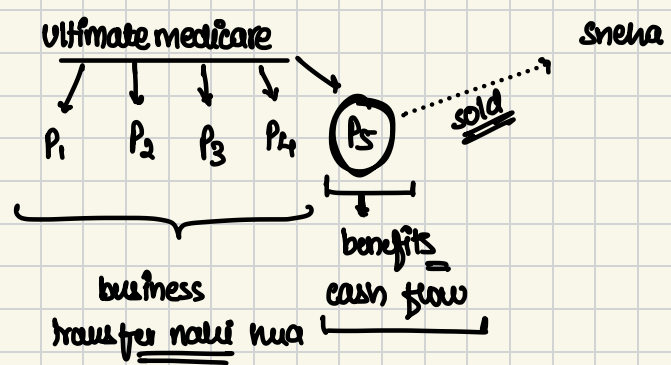
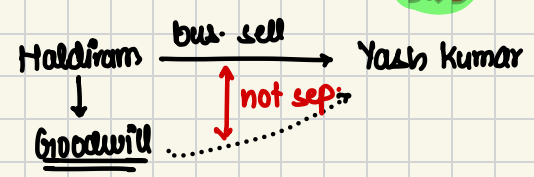
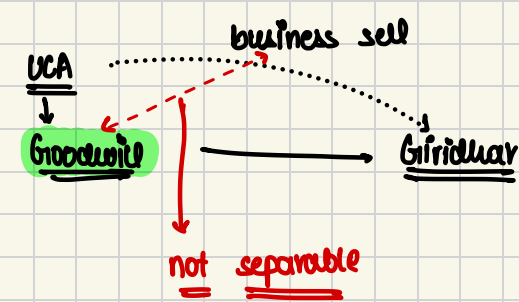




## Monetary Items / Non-monetary Items →

|               |   |    |   |                      |
|---------------|---|----|---|----------------------|
| 3/13          |   |    |   |                      |
| Debtors       | → | m  | → | fixed/determ. amount |
| Creditors     | → | m  | → | " " "                |
| Bank loan     | → | m  | → | " " "                |
| Deb. Issue    | → | m  | → | " " "                |
| Invest in Deb | → | m  | → |                      |
| Land          | → | nm |   |                      |
| ES issue      | → | nm |   |                      |
| Invest in ES  | → | nm |   |                      |
| Patent        | → | nm |   |                      |

## Intangible Assets :-

1. Identifiable
2. Non-monetary assets
3. without physical substance

} CHARACTERISTICS

- USES :-
- a. production of goods
  - b. supply of services
  - c. rental to others
  - d. admin purpose.

IDENTIFIABLE : Separable / Distinguishable from goodwill.

Goodwill :  
↓

If transferred the FEB's of

for an IA to separable  
↓

If an IA other than goodwill is

the entire revenue generating activity gets transferred.

sold/rented/exchanged then the FEB's of only that IA are transferred and not of the entire revenue generating activity.

L23

NON - MONETARY :- The amount that can be realised from an IA is not fixed / determinable.

### WITHOUT PHYSICAL SUBSTANCE :

1. Software in a CD :- CD is immaterial. Software will still be considered an IA.
  2. Motion picture in reel :- Reel is immaterial. Motion picture will still be considered an IA.
  3. Operating System in a laptop :-
  4. Automation Software in a PPE :- (mach.)
- } The PPE has a material/significant value & the IA forms an integral part for operating the PPE. The entire asset will be considered as a PPE.

RECOGNITION CRITERIA :- 1. FEB from that asset flow to the entity.  
2. Costs can be reliably measured.

L24

### Control over the intangible asset

1. Patent → control
2. mining rights → control
3. License to operate buses on a particular route → control
4. Time slots for take off for an airline company → Control
5. Super skill highly specialised staff → no control exists.

### HOW TO MEASURE THE COST

↓  
IA that is purchased

↓  
IA that is Internally Generated

↓  
Purchased against cash

↓  
Purchased against exchange of other assets.

⇒ Internally generated goodwill, brands, mastheads, customer lists cannot be recognised as an IA.

Goodwill → cost x

- ↓
1. Basic purchase price
  2. - Trade disc. / rebates

1. Fair value of asset given up.

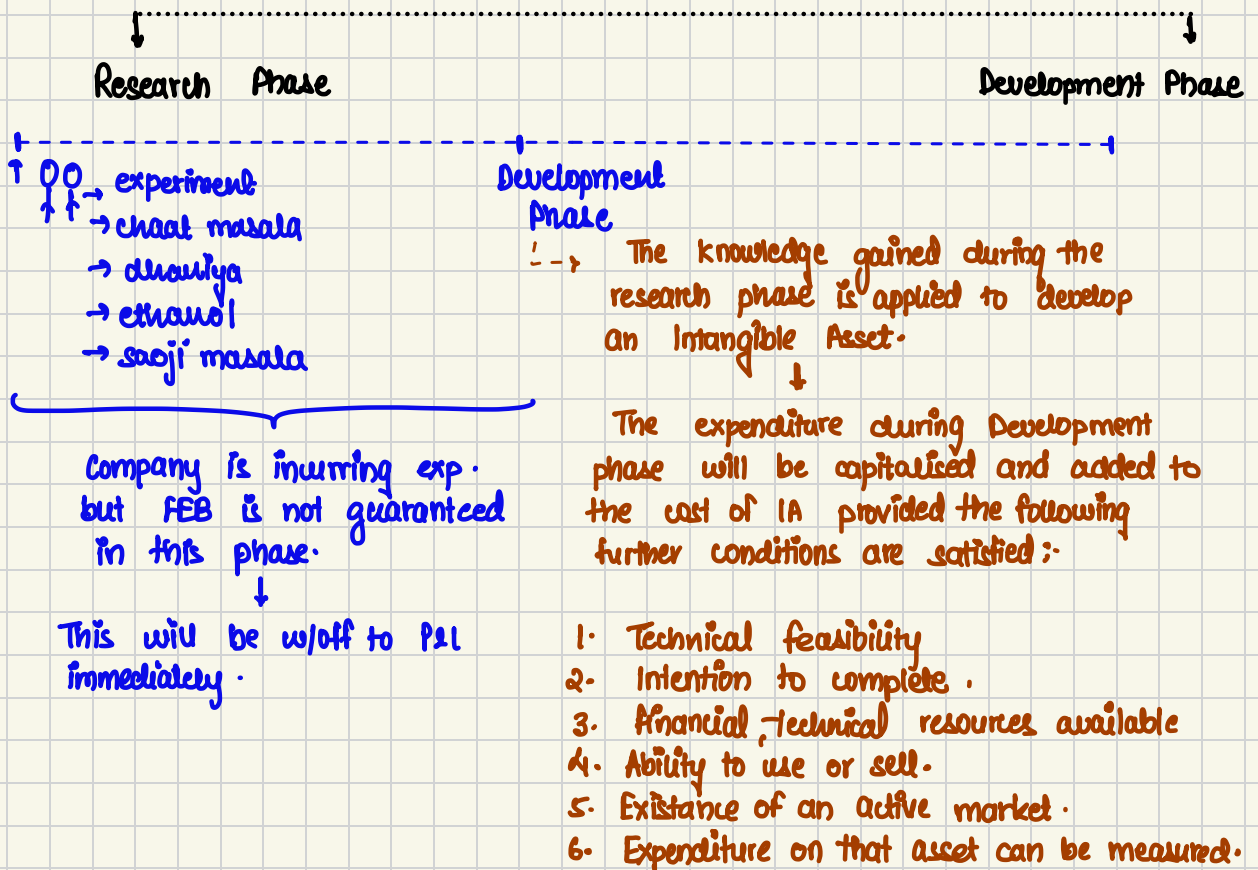
3. + Non-refundable taxes
4. + All directly related exp. to make the asset ready for its intended use.

2. Fair Value of IA acquired.  
w.e. more clearly evident.

Brand / Customer lists →  
Distinguish from GW - X  
cost - X

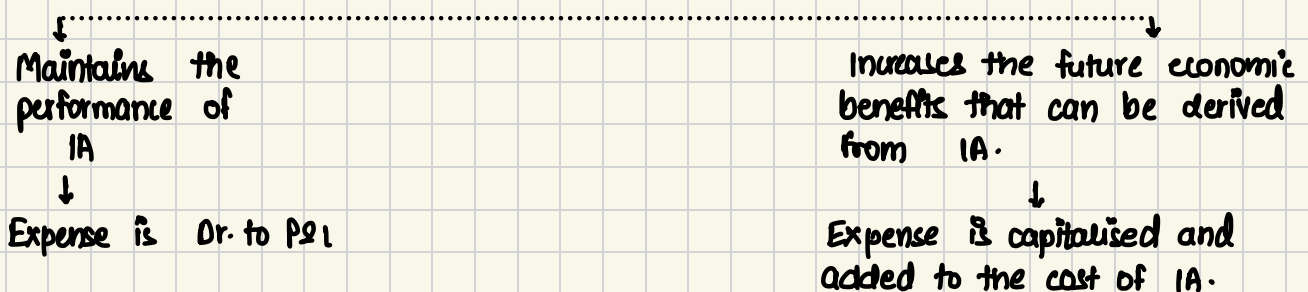
124

→ All other internally generated Intangible Assets can be recognised provided they fulfil the below mentioned recognition criteria.



INITIAL RECOGNITION : At its cost OR  
PV of future cash flows  
w.e. lower.

SUBSEQUENT EXPENDITURE :-



Amortisation :- 1. Over the useful life or Intangible Asset.

2. Amortisation will be done based on the proportion of FEBs derived. If nothing is mentioned, then based on SLM method.
3. Useful life cannot generally be assumed to exceed 10 years unless a justification for the same is available.
4. Goodwill is generally amortised over a period of 5 years.
5. Residual value is generally to be zero.

Example :- Sq license is acquired by Reliance for 15 years, then they can justify an amortisation period exceeding 10 years.

Mining rights acquired from government for a period of 49 years, then mining rights can be amortised over 49 years.

Profit/loss on Disposal :- Profit/loss on disposal of IA will be credited/charged to P&L a/c.

---

1

2

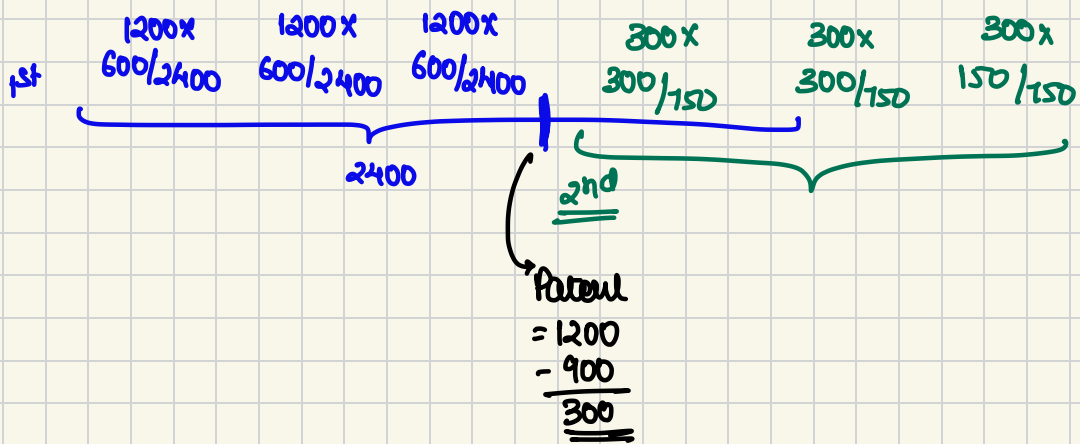
3

1  
7/4  
Beg.

4

5

6



# AS-26: INTANGIBLE ASSETS- SUMMARY CHART

## Intangible Assets :-



- Characteristics
- Identifiable
  - Non-monetary asset
  - Without physical substance
  - Uses
    - Production of goods
    - Rendering of services
    - Rental to others
    - Administrative purpose

## Identifiable :-

→ Separable / Distinguished from goodwill

If by selling / renting / exchanging the IA only the FEB related to the IA are transferred and not the FEBs of the entire revenue generating activity.

## Non-monetary asset :-

→ Assets that cannot be expressed in fixed / determinable amounts of money.

## Without physical substance :-

## Incorporating in an immaterial Tangible Item :-

It retains its Intangible character

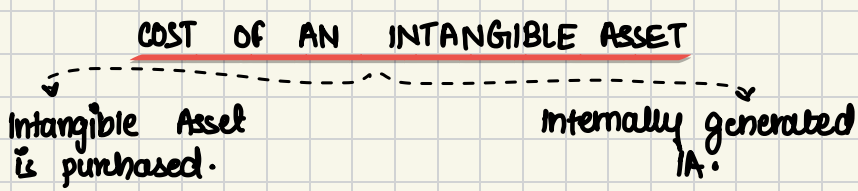
## Incorporating in material Tangible Item :-

It loses its Intangible character and is clubbed with Tangible Asset.

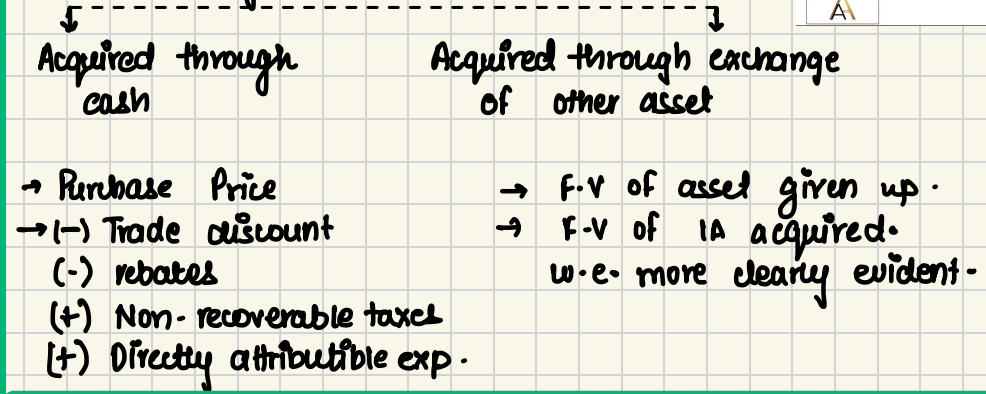
## Recognition Criteria :-

- FEB attributable from the IA flow to the entity.
- Cost can be reliably measured.

Control is necessary.

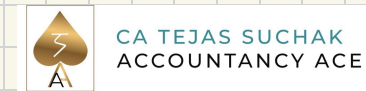
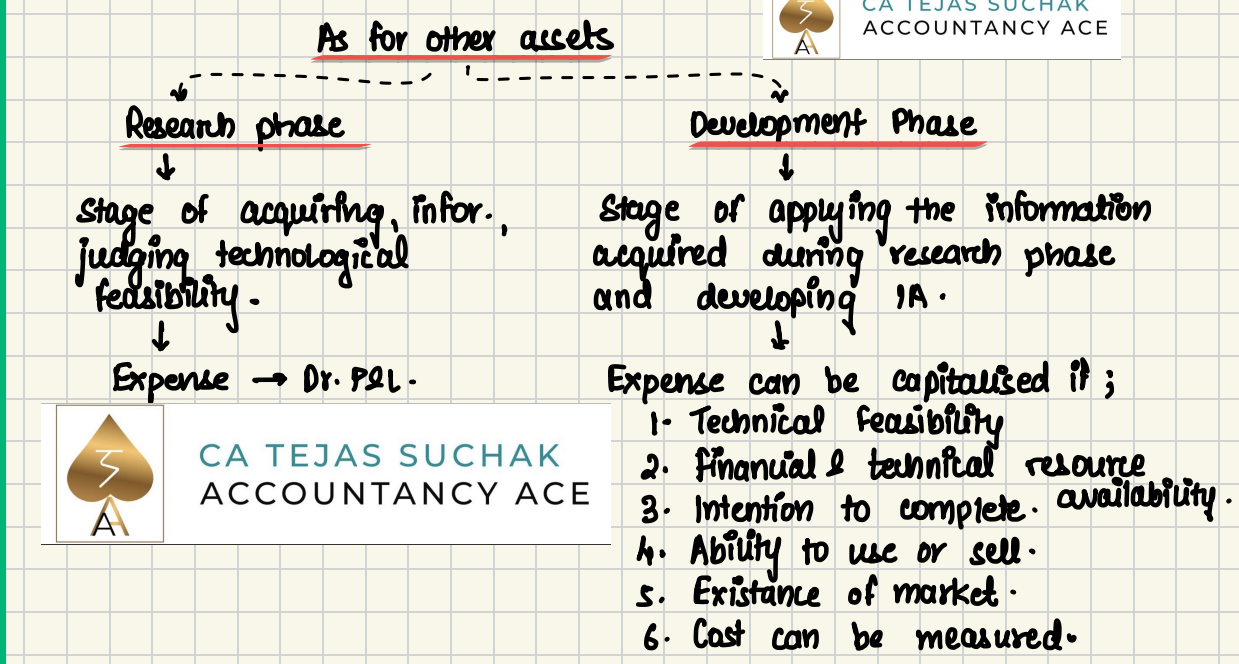


## Intangible Asset is purchased



## Internally generated IA

\* Goodwill, brands, publishing titles, mastheads, customer lists cannot be recognised.



\* Internally generated IA should be valued at lower of ;

- Lost
- Present value of FEBs.

## Subsequent Expenditure on IA



## Amortisation of IA

- Generally 10 years or useful life of the IA.
- If useful life > 10 years, the same will have to be justified.
- Method :- If pattern of FEB's is reliable then on the basis of FEB's or else SLM.
- Goodwill to be amortised over a period of 5 years.

## Retirement of IA

- If IA is retired from active use then continue to carry in the books at the carrying amt and test for impairment on each BLS Date.
- Impairment loss if any will be debited to P&L.

## Disposal of IA

- Profit loss on Disposal will be treated in P&L a/c.
- P/L = NSP - Carrying Amount.



$$\begin{matrix} Y_1 & 2L \\ Y_2 & 2L \\ Y_3 & 2L \\ Y_4 & 2L \\ Y_5 & 2L \end{matrix} \left. \vphantom{\begin{matrix} Y_1 \\ Y_2 \\ Y_3 \\ Y_4 \\ Y_5 \end{matrix}} \right\} \text{FEB} \rightarrow \underline{\underline{PV}} \Rightarrow \frac{R \cdot A \cdot}{\text{cost}} \left. \vphantom{\frac{R \cdot A \cdot}{\text{cost}}} \right\} \underline{\underline{\text{lower}}} \rightarrow \text{IA value}$$

$$RA = 200000 \times 3.7908 = \underline{\underline{758160}}$$

|                 |                 |                 |        |        |        |   |
|-----------------|-----------------|-----------------|--------|--------|--------|---|
| $31.3 \cdot 21$ | $31.3 \cdot 22$ | $31.3 \cdot 23$ | .      | .      | .      | . |
| $Y_0$           | $Y_1$           | $Y_2$           | $Y_3$  | $Y_4$  | $Y_5$  |   |
| <u>200000</u>   | 200000          | 200000          | 200000 | 200000 | 200000 |   |

|               |       |               |       |               |       |                 |       |                  |                  |
|---------------|-------|---------------|-------|---------------|-------|-----------------|-------|------------------|------------------|
| $\boxed{100}$ | + 10% | $\boxed{110}$ | + 10% | $\boxed{121}$ | + 10% | $\boxed{133.1}$ | + 10% | $\boxed{146.41}$ | $\boxed{161.05}$ |
|---------------|-------|---------------|-------|---------------|-------|-----------------|-------|------------------|------------------|

$$x = 2L \times 100 / 110 = 181818$$

$$x = 2L \times 100 / 121 = 165289$$

$$x = 2L \times 100 / 133.1 = 150263$$

$$x = 2L \times 100 / 146.41 = 136603$$

$$x = 2L \times 100 / 161.05 = 124185$$

$$\underline{\underline{758158}}$$

$$3.7908$$

$$3.7908$$

$$x$$

$$5$$

$$1000000$$

$$x = \frac{200000}{1000000} \times 3.7908$$

$$= 758158$$

$$\underline{\underline{1R=10\%}} \rightarrow \frac{1}{1.10} = = = = = \text{GIT}$$

$$3.7908$$

$$\downarrow$$

$$2L$$

$$\downarrow$$

$$758160$$