IAS 38 Intangible Assets.

IAS 38 defines the treatment of expenditure on acquiring, developing, maintaining or enhancing intangible assets.

An intangible asset is an identifiable non-monetary asset without physical substance.

Examples of intangible assets:

- Brand names
- Patents
- Externally generated Goodwill
- Trademarks
- Customer lists

When are intangible assets recognised?

The criteria for recognition of an asset are defined in the Framework

Items should be recognised if:

PROBABLE: probable that future economic benefit will flow to the entity.

RELIABLE MEASUREMENT: costs and revenues can be measured reliably.

Intangible assets are amortised over their useful life. Review amortisation method and period annually. A change would be a change in accounting estimate, IAS 8

Common exam questions in AAT level 4 Financial Statements FSTM paper are:

When is expenditure on research recognised?

- Recognise when incurred as an expense in the Income Statement, because it is not PROBABLE that future economic benefit will flow to the entity.

When is development recognised as an intangible asset?

- It is technically feasible that the asset can be completed.
- There is intent to use or sell the asset.
- The entity is able to use or sell the asset.
- Resources are available to complete the asset
- The costs can be measured reliably.
- The entity can demonstrate how future economic benefit can be generated.

The following are NOT intangible assets (IAS 38)

- Staff costs
- Internally generated brands
- Research costs
- Internally generated goodwill