

IFRS – Future of Accounting Profession



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Intangible Assets (IAS 38) -

- ❑ Intangible assets are assets without physical substance.
- ❑ However, financial assets are excluded from its scope.
- ❑ E.g. of Intangible Assets are Trademark, Copyrights, Licenses etc.

Recognition of Intangible Assets-

- Conditions to be satisfied by an item to be called as Intangible Asset –
 - Identifiable or separable – must be capable of being bought & sold separately
 - Control over the asset – can make use of asset & restrict others
 - Existence of future economic benefits
 - Cost can be ascertained

Whether the following are Intangible Assets -

- ❑ ABC Co. developed the Software which is freely downloadable from net
- ❑ XYZ Co incurred Rs. 1 Cr on training of employees who are expected to bring future economic benefit for next 5 years.
- ❑ Y & Co incurred advertisement cost of Rs. 30 Lacs which will bring benefit over next 2 years of Rs. 18 Lacs

Whether following are Intangible Assets -

- ❑ ABC Co acquired mining rights for 10 years
- ❑ XYZ Co acquired license to supply material to CBSE approved schools
- ❑ Y & Co developed new technology which will reduce production time by 25 minutes.

Whether Goodwill can be recognized as Intangible Asset?

- ❑ Internally developed Goodwill will fail to meet the tests – Separable & Measurement of cost etc.
- ❑ But Goodwill on acquisition of business shall be recognized as it is the result of “Excess of cost over net assets acquired” As against this, negative goodwill is taken to Income.

Initial Measurement of Intangible Asset -

- ❑ If it is acquired separately, then initially it is measured at Cost (same as per IAS 16 principles)
- ❑ If it is acquired through business combination, then it is measured at Fair Value
- ❑ If it is Research & Development cost, then it is measured at cost subject to satisfaction of certain conditions.

Subsequent measurement of Intangible Asset -

- ❑ Cost model or Revaluation Model
- ❑ Same provisions as per IAS 16
- ❑ Increase shall go to OCI (Revaluation Surplus) unless there is previous decrease. In such case it will go to SOCI
- ❑ Exactly opposite accounting treatment for decrease in revaluation

Intangible Asset and Amortization -

- Intangible Asset having finite life shall be amortised over its useful economic life.
- Infinite Intangible asset shall not be amortized, but shall be merely tested for impairment.

Research & Development cost -

- Research cost to be taken directly to SOCI.
- Development cost can be taken as asset provided it satisfies certain conditions –
 - Probable that future economic benefits will flow to entity
 - Intention to complete use or sell asset
 - Resources are available
 - Ability to use or sell asset
 - Technical feasibility is available
 - Expenditure can be measured reliably



Questions & Answers

