

IAS 38 Intangible Assets

- without physical substance
- non-monetary item

Deep seek → intangible asset (AI)
→ internally developed

Recognition Criteria

1. Identifiable*

- separable (sell / rent to others); or
- arises from contractual rights

2. Control* → obtain substantially all the benefits / restrict others from using it.

3. Probable inflow

- for externally acquired ITA / ITA acquired from business combination, it is presumed to have probable inflow.

4. Cost measured reliably

Examples

1. Business combination (conso) → IFRS 3

Goodwill on biz combination

= FV of consideration transferred (What we pay) + NCZ - identifiable NA

FV of identifiable NA

(what we get)

include items not in the Subsidiary's F/S
e.g. brand name (internally generated)

if we can reliably measure the FV, and identifiable, recog. brand name as ITA in group a/c.

in subsi F/S, not necessarily FV.

→ remeasure subsi NA to FV

Customer list

→ identifiable? → can sell? if legal → can.

→ FV be measured reliably?

→ ✓ can be separate ITA in group a/c

2. Cloud software

- no control, merely a right to access
- no ITA

right to use

↓

Lease (IFRS 16)

→ lessor: control

→ cloud software, also no control

Dr Prepayment
Cr Bank

x spread to SAP over period
x

3. Buy a new computer (software)

Dr PPE 4,000
Cr Bank 4,000

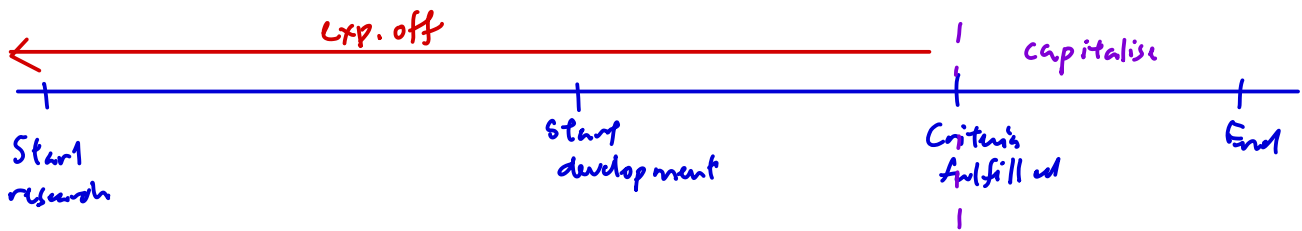
4. AI developer (software developer, game developer - - - -)

→ Research & development

↓
exp off

↓
exp off, unless:

Probable inflow
Intention to complete/use/sell
Resources adequate
Ability to use/sell
Technical feasibility
Expenditure measured reliably



Other examples: pharmaceutical → develop new vaccine, new drugs
 ↓
 COVID-19

: electric vehicle (EV)

5. E-commerce

- Domain name : www.com
 - can capitalise as ITA?
 - initial acquisition → yes
 - subsequently: yearly charges (e.g. hosting fees)
 - exp. off / prepayment
- server, computer → PPE
- design logo, copywriting → advertisement → exp. off (purpose)
- develop new function in website → development cost

6. Brand ambassador cost

- advertisement

7. Company (entertainment co) → engage Rose ^G → create new song
 → pay Rose \$\$\$\$ (contract)
 (ITA)

Football club → football player ^G - contract (ITA)

1. Identifiable
 - arises from contractual right/sell
2. Control
 - over the contractual period
3. Probable inflow
4. Cost measured reliably.

Football club → scout for young talent
 → sign contract, train them,
 → sell to other football club } player → Inventory

Investor focused

→ Investor want to know about ITR info (relevant)

→ Traditional F/S is not sufficient

→ Co may want to adopt integrated reporting <IR>

→ provide additional info to investors

→ intellectual capital

Cryptocurrency → distributed ledger



Holder of
cryptocurrency/
token/NFT

Developer of
cryptocurrency

- development cost
(PIRATE)

1. Cash & cash equivalent

- No.

- Not subject to an insignificant risk of changes in value.

2. Investment: IFRS 9 Financial Instruments

- equity instruments: residual interest in NA of co (e.g. shares)

- debt instruments: contractual right to receive cash flow

- derivative: X

3. Intangible asset

- identifiable?

- separable? can sell? → Yes

- control? → Yes

- probable inflow → Yes

- cost measured reliably → Yes

4. Inventory?

- Yes, trader

Subsequent measurement?

1. Finite useful life? Indefinite useful life?

↓
amortise

↓
not amortise

↓
test for impairment annually

2. Cost model?

↓
cost - ^(reval) amortisation - imp

Revaluation model? (same as IAS 16)

→ must have active market ~~****~~

→ Bitcoin has active market

→ gain (OCI), loss (SOP) ---

Next class → IAS 38 (questions), IAS 36, IFRS 5, ---