



PSAB AT A GLANCE

PSG 8 - Purchased Intangibles

PSG-8 - Purchased Intangibles

Effective Date
Fiscal years beginning on or after April 1, 2023¹

PURCHASED INTANGIBLES

- Purchased intangibles are identifiable non-monetary economic resources without physical substance acquired through an arm's length exchange transaction between knowledgeable, willing parties who are under no compulsion to act.
- Intangibles acquired through a transfer (refer to paragraph .04 of Section PS 3410, *Government Transfers*), contribution or inter-entity transaction (refer to paragraph .04(g) of Section PS 3420, *Inter-entity Transactions*), are not purchased intangibles.

SCOPE

This public sector guideline applies to purchased intangibles, except for the following:

- Software is accounted for in accordance with Section PS 3150, *Tangible Capital Assets*;
- Intangibles acquired as part of a public private partnership arrangement are purchased intangibles and are accounted for in accordance with Section PS 3160, *Public Private Partnerships*¹.
- Purchase premiums arising on acquisition of a government organization are accounted for in accordance with;
 - Section PS 2510, *Additional Areas of Consolidation*, when the entity acquired is a governmental unit; and
 - Section PS 3070, *Investments in Government Business Enterprises*, when the entity acquired is a government business enterprise.
- Government not-for-profit organizations using the PS 4200 series of standards, account for purchased intangibles in accordance with Section PS 4230, *Capital Assets Held by Not-for-Profit Organizations*.

ACCOUNTING FOR PURCHASED INTANGIBLES

- **Recognition**
 - Purchased intangibles are recognized as assets in the financial statements when they meet the definition of an asset and the general recognition criteria in Section PS 1000, *Financial Statement Concepts*. Section PS 3210, *Assets*² provides guidance on applying the asset definition.
- **Accounting for the asset**
 - PSG-8 is not a full Handbook Section that provides in depth guidance on the accounting for purchased intangibles. As a result, purchased intangibles are accounted for in a similar manner as other items not specifically addressed in the PSAS Handbook. Therefore an entity would consider the following guidance when determining how to account for purchased intangibles:
 - The definition of an asset in Section PS 1000;
 - The guidance elaborating on the asset definition in Section PS 3210, *Assets*;
 - The recognition, measurement and disclosure concepts in Section PS 1000; and
 - The GAAP hierarchy in Section PS 1150, *Generally Accepted Accounting Principles*.
- **Classification**
 - Purchased intangibles are classified as non-financial assets.

¹ Earlier adoption is encouraged. This standard may be applied retroactively or prospectively in accordance with the requirements of paragraph .13 in Section PS 2120, *Accounting Changes*. See also our publication PSAB AT A GLANCE: Section PS 3160 - *Public Private Partnerships*.

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