ASPE AT A GLANCE

Intangible Assets
**Intangible Assets**

**INTANGIBLE ASSET**
- An identifiable non-monetary asset without physical substance.

**IDENTIFIABILITY**
- An asset meets the identifiability criteria in the definition of an intangible asset when it:
  - Is separable (i.e. is capable of being separated or divided from the entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, asset or liability); or
  - Arises from contractual or other legal rights, regardless of whether those rights are transferable or separable from the entity or from other rights or obligations.

**CONTROL**
- An entity controls an asset if the entity has the power to:
  - Obtain the future economic benefits flowing from the underlying resource; and
  - Restrict others from accessing those benefits.

**RECOGNITION AND MEASUREMENT**
- An intangible asset is:
  - Only recognized if:
    - It is probable the expected future economic benefits attributable to the asset will flow to the entity; and
    - The cost of the asset can be measured reliably.
  - Measured initially at cost.

**SEPARATE ACQUISITION**
- The probability of expected future economic benefits recognition criteria is always met.
- Cost can be measured reliably.
- Cost includes:
  - Purchase price; and
  - Any directly attributable costs of preparing the asset for its intended use.
- Recognizing costs in the carrying amount of an intangible asset stops when the asset is in the condition where it is capable of operating in the manner management intended.

**INTERNALLY GENERATED INTANGIBLE ASSETS**

**Research phase**
- No intangible asset arising from research / research phase can be recognized.
- Instead, expenditures on research / research phase are expensed as incurred.

**Development phase**
- An **accounting policy choice** must be made for expenditures on internally generated intangible assets incurred during the development phase to either:
  - Expense as incurred; or
  - Capitalize as an intangible asset if all the following criteria can be demonstrated:
    - Technical feasibility of completing the intangible asset so it will be available for use / sale;
    - Intention to complete the intangible asset and use / sell it;
    - Ability to use / sell the intangible asset;
    - Availability of adequate technical, financial and other resources to complete development and use / sell the intangible asset;
    - Ability to reliably measure the expenditure related to the intangible asset during development; and
    - How the intangible asset will generate probable future economic benefits.
- This accounting policy choice must be **applied consistently** to all expenditures on internal projects in the development phase. The criteria in Section 1506, Accounting Changes, paragraph .06 do not need to be met to make this accounting policy choice.
- Internally generated brands, mastheads, publishing titles, customer lists and items similar in substance **cannot** be recognized as intangible assets as they cannot be distinguished from the cost of developing the business as a whole. Therefore they are expensed as incurred.

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1 Excludes portions of Section 3064 - Goodwill and Intangible Assets, related to goodwill. For the remainder of the guidance provided in Section 3064 related to goodwill please refer to our publication “ASPE AT A GLANCE - Impairment of Long-lived Assets & Goodwill”.

Effective Date
Fiscal years beginning on or after January 1, 2011

January 2013
**INTERNALLY GENERATED INTANGIBLE ASSETS (CONTINUED)**

**Cost of an internally generated intangible asset**
- The sum of expenditures incurred from the date when the intangible asset first meets the recognition criteria described above.
- Comprises all directly attributable costs necessary to create, produce and prepare the asset to be capable of operating in the manner intended by management.

**RECOGNITION OF AN EXPENSE**

- If an expenditure on an intangible item does not meet the recognition criteria previously discussed it must be expensed when incurred.
- For supply of goods, an entity recognizes the expense when it has a right to access the goods.
  - Generally, this is when the entity owns the goods.
  - In the case where goods have been constructed by a supplier in accordance with the terms of a supply contract and an entity could demand delivery of them in return for payment, an entity has the right to access the goods.
- For supply of services, the entity recognizes the expense when it receives the services.
  - Generally, this is when the service has been performed by a supplier in accordance with a contract to deliver the services to the entity. It is not when the entity then uses these services to deliver another service, such as delivering advertisements to its own customers.
- The following are examples of expenditures an entity recognizes as an expense when incurred:
  - Start-up activities, unless included in the cost of an item of property, plant and equipment;
  - Training activities;
  - Advertising and promotional activities (including mail order catalogues and other similar documents intended to advertise goods, services or events to customers); and
  - Relocating or reorganizing part or all of an entity.

**PAST EXPENSES NOT TO BE RECOGNIZED AS AN ASSET**

- Expenditure on an intangible item that was initially expensed cannot later be capitalized as part of the cost of the intangible asset.

**SUBSEQUENT MEASUREMENT**

- A recognized intangible asset with a finite useful life must be amortized over its useful life to an enterprise.
- A recognized intangible asset with an indefinite useful life must not be amortized until its life is determined to no longer be indefinite.
- The amortization method and estimate of the useful life of an intangible asset must be reviewed annually.
- For guidance on recognition and measurement of an impairment loss refer to our publication “ASPE AT A GLANCE - Impairment of Long-lived Assets & Goodwill”.

**PRESENTATION**

- A separate line on the entity’s Balance Sheet must present the aggregate amount of intangible assets.