

Objective

IAS 38 outlines the accounting requirements for intangible assets that are not specifically dealt with in other standards. It defines the recognition, measurement, amortization, and impairment of intangible assets.

Company Goal

Intangible Asset ↑

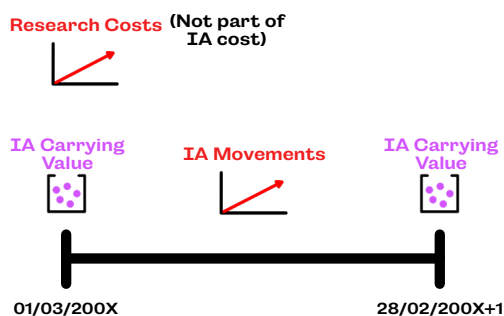
Amortisation ↓

Impairment ↓

Recognition

An intangible asset is recognized only if:

- **Probable Future Economic Benefits:**
 - Likely to generate inflows for the entity.
- **Cost Can Be Measured Reliably:**
 - Historical cost or fair value is measurable.



Key Risks

- **Subjectivity in Recognition and Measurement**
- **Impairment Testing Assumptions**
- **Compliance with Disclosure Requirements:**

Disclosures

1. General Disclosure:

- Description of the asset.
- Useful life or amortization rate.
- Carrying amount.
- Amortization method.
- Impairment losses..

2. Reconciliation of Carrying Values (Movement Grid)

Particulars	Cost (CU)	Accumulated Amortization (CU)	Carrying Amount (CU)
Opening Balance	100,000	(20,000)	80,000
Additions	10,000		10,000
Disposals	(5,000)		(5,000)
Amortization for the Year		(10,000)	(10,000)
Impairment Loss			(3,000)
Closing Balance	105,000	(30,000)	72,000

Financial Line Items

- **IA – Cost (BS)** [✳]
- **IA – Accumulated Amortisation (BS)** [✳]
- **Amortisation (IS)** [✓]
- **Impairment (IS)** [✓]
- **Research and Development Costs (IS)** [✓]

Scope

Intangible Asset: Identifiable non-monetary asset without physical substance.

Criteria: Must be separately identifiable, under the entity's control, and expected to bring future economic benefits.

Examples: Patents, copyrights, trademarks, franchises, and development costs.

Exclusions: Goodwill (covered by IFRS 3), financial instruments, and mineral rights.

Measurement

Initial Measurement

At cost:

- **Purchased Assets:**
 - Purchase price + directly attributable costs
- **Internally Generated Assets:**
 - R&D rules apply

Subsequent Measurement

1. Cost Model (Amortisation)
2. Revaluation Model (Only if an Active Market exists)

R&D Rules [✳]

- Distinction between **research phase** (expense as incurred)

and **development phase** (capitalize if ALL criteria are met):

1. Technical feasibility.
2. Intention to complete/use/sell.
3. Ability to use/sell.
4. Demonstration of future economic benefits.
5. Availability of resources to complete.
6. Reliable cost measurement.

Amortisation [✓]

- **Finite Life:**
 - Amortize over the asset's useful life using a systematic method.
- **Indefinite Life:**
 - Do not amortize; test annually for impairment.