ASPE
At a Glance

Section 3064 - Intangible Assets

Intangible Assets[1]

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

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.

[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*".

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.

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