EUROPEAN UNION
ACCOUNTING RULE 6

INTANGIBLE ASSETS
I N D E X

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1. **Objective**

The objective of this EU accounting rule is to prescribe the accounting treatment for intangible assets that are not dealt with specifically in another accounting rule. This rule requires an EU entity to recognise an intangible asset if, and only if, specified criteria are met.

2. **Scope**

This EU accounting rule applies to accounting for all intangible assets in the financial statements of the European Union and its consolidated entities, unless:

- In the scope of another EU accounting rule (e.g. Leasing);
- In the scope of the financial instruments rule;
- Intangible assets acquired in a business combination;
- Powers and rights conferred by legislation, a constitution, or by equivalent means;
- Non-current intangible assets classified as held for sale; and
- In respect of intangible heritage assets.

3. **Definitions**

The following terms are used in this rule with the meanings specified:

1) **Assets** are resources controlled by an entity as a result of past events and from which future economic benefits or service potential are expected to flow to the entity.

2) An **intangible asset** is an identifiable non-monetary asset without physical substance.

3) **Carrying amount** is the amount at which an asset is recognised in the balance sheet after deducting any accumulated amortisation and accumulated impairment losses.

4) **Amortisation** is the systematic allocation of the depreciable amount of an intangible asset over its useful life.

5) **Useful life** is the period over which an asset is expected to be available for use by an entity.

6) **Development** is the application of research findings or other knowledge to a plan or design for the production of new or substantially improved materials, devices, products, processes, systems or services before the start of commercial production or use.

7) **Research** is original and planned investigation undertaken with the prospect of gaining new scientific or technical knowledge and understanding.
4. Definition of intangible assets

1) Not all intangible items (e.g. intellectual property, brand names) meet the definition of an intangible asset, i.e., identifiability, control over a resource, and existence of future economic benefits or service potential. If an item within the scope of this rule does not meet the definition of an intangible asset, expenditure to acquire it or generate it internally is recognised as an expense when it is incurred.

2) An asset is identifiable if it either:
   (a) 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, identifiable asset or liability, regardless of whether the entity intends to do so; or
   (b) Arises from binding arrangements (including rights from contracts or other legal rights), regardless of whether those rights are transferable or separable from the entity or from other rights and obligations.

3) A binding arrangement describes an arrangement that confers similar rights and obligations on the parties to it as if it were in the form of a contract.

4) An entity controls an asset if the entity has the power to obtain the future economic benefits or service potential flowing from the underlying resource and to restrict the access of others to those benefits or that service potential. The capacity of an entity to control the future economic benefits or service potential from an intangible asset would normally stem from legal rights that are enforceable in a court of law. In the absence of legal rights, it is more difficult to demonstrate control. However, legal enforceability of a right is not a necessary condition for control because an entity may be able to control the future economic benefits or service potential in some other way.

5) Scientific or technical knowledge may give rise to future economic benefits or service potential. An entity controls those benefits or that service potential if, for example, the knowledge is protected by legal rights such as copyrights, a restraint of trade agreement (where permitted), or by a legal duty on employees to maintain confidentiality.

6) An entity may have a team of skilled staff and may be able to identify incremental staff skills leading to future economic benefits or service potential from training. The entity may also expect that the staff will continue to make their skills available to the entity. However, an entity usually has insufficient control over the expected future economic benefits or service potential arising from a team of skilled staff and from training for these items to meet the definition of an intangible asset. For a similar reason, specific management or technical talent is unlikely to meet the definition of an intangible asset, unless it is protected by legal rights to use it and to obtain the future economic benefits or service potential expected from it, and it also meets the other parts of the definition.

7) An entity may have a portfolio of users of its services or its success rate in reaching intended users of its services and expect that, because of its efforts in building relationships with users of its services, those users will continue to use its services. However, in the absence of legal rights to
protect, or other ways to control the relationships with users of a service or the loyalty of those users, the entity usually has insufficient control over the expected economic benefits or service potential from relationships with users of a service and loyalty for such items to meet the definition of intangible assets. In the absence of legal rights to protect such relationships, exchange transactions for the same or similar non-contractual customer relationships provide evidence that the entity is nonetheless able to control the expected future economic benefits or service potential flowing from the relationships with the users of a service. Because such exchange transactions also provide evidence that the relationships with users of a service are separable, those relationships meet the definition of an intangible asset.

8) The future economic benefits or service potential flowing from an intangible asset may include revenue from the sale of products or services, cost savings, or other benefits resulting from the use of the asset by the entity. For example, the use of intellectual property in a production or service process may reduce future production or service costs or improve service delivery rather than increase future revenues (e.g., an on-line system that allows citizens to renew certain licences more quickly on-line, resulting in a reduction in office staff required to perform this function while increasing the speed of processing).

5. Recognition and Measurement

5.1 General recognition criteria

1) The recognition of an item as an intangible asset requires an entity to demonstrate that the item meets:

(a) The definition of an intangible asset (see point 4 above); and

(b) The recognition criteria (see the following 4 paragraphs).

This requirement applies to the cost measured at recognition (the cost in an exchange transaction or to internally generate an intangible asset, or the fair value of an intangible asset acquired through a non-exchange transaction) and those incurred subsequently to add to, replace part of, or service it.

2) The nature of intangible assets is such that, in many cases, there are no additions to such an asset or replacements of part of it. Accordingly, most subsequent expenditures are likely to maintain the expected future economic benefits or service potential embodied in an existing intangible asset rather than meet the definition of an intangible asset and the recognition criteria in this accounting rule. In addition, it is often difficult to attribute subsequent expenditure directly to a particular intangible asset rather than to the entity’s operations as a whole. Therefore, only rarely will subsequent expenditure—expenditure incurred after the initial recognition of an acquired intangible asset or after completion of an internally generated intangible asset—be recognised in the carrying amount of an asset. Expenditure on brands, mastheads, publishing titles, lists users of a service, and items similar in substance (whether externally acquired or internally generated) is always recognised in surplus or deficit as incurred. This is because such expenditure cannot be distinguished from expenditure to develop the entity’s operations as a whole.
3) An intangible asset shall be recognised if, and only if:
   (a) It is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the entity; and
   (b) The cost or fair value of the asset can be measured reliably.

4) An entity shall assess the probability of expected future economic benefits or service potential using reasonable and supportable assumptions that represent management’s best estimate of the set of economic conditions that will exist over the useful life of the asset.

5) An entity uses judgement to assess the degree of certainty attached to the flow of future economic benefits or service potential that are attributable to the use of the asset on the basis of the evidence available at the time of initial recognition, giving greater weight to external evidence.

6) An intangible asset shall be measured initially at cost in accordance with point 5.2 below. Where an intangible asset is acquired through a non-exchange transaction, its initial cost at the date of acquisition, shall be measured at its fair value as at that date.

5.2 Separate acquisition

1) Normally, the price an entity pays to acquire separately an intangible asset will reflect expectations about the probability that the expected future economic benefits or service potential embodied in the asset will flow to the entity. In other words, the entity expects there to be an inflow of economic benefits or service potential, even if there is uncertainty about the timing or the amount of the inflow. Therefore, the probability recognition criterion in paragraph 3(a) of point 5.1 is always considered to be satisfied for separately acquired intangible assets. In addition, the cost of a separately acquired intangible asset can usually be measured reliably. This is particularly so when the purchase consideration is in the form of cash or other monetary assets.

2) The cost of a separately acquired intangible asset comprises:
   (a) Its purchase price, including import duties and non-refundable purchase taxes, after deducting trade discounts and rebates; and
   (b) Any directly attributable cost of preparing the asset for its intended use.

3) Examples of directly attributable costs are:
   (a) Costs of employee benefits (see EU accounting rule 12: Employee benefits) arising directly from bringing the asset to its working condition;
   (b) Professional fees arising directly from bringing the asset to its working condition; and
   (c) Costs of testing whether the asset is functioning properly.

4) Examples of expenditures that are not part of the cost of an intangible asset are:
   (a) Costs of introducing a new product or service (including costs of advertising and promotional activities);
   (b) Costs of conducting operations in a new location or with a new class of users of a service (including costs of staff training); and
(c) Administration and other general overhead costs.

5) Recognition of costs in the carrying amount of an intangible asset ceases when the asset is in the condition necessary for it to be capable of operating in the manner intended by management. Therefore, costs incurred in using or redeploying an intangible asset are not included in the carrying amount of that asset. For example, the following costs are not included in the carrying amount of an intangible asset:

(a) Costs incurred while an asset capable of operating in the manner intended by management has yet to be brought into use; and

(b) Initial operating deficits, such as those incurred while demand for the asset’s output builds up.

6) Some operations occur in connection with the development of an intangible asset, but are not necessary to bring the asset to the condition necessary for it to be capable of operating in the manner intended by management. These incidental operations may occur before or during the development activities. Because incidental operations are not necessary to bring an asset to the condition necessary for it to be capable of operating in the manner intended by management, the revenue and related expenses of incidental operations are recognised immediately in surplus or deficit, and included in their respective classifications of revenue and expense.

7) In some cases, an intangible asset may be acquired through a non-exchange transaction. Under these circumstances the cost of the item is its fair value at the date it is acquired.

8) One or more intangible assets may be acquired in exchange for a non-monetary asset or assets, or a combination of monetary and non-monetary assets. The following discussion refers simply to an exchange of one non-monetary asset for another, but it also applies to all exchanges described in the preceding sentence. The cost of such an intangible asset is measured at fair value unless the fair value of neither the asset received nor the asset given up is reliably measurable. The acquired asset is measured in this way even if an entity cannot immediately derecognise the asset given up. If the acquired asset is not measured at fair value, its cost is measured at the carrying amount of the asset given up.

9) The condition for the recognition of an intangible asset is that the cost of the asset can be measured reliably. The fair value of an intangible asset for which comparable market transactions do not exist is reliably measurable if:

(a) The variability in the range of reasonable fair value estimates is not significant for that asset; or

(b) The probabilities of the various estimates within the range can be reasonably assessed and used in estimating fair value.

If an entity is able to determine reliably the fair value of either the asset received or the asset given up, then the fair value of the asset given up is used to measure cost unless the fair value of the asset received is more clearly evident.
5.3 Internally generated intangible assets

1) It is sometimes difficult to assess whether an internally generated intangible asset qualifies for recognition because of problems in:
   (a) Identifying whether and when there is an identifiable asset that will generate expected future economic benefits or service potential; and
   (b) Determining the cost of the asset reliably.

Therefore, in addition to complying with the general requirements for the recognition and initial measurement of an intangible asset, an entity applies the requirements and guidance in the following paragraphs to all internally generated intangible assets.

2) To assess whether an internally generated intangible asset meets the criteria for recognition, an entity classifies the generation of the asset into:
   (a) A research phase; and
   (b) A development phase.

Although the terms "research" and "development" are defined, the terms "research phase" and "development phase" have a broader meaning for the purpose of this accounting rule.

3) If an entity cannot distinguish the research phase from the development phase of an internal project to create an intangible asset, the entity treats the expenditure on that project as if it were incurred in the research phase only.

Research Phase

4) No intangible asset arising from research (or from the research phase of an internal project) shall be recognised. Expenditure on research (or on the research phase of an internal project) shall be recognised as an expense when it is incurred.

5) In the research phase of an internal project, an entity cannot demonstrate that an intangible asset exists that will generate probable future economic benefits or service potential. Therefore, this expenditure is recognised as an expense when it is incurred.

6) Examples of research activities are:
   (a) Activities aimed at obtaining new knowledge;
   (b) The search for, evaluation and final selection of, applications of research findings or other knowledge;
   (c) The search for alternatives for materials, devices, products, processes, systems, or services; and
   (d) The formulation, design, evaluation, and final selection of possible alternatives for new or improved materials, devices, products, processes, systems, or services.

Development Phase

7) An intangible asset arising from development (or from the development phase of an internal project) shall be recognised if, and only if, an entity can demonstrate all of the following:
(a) The technical feasibility of completing the intangible asset so that it will be available for use or sale;
(b) Its intention to complete the intangible asset and use or sell it;
(c) Its ability to use or sell the intangible asset;
(d) How the intangible asset will generate probable future economic benefits or service potential. Among other things, the entity can demonstrate the existence of a market for the output of the intangible asset or the intangible asset itself or, if it is to be used internally, the usefulness of the intangible asset;
(e) The availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
(f) Its ability to measure reliably the expenditure attributable to the intangible asset during its development.

8) In the development phase of an internal project, an entity can, in some instances, identify an intangible asset and demonstrate that the asset will generate probable future economic benefits or service potential. This is because the development phase of a project is further advanced than the research phase.

9) Examples of development activities are:
   (a) The design, construction, and testing of pre-production or pre-use prototypes and models;
   (b) The design of tools, jigs, moulds, and dies involving new technology;
   (c) The design, construction, and operation of a pilot plant or operation that is not of a scale economically feasible for commercial production or use in providing services;
   (d) The design, construction, and testing of a chosen alternative for new or improved materials, devices, products, processes, systems, or services;
   (e) Website costs and software development costs; and

10) To demonstrate how an intangible asset will generate probable future economic benefits or service potential, an entity assesses the future economic benefits or service potential to be received from the asset using the principles in EU accounting rule 18: Impairment of assets as appropriate. If the asset will generate economic benefits or service potential only in combination with other assets, the entity applies the concept of cash-generating units as in EU accounting rule 18.

11) Availability of resources to complete, use, and obtain the benefits from an intangible asset can be demonstrated by, for example, an operating plan showing the technical, financial, and other resources needed and the entity’s ability to secure those resources.

12) An entity’s costing systems can often measure reliably the cost of generating an intangible asset internally, such as salary and other expenditure incurred in securing logos, copyrights or licences, or developing computer software.

13) Research or development expenditure that:
   (a) Relates to an in-process research or development project acquired separately and recognised as an intangible asset;
(b) Is incurred after the acquisition of that project; and shall be accounted for in accordance with paragraphs 4 – 13.

14) Applying the requirements in paragraphs 4 – 13 means that subsequent expenditure on an in-process research or development project acquired separately and recognised as an intangible asset is:

(a) Recognised as an expense when incurred if it is research expenditure;
(b) Recognised as an expense when incurred if it is development expenditure that does not satisfy the criteria for recognition as an intangible asset in paragraph 7; and
(c) Added to the carrying amount of the acquired in-process research or development project if it is development expenditure that satisfies the recognition criteria in paragraph 7.

15) Internally generated brands, mastheads, publishing titles, lists of users of a service, and items similar in substance shall not be recognised as intangible assets. Internally generated goodwill shall not be recognised as an asset.

16) Expenditure on internally generated brands, mastheads, publishing titles, lists of users of a service, and items similar in substance cannot be distinguished from the cost of developing the entity’s operations as a whole. Therefore, such items are not recognised as intangible assets.

Cost of an Internally Generated Intangible Asset

17) The cost of an internally generated intangible asset for the purpose of paragraph 6 of point 5.1 is the sum of expenditure incurred from the date when the intangible asset first meets the recognition criteria in paragraphs 3 and 4 of point 5.1, and paragraph 7 above.

18) The cost of an internally generated intangible asset comprises all directly attributable costs necessary to create, produce, and prepare the asset to be capable of operating in the manner intended by management. Examples of directly attributable costs are:

(a) Costs of materials and services used or consumed in generating the intangible asset;
(b) Costs of employee benefits (see EU accounting rule 12: Employee benefits) arising from the generation of the intangible asset;
(c) Fees to register a legal right; and
(d) Amortisation of patents and licences that are used to generate the intangible asset.

19) The following are not components of the cost of an internally generated intangible asset:

(a) Selling, administrative and other general overhead expenditure unless this expenditure can be directly attributed to preparing the asset for use;
(b) Identified inefficiencies and initial operating deficits incurred before the asset achieves planned performance; and
(c) Expenditure on training staff to operate the asset.
5.4 Recognition as an expense

1) Expenditure on an intangible item shall be recognised as an expense when it is incurred unless it forms part of the cost of an intangible asset that meets the recognition criteria.

2) In some cases, expenditure is incurred to provide future economic benefits or service potential to an entity, but no intangible asset or other asset is acquired or created that can be recognised. In the case of the supply of goods, the entity recognises such expenditure as an expense when it has a right to access those goods. In the case of the supply of services, the entity recognises the expenditure as an expense when it receives the services. For example, expenditure on research is recognised as an expense when it is incurred. Other examples of expenditure that is recognised as an expense when it is incurred include:

(a) Expenditure on start-up activities (i.e., start-up costs), unless this expenditure is included in the cost of an item of property, plant, and equipment in accordance with accounting rule 7. Start-up costs may consist of establishment costs such as legal and secretarial costs incurred in establishing a legal entity, expenditure to open a new facility or operation (i.e., pre-opening costs), or expenditures for starting new operations or launching new products or processes (i.e., pre-operating costs);
(b) Expenditure on training activities;
(c) Expenditure on advertising and promotional activities (including information pamphlets); and
(d) Expenditure on relocating or reorganising part or all of an entity.

3) An entity has a right to access goods when it owns them. Similarly, it has a right to access goods when they have been constructed by a supplier in accordance with the terms of a supply contract and the entity could demand delivery of them in return for payment. Services are received when they are performed by a supplier in accordance with a contract to deliver them to the entity and not when the entity uses them to deliver another service, for example, to deliver information about a service to users of that service.

4) Paragraph 1 does not preclude an entity from recognising a prepayment as an asset when payment for goods has been made in advance of the entity obtaining a right to access those goods. Similarly, paragraph 1 does not preclude an entity from recognising a prepayment as an asset when payment for services has been made in advance of the entity receiving those services.

5) Expenditure on an intangible item that was initially recognised as an expense under this accounting rule shall not be recognised as part of the cost of an intangible asset at a later date.

5.5 Subsequent measurement

1) After initial recognition, an intangible asset shall be carried at its cost less any accumulated amortisation and any accumulated impairment losses.

2) To determine whether an intangible asset is impaired, an entity applies EU accounting rule 18: Impairment of assets.
3) An entity shall assess whether the useful life of an intangible asset is finite or indefinite and, if finite, the length of, or number of production or similar units constituting, that useful life. An intangible asset shall be regarded by the entity as having an indefinite useful life when, based on an analysis of all of the relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows for, or provide service potential to, the entity. The term "indefinite" does not mean "infinite." Given the history of rapid changes in technology, computer software and many other intangible assets are susceptible to technological obsolescence. Therefore, it is likely that their useful life is short.

4) An intangible asset with a finite useful life is amortised (see paragraphs 7–13 below), and an intangible asset with an indefinite useful life is not (see paragraphs 14–17 below).

5) The useful life of an intangible asset that arises from binding arrangements (including rights from contracts or other legal rights, licences) shall not exceed the period of the binding arrangement (including rights from contracts or other legal rights), but may be shorter depending on the period over which the entity expects to use the asset. If the binding arrangements (including rights from contracts or other legal rights) are conveyed for a limited term that can be renewed, the useful life of the intangible asset shall include the renewal period(s) only if there is evidence to support renewal by the entity without significant cost.

6) Existence of the following factors, among others, indicates that an entity would be able to renew the binding arrangements (including rights from contracts or other legal rights) without significant cost:

   (a) There is evidence, possibly based on experience, that the binding arrangements (including rights from contracts or other legal rights) will be renewed. If renewal is contingent upon the consent of a third party, this includes evidence that the third party will give its consent;

   (b) There is evidence that any conditions necessary to obtain renewal will be satisfied; and

   (c) The cost to the entity of renewal is not significant when compared with the future economic benefits or service potential expected to flow to the entity from renewal.

If the cost of renewal is significant when compared with the future economic benefits or service potential expected to flow to the entity from renewal, the "renewal cost" represents, in substance, the cost to acquire a new intangible asset at the renewal date.

**Intangible Assets with Finite Useful Lives**

7) The depreciable amount of an intangible asset with a finite useful life shall be allocated on a systematic basis over its useful life. Amortisation shall begin when the asset is available for use, i.e., when it is in the location and condition necessary for it to be capable of operating in the manner intended by management. Amortisation shall cease at the earlier of the date that the asset is classified as held for sale (or included in a disposal group that is classified as held for sale) and the date that the asset is derecognised. The amortisation method used shall reflect the pattern in which the asset’s future economic benefits or service potential are expected to be consumed by the entity. In the EU it is usually the straight-line method. The amortisation charge for each period shall be recognised in surplus or deficit unless this or another accounting rule permits or requires it to be included in the carrying amount of another asset.
8) The residual value of an intangible asset with a finite useful life shall be assumed to be zero unless:
   (a) There is a commitment by a third party to acquire the asset at the end of its useful life; or
   (b) There is an active market for the asset and:
      (i) Residual value can be determined by reference to that market; and
      (ii) It is probable that such a market will exist at the end of the asset’s useful life.
9) The depreciable amount of an asset with a finite useful life is determined after deducting its residual value. A residual value other than zero implies that an entity expects to dispose of the intangible asset before the end of its economic life.
10) An estimate of an asset’s residual value is based on the amount recoverable from disposal using prices prevailing at the date of the estimate for the sale of a similar asset that has reached the end of its useful life and has operated under conditions similar to those in which the asset will be used. The residual value is reviewed at least at each reporting date. A change in the asset’s residual value is accounted for as a change in an accounting estimate.
11) The residual value of an intangible asset may increase to an amount equal to or greater than the asset’s carrying amount. If it does, the asset’s amortisation charge is zero unless and until its residual value subsequently decreases to an amount below the asset’s carrying amount.
12) The amortisation period and the amortisation method for an intangible asset with a finite useful life shall be reviewed at least at each reporting date. If the expected useful life of the asset is different from previous estimates, the amortisation period shall be changed accordingly. If there has been a change in the expected pattern of consumption of the future economic benefits or service potential embodied in the asset, the amortisation method shall be changed to reflect the changed pattern. Such changes shall be accounted for as changes in accounting estimates in accordance with EU accounting rule 14: Accounting policies, changes in accounting estimates and errors.
13) During the life of an intangible asset, it may become apparent that the estimate of its useful life is inappropriate. For example, the recognition of an impairment loss may indicate that the amortisation period needs to be changed.

**Intangible Assets with Indefinite Useful Lives**

14) An intangible asset with an indefinite useful life shall not be amortised.
15) In accordance with EU accounting rule 18: Impairment of assets, an entity is required to test an intangible asset with an indefinite useful life or an intangible asset not yet available for use for impairment by comparing its recoverable service amount or its recoverable amount, as appropriate, with its carrying amount:
   (a) Annually; and
   (b) Whenever there is an indication that the intangible asset may be impaired.
16) The useful life of an intangible asset that is not being amortised shall be reviewed each reporting period to determine whether events and circumstances continue to support an indefinite useful life assessment for that asset. If they do not, the change in the useful life assessment from indefinite to finite shall be accounted for as a change in an accounting estimate in accordance with EU accounting rule 14: Accounting policies, changes in accounting estimates and errors.

17) Reassessing the useful life of an intangible asset as finite rather than indefinite in accordance with EU accounting rule 18: Impairment of assets, is an indicator that the asset may be impaired. As a result, the entity tests the asset for impairment by comparing its recoverable service amount or its recoverable amount with its carrying amount, and recognising any excess of the carrying amount over the recoverable service amount or recoverable amount as appropriate, as an impairment loss.

6. Derecognition

1) An intangible asset shall be derecognised:
   (a) On disposal (including disposal through a non-exchange transaction); or
   (b) When no future economic benefits or service potential are expected from its use or disposal.

2) The gain or loss arising from the derecognition of an intangible asset shall be determined as the difference between the net disposal proceeds, if any, and the carrying amount of the asset. It shall be recognised in surplus or deficit when the asset is derecognised.

3) The disposal of an intangible asset may occur in a variety of ways (e.g., by sale, by entering into a finance lease, or through a non-exchange transaction). In determining the date of disposal of such an asset, an entity applies the criteria in EU accounting rule 4: Revenue from exchange transactions for recognising revenue from the sale of goods.

4) If, in accordance with the recognition principle, an entity recognises in the carrying amount of an asset the cost of a replacement for part of an intangible asset, then it derecognises the carrying amount of the replaced part. If it is not practicable for an entity to determine the carrying amount of the replaced part, it may use the cost of the replacement as an indication of what the cost of the replaced part was at the time it was acquired or internally generated.

5) The consideration receivable on disposal of an intangible asset is recognised initially at its fair value. If payment for the intangible asset is deferred, the consideration received is recognised initially at the cash price equivalent. The difference between the nominal amount of the consideration and the cash price equivalent is recognised as interest revenue in accordance with accounting rule 4 reflecting the effective yield on the receivable.

6) Amortisation of an intangible asset with a finite useful life does not cease when the intangible asset is no longer used, unless the asset has been fully depreciated or is classified as held for sale (or included in a disposal group that is classified as held for sale).
7. Disclosures

1) An entity shall disclose the following for each class of intangible assets:

(a) Whether the useful lives are indefinite or finite and, if finite, the useful lives or the amortisation rates used;
(b) The amortisation methods used for intangible assets with finite useful lives;
(c) The gross carrying amount and any accumulated amortisation (aggregated with accumulated impairment losses) at the beginning and end of the period;
(d) The line item(s) of the statement of financial performance in which any amortisation of intangible assets is included;
(e) A reconciliation of the carrying amount at the beginning and end of the period showing:
   (i) Additions;
   (ii) Assets classified as held for sale;
   (iii) Impairment losses recognised in surplus or deficit during the period;
   (iv) Impairment losses reversed in surplus or deficit during the period;
   (v) Any amortisation recognised during the period;
   (vi) Net exchange differences arising on the translation of the financial statements into the presentation currency, and on the translation of a foreign operation into the presentation currency of the entity; and
   (vii) Other changes in the carrying amount during the period.

2) A class of intangible assets is a grouping of assets of a similar nature and use in an entity’s operations. Examples of separate classes may include:

(a) Brand names;
(b) Mastheads and publishing titles;
(c) Computer software;
(d) Licences;
(e) Copyrights, patents, and other industrial property rights, service, and operating rights;
(f) Recipes, formulae, models, designs, and prototypes; and
(g) Intangible assets under development.

The classes mentioned above are disaggregated (aggregated) into smaller (larger) classes if this results in more relevant information for the users of the financial statements.

3) EU accounting rule 14: Accounting policies, changes in accounting estimates and errors, requires an entity to disclose the nature and amount of a change in an accounting estimate that has a material effect in the current period or is expected to have a material effect in subsequent periods. Such disclosure may arise from changes in:

(a) The assessment of an intangible asset’s useful life;
(b) The amortisation method; or
(c) Residual values.

4) An entity shall also disclose:

(a) For an intangible asset assessed as having an indefinite useful life, the carrying amount of that asset and the reasons supporting the assessment of an indefinite useful life. In giving these reasons, the entity shall describe the factor(s) that played a significant role in determining that the asset has an indefinite useful life.

(b) A description, the carrying amount, and remaining amortisation period of any individual intangible asset that is material to the entity’s financial statements.

(c) For intangible assets acquired through a non-exchange transaction and initially recognised at fair value:

(i) The fair value initially recognised for these assets;

(ii) Their carrying amount; and

(iii) Whether they are measured after recognition under the cost model or the revaluation model.

(d) The existence and carrying amounts of intangible assets whose title is restricted and the carrying amounts of intangible assets pledged as security for liabilities.

(e) The amount of contractual commitments for the acquisition of intangible assets.

5) An entity shall disclose the aggregate amount of research and development expenditure recognised as an expense during the period. Research and development expenditure comprises all expenditure that is directly attributable to research or development activities.
8. **Effective date**

This rule shall be effective for annual financial statements covering periods beginning on or after 1 January 2012.

9. **Reference to other rules**

This accounting rule is based on the following IPSAS standard:

IPSAS 31 "Intangible Assets".