

Australian Accounting Standards Board
Rejected Issue – Not Taken onto the UIG Agenda
Capitalised Software
(December 2005)

The Issue

Accounting Standard AASB 138 *Intangible Assets* (paragraph 4) states that in determining whether an asset that incorporates both intangible and tangible elements should be treated under AASB 116 *Property, Plant and Equipment* or as an intangible asset, an entity uses judgement to assess which element is more significant. It also explains that the operating system of a computer is treated as property, plant and equipment because the computer cannot operate without it, whereas computer software that is not an integral part of the related hardware is treated as an intangible asset.

Additional guidance was requested on the classification of computer software as tangible or intangible assets.

Reasons for Not Adding the Issue to the UIG's Agenda

At its December 2005 meeting, the AASB decided not to add this issue to the Urgent Issues Group's agenda on the grounds that the principle is clearly and appropriately stated in paragraph 4 of AASB 138, with the result that application software normally would be classified as intangible assets. However, as stated in that paragraph, judgement is required in distinguishing property, plant and equipment and intangible assets.
