



INTANGIBLE ASSETS PROJECT

(Last Updated: 19 May 2010)

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BACKGROUND

On behalf of the International Accounting Standards Board (IASB), the AASB devoted considerable time and resources over the period 2004-2006 undertaking research on accounting for intangible assets. During the research, the Memorandum of Understanding (MoU) between the IASB and the US Financial Accounting Standards Board (FASB) dated 27 February 2006 noted intangible assets as a topic 'already being researched, but not yet on an active agenda'. At the request of the IASB, the AASB agreed to provide staff resources to shift the focus of the research to, consistent with the MoU, developing an agenda proposal document supporting an IASB agenda decision in December 2007. The work focused on developing a project proposal as an IASB document, with an understanding that it would ultimately need to satisfy the requirements of both the IASB and the FASB.

April 2007 IASB/FASB Joint Meeting

Following IASB discussions of scope and approach of the project in October 2006 and January 2007, project proposal team staff presented a draft agenda proposal to the IASB/FASB April 2007 joint meeting.

Amongst other things, the draft agenda proposal:

- proposed adopting IFRS 3 *Business Combinations* principles for internally generated intangible assets as a working hypothesis, thereby leaving open the question of suitability of the principles for such assets;

The Australian Accounting Standards Board (AASB) is the government agency responsible for developing, issuing and maintaining accounting standards. The Board's functions and powers are set out in the Australian Securities and Investments Commission Act 2001.

- incorporated an analysis of the views of a broad range of users, insights from academic studies and implementation experience with IFRS 3 principles; and
- contemplated a range of alternative solutions ['recognition and measurement' (supplemented through enhanced disclosures) solutions and 'disclosure only' solutions].

Some members expressed the view that the needs of users should be thoroughly researched as part of the project proposal because, for example, it is conceivable that the issues might be more effectively addressed through a non-accounting solution. However, it was acknowledged that this may not be possible at the project proposal stage, in which case it should be done at the project stage.

The Boards agreed that the draft proposal forms an appropriate basis for developing a final proposal to facilitate agenda decisions of both Boards by December 2007.

In addition, the Boards agreed that the scope of the proposal should:

- include the initial accounting for identifiable intangible assets other than those acquired in a business combination (with a particular focus on, but not limited to, internally generated identifiable intangible assets);
- include the subsequent accounting for all identifiable intangible assets; and
- exclude the initial and subsequent accounting for goodwill.

In particular, it was agreed to explicitly include within the scope initial accounting for intangible assets acquired:

- separately, including those acquired in exchange for a non-monetary asset or assets;
- by way of a government grant; and
- in a group of assets or net assets that is not a business,

in the interest of facilitating consistency in the initial accounting for intangible assets, and between the initial and subsequent accounting for intangible assets.

December 2007 IASB/FASB Joint Meeting

Following considerations by the Standards Advisory Council (currently known as 'the IFRS Advisory Council') in June and November 2007, and the Trustees of the International Accounting Standards Committee Foundation in October 2007, the IASB and the FASB considered at their December 2007 meeting a project proposal based on the research up to that date.

The project proposal included an analysis of the following criteria used by the IASB and FASB to help assess the merits of initiating a project:

- (a) Criterion 1: The relevance to users of the information involved and the reliability of information that could be provided;
- (b) Criterion 2: Existing guidance available;
- (c) Criterion 3: The possibility of increasing convergence; and

(d) Criterion 4: The quality of the standards to be developed.

The analysis of these criteria formed the basis of IASB Observer Notes that were made public in December 2007 (see <http://www.iasb.org/NR/rdonlyres/73C77D51-E8DE-4BE7-9D8B-8668193F6BE0/0/AP0712b05aobs.pdf>).

The Boards decided not to take the project on to their active agendas for the time being, primarily because both Boards currently have a number of other competing active agenda priorities. For example, the IASB decided that the need for guidance on accounting for emission rights is more urgent than the need for a new accounting model for intangible assets. Nevertheless, both Boards acknowledged the importance of addressing the accounting issues relating to intangible assets, including the inconsistent treatments for particular types of intangible assets depending upon the manner in which they arise.

In acknowledging the importance of addressing the accounting issues relating to intangible assets, the IASB Chairman, Sir David Tweedie, suggested that the research commenced by AASB staff continue under the aegis of the National Standard Setters (NSS), with the IASB being involved through its usual representation, in the hope that some international agreement will emerge from that process. The NSS is a global group of representatives of national accounting standard-setters and related organisations whose main role is to assist the IASB, primarily through research and commenting on project priorities.

RECENT EVENTS/DECISIONS

Summaries of events and decisions since the IASB/FASB December 2007 joint meeting are presented below in chronological order.

NSS Meetings (March 2008 – April 2010)

Consistent with the IASB Chairman's recommendation, AASB staff presented a paper to the [March 2008 NSS meeting](#) discussing the possible ways in which the work done by the AASB staff in developing the IASB project proposal on intangible assets (which was limited to initial accounting issues) could be progressed. NSS members expressed support for the AASB staff developing the research contained in the project proposal into a publishable paper. To this end, drafts of the paper were provided to representatives of NSS members for comment and a penultimate draft of the paper was discussed at the [September 2008 NSS meeting](#).

In October 2008, the [Discussion Paper \(DP\) *Initial Accounting for Internally Generated Intangible Assets*](#) was published by the Office of the AASB, with the support of NSS members. The purpose of the DP is to encourage interested parties to think about issues concerning the initial accounting for internally generated intangible assets, and to comment on the views expressed in the DP, including the potential conceptual and practical implications of those views.

