



INTANGIBLE ASSETS PROJECT

(Last Updated: 13 December 2012)

The staff of the AASB have prepared this summary for information purposes only. The decisions described are tentative and do not change current accounting pronouncements. Official positions are determined only after extensive due process and deliberations. While this summary is occasionally updated, it does not provide a comprehensive review or statement of events and should not be treated as such.

CONTENTS

- Project Outline and Overview of Work to date
- Current Status
- Historical Record of Major Events/Decisions
- Contact Information

PROJECT OUTLINE AND OVERVIEW OF WORK TO DATE

The intangible assets project involves research undertaken by AASB staff since 2004 on accounting issues relating to intangible assets, initiated by the International Accounting Standards Board (IASB). Since 2008, the research has proceeded under the aegis of the National Standard Setters (NSS) (since renamed the International Forum Accounting Standard Setters (IFASS)). In October 2008, The Office of the AASB published the Discussion Paper (DP) *Initial Accounting for Internally Generated Intangible Assets* and received fifteen responses on that DP from a range of constituents. In February 2011, AASB staff initiated a worldwide online survey of preparers, advisors, auditors and regulators ('preparers' survey) on the initial accounting of intangible assets acquired in a business combination, with the intention of gaining insight into the implementation of IFRS 3 *Business Combinations* or similar GAAP. In June 2011, a separate, but similar, survey of users of financial statements ('users' survey) was initiated. The preparers' survey closed for comment on 17 June 2011 and the users' survey closed on 15 December 2011. The results of the surveys have been provided to the IASB for use in its forthcoming post-implementation review of IFRS 3.

CURRENT STATUS

AASB staff presented on preliminary findings from the survey results at seminars hosted by the Intellectual Property Research Institute of Australia (IPRIA), in Melbourne in May 2012 and in Brisbane in June 2012. AASB staff reported on the final survey findings at the October 2012 IFASS meeting held in Zurich. AASB staff have provided the survey results to the IASB for use as input for its upcoming post-implementation

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.

review of IFRS 3. AASB staff have also provided to the IASB a contact list of respondents to the surveys who indicated that they would be willing to participate in a more detailed questionnaire or interview.

HISTORICAL RECORD OF MAJOR EVENTS/DECISIONS

On behalf of the 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, the 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 principles for internally generated intangible assets as a working hypothesis, thereby leaving open the question of suitability of the principles for such assets;
- 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 then Standards 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.ifrs.org/Current-Projects/IASB-Projects/Intangible-Assets/Summaries/Pages/IASB-December-2007.aspx>)

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. As shown on the IASB website, the IASB project is currently on hold: <http://www.ifrs.org/Current-Projects/IASB-Projects/Intangible-Assets/Pages/Intangible-Assets.aspx#>. 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), since renamed the International Forum Accounting Standard Setters (IFASS), with the IASB being involved through its usual representation, in the hope that some

international agreement would emerge from that process. The IFASS 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.

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.

Fifteen responses were received on the DP from a range of constituents, including accounting and audit firms, accounting standard setters, professional bodies, preparers, consultants on intangible assets and an academic (individual submissions can be accessed at <http://www.aasb.gov.au/Work-In-Progress/Pending.aspx>). In light of the responses received on the DP to the DP's general conclusion that internally generated intangible assets should be initially accounted for in the same way as intangible assets acquired in a business combination are initially accounted for, at their April 2010 meeting NSS members expressed support for AASB staff undertaking a post-implementation review (in the form of a questionnaire) of the initial accounting for intangible assets acquired in a business combination under IFRS 3 or similar GAAP. NSS members also recommended that the post-implementation review should examine the initial accounting for intangible assets acquired in a business combination by for-profit entities under both the revised and superseded versions of IFRS 3, as well as any similar GAAP such as SFAS 141 *Business Combinations*.

Online Survey and NSS (IFASS) Meetings (February 2011 – March 2012)

Beginning in February 2011, AASB staff initiated a worldwide online survey of preparers, advisors, auditors and regulators ('preparers' survey) on the initial accounting of intangible assets acquired in a business combination. The preparers' survey was published on the AASB website for comment by 17 June 2011. During the NSS March 2011 meeting, the AASB presented its progress on its research into the initial accounting for intangible assets acquired in business combinations. In June 2011, a similar survey of users of financial statements ('users' survey) was initiated with request for comment by 15 December 2011. Links to the surveys were also sent to IFASS members with encouragement to post the link on their own websites

for a maximised response rate. During the IFASS March 2012 meeting, the AASB reported that the online surveys had received responses. At that time, the AASB had received 92 replies from preparers and 33 from users.

AASB staff presented on preliminary findings from the survey results in both Melbourne, in May 2012 and Brisbane, in June 2012, at a seminar hosted by the Intellectual Property Research Institute of Australia (IPRIA).

IFASS Meetings (October 2012)

AASB staff presented on the findings of the surveys at the October 2012 IFASS meeting. The slide pack accompanying the presentation can be accessed at http://www.aasb.gov.au/admin/file/content102/c3/M127_3.9.1_Intangibles_IFASS_Oct_2012.pdf. The results of the surveys have been provided to the IASB for use in its upcoming post-implementation review of IFRS 3.

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