

***AASB 138 Intangible Assets vs. IFRS for SMEs Section 18 Intangible Assets Other Than Goodwill***

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**1. Executive Summary**

**Main differences in recognition, measurement or presentation requirements**

The main differences in recognition and measurement between the standards are as follows.

- All research and development costs are expensed under the *IFRS for SMEs*, while AASB 138 requires development costs that meet certain criteria to be initially recognised as assets.
- The revaluation measurement model is not available under the *IFRS for SMEs*, while intangible assets for which there are active markets can be revalued after initial recognition under AASB 138.
- All intangible assets have finite useful lives under the *IFRS for SMEs*, while under AASB 138 intangible assets can have indefinite lives.
- Useful lives are reviewed only if there is an indication that there has been a significant change since the last reporting date under the *IFRS for SMEs*, while useful lives are reviewed each reporting period under AASB 138.
- Under the *IFRS for SMEs* if an entity is unable to reliably estimate a useful life it is assumed to be 10 years.

**Disclosure proposals**

It is proposed to exclude paragraphs 118(e)(v), 118(e)(vii), 120, 124(a)(iii), Aus124.1 and 128 from the Reduced Disclosure Regime (RDR).

## 2. Analysis of disclosure requirements

Text in AASB 138	Text in <i>IFRS for SMEs</i> Section 18	Comment
<p><b>Disclosure</b></p> <p><b>General</b></p> <p><b>118. An entity shall disclose the following for each class of intangible assets, distinguishing between internally generated intangible assets and other intangible assets:</b></p> <p>(a) <b>whether the useful lives are indefinite or finite and, if finite, the useful lives or the amortisation rates used;</b></p> <p>(b) <b>the amortisation methods used for intangible assets with finite useful lives;</b></p> <p>(c) <b>the gross carrying amount and any accumulated amortisation (aggregated with accumulated impairment losses) at the beginning and end of the period;</b></p> <p>(d) <b>the line item(s) of the statement of comprehensive income in which any amortisation of intangible assets is included;</b></p> <p>(e) <b>a reconciliation of the carrying amount at the beginning and end of the period showing:</b></p> <p>(i) <b>additions, indicating separately those from internal development, those acquired separately, and those acquired through business</b></p>	<p><b>Disclosures</b></p> <p>18.27 An entity shall disclose the following for each class of intangible assets:</p> <p>(a) the useful lives or the amortisation rates used.</p> <p>(b) the amortisation methods used.</p> <p>(c) the gross carrying amount and any accumulated amortisation (aggregated with accumulated impairment losses) at the beginning and end of the reporting period.</p> <p>(d) the line item(s) in the <b>statement of comprehensive income</b> (and in the <b>income statement</b>, if presented) in which any amortisation of intangible assets is included.</p> <p>(e) a reconciliation of the carrying amount at the beginning and end of the reporting period showing separately:</p> <p>(i) additions.</p> <p>(ii) disposals.</p> <p>(iii) acquisitions through business combinations.</p>	<p>Paragraphs 118(a), 118(b), 118(c) 118(d), 118(e)(i), 118(e)(iv), 118(e)(vi), 118(e)(vii) and 118(e)(viii) and paragraph 18.27 of the <i>IFRS for SMEs</i> correspond. Paragraphs 118(a), 118(b), 118(c) 118(d), 118(e)(i), 118(e)(iv), 118(e)(vi), 118(e)(vii) and 118(e)(viii) should be retained in the RDR.</p> <p>Paragraphs 118(e)(ii), 118(e)(iii), 118(e)(v) and 118(e)(vii) have no equivalent in the <i>IFRS for SMEs</i>.</p> <p>Paragraph 118(e)(ii) relates to AASB 5, which is not incorporated into the <i>IFRS for SMEs</i> and paragraph 118(e)(iii) relates to revaluations, which are not permitted under the <i>IFRS for SMEs</i>. Based on an assessment of user needs and because paragraphs 118(e)(ii) and 118(e)(iii) provide information about short-term cash flows and accounting policy choices (as referred to in paragraphs IN6(a) and IN6(d) of this Appendix), paragraphs 118(e)(ii) and 118(e)(iii) should be retained in the RDR.</p> <p>Based on the reasoning in paragraph IN3 of this Appendix, paragraphs 118(e)(v) and 118(e)(vii) should be excluded from the RDR.</p> <p>The last sentence of paragraph 18.27 of the <i>IFRS for SMEs</i> provides relief from comparative disclosures. Based on the reasoning in paragraph IN3 of this Appendix, the relief should be included in the RDR.</p>

Text in AASB 138	Text in <i>IFRS for SMEs</i> Section 18	Comment
<p><b>combinations;</b></p> <p><b>(ii) assets classified as held for sale or included in a disposal group classified as held for sale in accordance with AASB 5 and other disposals;</b></p> <p><b>(iii) increases or decreases during the period resulting from revaluations under paragraphs 75, 85 and 86 and from impairment losses recognised or reversed in other comprehensive income in accordance with AASB 136 (if any);</b></p> <p><b>(iv) impairment losses recognised in profit or loss during the period in accordance with AASB 136 (if any);</b></p> <p><b>(v) impairment losses reversed in profit or loss during the period in accordance with AASB 136 (if any);</b></p> <p><b>(vi) any amortisation recognised during the period;</b></p> <p><b>(vii) 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</b></p>	<p>(iv) amortisation.</p> <p>(v) impairment losses.</p> <p>(vi) other changes.</p> <p>This reconciliation need not be presented for prior periods.</p>	

Text in AASB 138	Text in <i>IFRS for SMEs</i> Section 18	Comment
<p><b>entity; and(viii) other changes in the carrying amount during the period.</b></p>		
<p>119. 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:</p> <ul style="list-style-type: none"> <li>(a) brand names;</li> <li>(b) mastheads and publishing titles;</li> <li>(c) computer software;</li> <li>(d) licences and franchises;</li> <li>(e) copyrights, patents and other industrial property rights, service and operating rights;</li> <li>(f) recipes, formulae, models, designs and prototypes; and</li> <li>(g) intangible assets under development.</li> </ul> <p>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.</p>		<p>Paragraph 119 has no equivalent in the <i>IFRS for SMEs</i>. It provides guidance but does not add disclosure requirements and, consistent with paragraph IN7 of this Appendix, should be retained in the RDR.</p>
<p>120. An entity discloses information on impaired intangible assets in accordance with AASB 136 in addition to the information required by paragraph 118(e)(iii)-(v).</p>		<p>Paragraph 120 has no equivalent in the <i>IFRS for SMEs</i> and, based on the reasoning in paragraph IN3 of this Appendix, should be excluded from the RDR.</p>
<p>121. AASB 108 requires an entity to disclose the nature and amount of a change in an accounting estimate that has a material effect in the current</p>		<p>Paragraph 121 has no equivalent in the <i>IFRS for SMEs</i>. It provides guidance but does not add disclosure requirements and, consistent with</p>

Text in AASB 138	Text in <i>IFRS for SMEs</i> Section 18	Comment
<p>period or is expected to have a material effect in subsequent periods. Such disclosure may arise from changes in:</p> <ul style="list-style-type: none"> <li>(a) the assessment of an intangible asset's useful life;</li> <li>(b) the amortisation method; or</li> <li>(c) residual values.</li> </ul>		<p>paragraph IN7 of this Appendix, should be retained in the RDR. (It is proposed that paragraph 39 of AASB 108, which requires the relevant disclosure, be retained in the RDR.)</p>
<p><b>122. An entity shall also disclose:</b></p> <ul style="list-style-type: none"> <li>(a) <b>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></li> <li>(b) <b>a description, the carrying amount and remaining amortisation period of any individual intangible asset that is material to the entity's financial statements;</b></li> <li>(c) <b>for intangible assets acquired by way of a government grant and initially recognised at fair value (see paragraph 44):</b> <ul style="list-style-type: none"> <li>(i) <b>fair value initially recognised for these assets;</b></li> </ul> </li> </ul>	<p>18.28 An entity shall also disclose:</p> <ul style="list-style-type: none"> <li>(a) a description, the carrying amount and remaining amortisation period of any individual intangible asset that is <b>material</b> to the entity's <b>financial statements</b>.</li> <li>(b) for intangible assets acquired by way of a government grant and initially recognised at fair value (see paragraph 18.12): <ul style="list-style-type: none"> <li>(i) the fair value initially recognised for these assets, and</li> <li>(ii) their carrying amounts.</li> </ul> </li> <li>(c) the existence and carrying amounts of intangible assets to which the entity has restricted title or that are pledged as security for liabilities.</li> <li>(d) the amount of contractual commitments for the acquisition of intangible assets.</li> </ul>	<p>Paragraphs 122(b), 122(c)(i), 122(c)(ii) 122(d) and 122(e) and paragraph 18.28 of the <i>IFRS for SMEs</i> correspond. Paragraphs 122(b), 122(c)(i), 122(c)(ii) 122(d) and 122(e) should be retained in the RDR.</p> <p>Paragraphs 122(a) and 122(c)(iii) have no equivalent in the <i>IFRS for SMEs</i>.</p> <p>Paragraph 120(a) relates to indefinite life intangible assets, which are not contemplated in the <i>IFRS for SMEs</i> and paragraph 120(c)(iii) relates to revaluations, which are not permitted under the <i>IFRS for SMEs</i>. Based on an assessment of user needs and paragraph IN6(f) of this Appendix, paragraph 122(a) should be retained in the RDR. Based on an assessment of user needs and because paragraph 122(c)(iii) provides information about accounting policy choices (as referred to in paragraph IN6(d) of this Appendix), paragraph 122(c)(iii) should be retained in the RDR.</p>

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<ul style="list-style-type: none"> <li>(ii) their carrying amount; and</li> <li>(iii) whether they are measured after recognition under the cost model or the revaluation model;</li> <li>(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; and</li> <li>(e) the amount of contractual commitments for the acquisition of intangible assets.</li> </ul>		
<p>123. When an entity describes the factor(s) that played a significant role in determining that the useful life of an intangible asset is indefinite, the entity considers the list of factors in paragraph 90.</p>		<p>Paragraph 123 has no equivalent in the <i>IFRS for SMEs</i>. It provides guidance but does not add disclosure requirements and, consistent with paragraph IN7 of this Appendix, should be retained in the RDR.</p>
<p><b>Intangible Assets Measured after Recognition using the Revaluation Model</b></p> <p>124. If intangible assets are accounted for at revalued amounts, an entity shall disclose the following:</p> <ul style="list-style-type: none"> <li>(a) by class of intangible assets: <ul style="list-style-type: none"> <li>(i) the effective date of the revaluation;</li> <li>(ii) the carrying amount of revalued intangible assets; and</li> <li>(iii) the carrying amount that would have been recognised had the</li> </ul> </li> </ul>		<p>Paragraph 124 has no equivalent in the <i>IFRS for SMEs</i>, which permits only the cost model to be applied to intangible assets after initial recognition. Because paragraph 124 – except for paragraph 124(a)(iii) [see below] – requires useful information about measurement uncertainties, disaggregations of amounts presented in the financial statements, and events encountered by the entity (as referred to in paragraphs IN6(c), IN6(e) and IN6(f) of this Appendix), it should be retained in the RDR.</p> <p>In relation to paragraph 124(a)(iii), if an entity elects to apply the revaluation model to a class of intangible assets, it is asserting that the model provides reliable information that is more relevant than information</p>

Text in AASB 138	Text in <i>IFRS for SMEs</i> Section 18	Comment
<p>revalued class of intangible assets been measured after recognition using the cost model in paragraph 74;</p> <p>(b) the amount of the revaluation surplus that relates to intangible assets at the beginning and end of the period, indicating the changes during the period and any restrictions on the distribution of the balance to shareholders; and</p> <p>(c) the methods and significant assumptions applied in estimating the assets' fair values.</p>		<p>from applying the cost model to that class. It seems irrelevant to provide comparative information about the cost model. This is because the comparability that the paragraph 124(a)(iii) disclosure might show with entities that apply the cost model is largely illusory, since different entities acquire assets on different dates with money that has different purchasing power. The AASB previously decided that, for entities not needing to assert full compliance with IFRSs (not-for-profit entities), the benefits of applying paragraph 124(a)(iii) were less than the related costs. This is reflected in paragraph Aus124.1. Therefore, paragraph 124(a)(iii) should be excluded from the RDR.</p>
<p><b>Aus124.1</b> Notwithstanding paragraph 124(a) (iii), in respect of not-for-profit entities, for each revalued class of intangible assets, the requirement to disclose the carrying amount that would have been recognised had the assets been carried under the cost model does not apply.</p>		<p>Since paragraph 124(a)(iii) should be excluded from the RDR, paragraph Aus124.1 should also be excluded from the RDR.</p>
<p>125. It may be necessary to aggregate the classes of revalued assets into larger classes for disclosure purposes. However, classes are not aggregated if this would result in the combination of a class of intangible assets that includes amounts measured under both the cost and revaluation models.</p>		<p>Paragraph 125 has no equivalent in the <i>IFRS for SMEs</i>. It provides guidance but does not add disclosure requirements and, consistent with paragraph IN7 of this Appendix, should be retained in the RDR.</p>
<p><b>Research and Development Expenditure</b></p> <p><b>126.</b> An entity shall disclose the aggregate amount of research and development expenditure</p>	<p>18.29 An entity shall disclose the aggregate amount of research and development expenditure recognised as an expense during the period (i.e. the amount of expenditure incurred internally on research and development that</p>	<p>Paragraph 126 and paragraph 18.29 of the <i>IFRS for SMEs</i> correspond. Paragraph 126 should be retained in the RDR.</p>

Text in AASB 138	Text in <i>IFRS for SMEs</i> Section 18	Comment
<b>recognised as an expense during the period.</b>	has not been capitalised as part of the cost of another asset that meets the recognition criteria in this IFRS).	
127. Research and development expenditure comprises all expenditure that is directly attributable to research or development activities (see paragraphs 66 and 67 for guidance on the type of expenditure to be included for the purpose of the disclosure requirement in paragraph 126).		Paragraph 127 has no equivalent in the <i>IFRS for SMEs</i> . It provides guidance but does not add disclosure requirements and, consistent with paragraph IN7 of this Appendix, should be retained in the RDR.
<p><b>Other Information</b></p> <p>128. An entity is encouraged, but not required, to disclose the following information:</p> <ul style="list-style-type: none"> <li>(a) a description of any fully amortised intangible asset that is still in use; and</li> <li>(b) a brief description of significant intangible assets controlled by the entity but not recognised as assets because they did not meet the recognition criteria in this Standard.</li> </ul>		Paragraph 128 has no equivalent in the <i>IFRS for SMEs</i> , and is only encouraged disclosure in any case, and, consistent with paragraph IN8 of this Appendix should be excluded from the RDR.



### 3. AASB 138 *Intangible Assets*: Text of Proposed Disclosures

The following are the disclosure requirements of AASB 138 *Intangible Assets*, showing those requirements from which entities applying the RDR should be exempt as shaded text.

#### General

**118. An entity shall disclose the following for each class of intangible assets, distinguishing between internally generated intangible assets and other 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 comprehensive income 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, indicating separately those from internal development, those acquired separately, and those acquired through business combinations;**
  - (ii) assets classified as held for sale or included in a disposal group classified as held for sale in accordance with AASB 5 and other disposals;**
  - (iii) increases or decreases during the period resulting from revaluations under paragraphs 75, 85 and 86 and from impairment losses recognised or reversed in other comprehensive income in accordance with AASB 136 (if any);**
  - (iv) impairment losses recognised in profit or loss during the period in accordance with AASB 136 (if any);**
  - (v) impairment losses reversed in profit or loss during the period in accordance with AASB 136 (if any);**
  - (vi) any amortisation recognised during the period;**
  - (vii) 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**
  - (viii) other changes in the carrying amount during the period.**

**RDR118.1 Entities applying the Reduced Disclosure Regime need not present the reconciliation in paragraph 73(e) for prior periods.**

119. 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 and franchises;
- (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.

120. An entity discloses information on impaired intangible assets in accordance with AASB 136 in addition to the information required by paragraph 118(e)(iii)-(v).

121. AASB 108 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.

**122. 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 by way of a government grant and initially recognised at fair value (see paragraph 44):**
  - (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; and**
- (e) the amount of contractual commitments for the acquisition of intangible assets.**

123. When an entity describes the factor(s) that played a significant role in determining that the useful life of an intangible asset is indefinite, the entity considers the list of factors in paragraph 90.

### **Intangible Assets Measured after Recognition using the Revaluation Model**

124. **If intangible assets are accounted for at revalued amounts, an entity shall disclose the following:**
- (a) **by class of intangible assets:**
    - (i) **the effective date of the revaluation;**
    - (ii) **the carrying amount of revalued intangible assets; and**
    - (iii) **the carrying amount that would have been recognised had the revalued class of intangible assets been measured after recognition using the cost model in paragraph 74;**
  - (b) **the amount of the revaluation surplus that relates to intangible assets at the beginning and end of the period, indicating the changes during the period and any restrictions on the distribution of the balance to shareholders; and**
  - (c) **the methods and significant assumptions applied in estimating the assets' fair values.**

**Aus124.1 Notwithstanding paragraph 124(a) (iii), in respect of not-for-profit entities, for each revalued class of intangible assets, the requirement to disclose the carrying amount that would have been recognised had the assets been carried under the cost model does not apply.**

125. It may be necessary to aggregate the classes of revalued assets into larger classes for disclosure purposes. However, classes are not aggregated if this would result in the combination of a class of intangible assets that includes amounts measured under both the cost and revaluation models.

### **Research and Development Expenditure**

126. **An entity shall disclose the aggregate amount of research and development expenditure recognised as an expense during the period.**
127. Research and development expenditure comprises all expenditure that is directly attributable to research or development activities (see paragraphs 66 and 67 for guidance on the type of expenditure to be included for the purpose of the disclosure requirement in paragraph 126).

### **Other Information**

128. An entity is encouraged, but not required, to disclose the following information:

- (a) a description of any fully amortised intangible asset that is still in use; and
- (b) a brief description of significant intangible assets controlled by the entity but not recognised as assets because they did not meet the recognition criteria in this Standard.