IAS 38 Intangible Assets

- What has Coldplay to with intangible assets?

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Special lecture on International Financial Accounting at Karlstad University
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Outline

Definitions

Recognition

Changes in value

Research and development
• Controversial issue and source of debate for many years
• How determine an ‘objective’ value of an intangible (e.g. a brand?)
• Definition of an intangible asset
• Recognition in the balance sheet
• Treatment of changes in value
### Historisk utveckling av IAS 38

<table>
<thead>
<tr>
<th>Datum</th>
<th>Beskrivning</th>
</tr>
</thead>
<tbody>
<tr>
<td>February 1977</td>
<td>Exposure Draft E9, Accounting for Research and Development Costs</td>
</tr>
<tr>
<td>July 1978</td>
<td>IAS 9 (1978), Accounting for Research and Development Costs</td>
</tr>
<tr>
<td>1 January 1980</td>
<td>Effective Date of IAS 9 (1978)</td>
</tr>
<tr>
<td>August 1991</td>
<td>Exposure Draft E37, Research and Development Activities</td>
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<td>December 1993</td>
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<td>1 January 1995</td>
<td>Effective Date of IAS 9 (1993)</td>
</tr>
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<td>June 1995</td>
<td>Exposure Draft E50, Intangible Assets</td>
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<tr>
<td>August 1997</td>
<td>E50 was modified and re-exposed as Exposure Draft E59, Intangible Assets</td>
</tr>
<tr>
<td>September 1998</td>
<td>IAS 38, Intangible Assets</td>
</tr>
<tr>
<td>1 July 1999</td>
<td>Effective Date of IAS 38 (p. 122)</td>
</tr>
<tr>
<td>1 January 2001</td>
<td>Effective Date of RR 15 (punkt 106)</td>
</tr>
<tr>
<td>13 October 2003</td>
<td>The official translation of IAS/IFRS is completed</td>
</tr>
<tr>
<td>31 March 2004</td>
<td>IAS 38 revised and coordinated with IAS 16 &quot;Property, Plant and Equipment&quot;</td>
</tr>
<tr>
<td>22 May 2008</td>
<td>&quot;Annual Improvements to IFRSs 2007&quot; regarding marketing and promotional activites</td>
</tr>
<tr>
<td>1 January 2009</td>
<td>Effective Date of changes Annual Improvements to IFRSs 2007</td>
</tr>
</tbody>
</table>

*Revised IAS 38 – endorsed by EU*
## Importance of intangible assets

<table>
<thead>
<tr>
<th>Company (country - activity)</th>
<th>Currency</th>
<th>Types of intangibles</th>
<th>Intangible assets (net)</th>
<th>Total assets (net amount)</th>
<th>% of total assets</th>
</tr>
</thead>
<tbody>
<tr>
<td>ISS (Denmark - Support services)</td>
<td>DKKm</td>
<td>Goodwill</td>
<td>7,553.3</td>
<td>13,672.9</td>
<td>55.2%</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Leasehold improvements</td>
<td>48.5</td>
<td></td>
<td>0.4%</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Intangible assets</td>
<td>7,601.8</td>
<td></td>
<td>55.6%</td>
</tr>
<tr>
<td>Racing champions (USA - racing replicas)</td>
<td>$000</td>
<td>Excess purchase price over net assets acquired, net</td>
<td>131,357</td>
<td>276,281</td>
<td>47.5%</td>
</tr>
<tr>
<td>Securitas (Sweden - Security: guard services and alarm systems)</td>
<td>SEKm</td>
<td>Goodwill</td>
<td>7,178.4</td>
<td></td>
<td>34.6%</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Intangible rights</td>
<td>201.4</td>
<td></td>
<td>1.0%</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Other intangible assets</td>
<td>74.3</td>
<td></td>
<td>0.4%</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Intangible assets</td>
<td>7,454.1</td>
<td></td>
<td>35.9%</td>
</tr>
<tr>
<td>Baltimore Technologies (UK - Security for e-commerce)</td>
<td>£000</td>
<td>Goodwill</td>
<td>38,913</td>
<td></td>
<td>23.3%</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Intellectual property rights</td>
<td>7,040</td>
<td></td>
<td>4.2%</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Intangible assets</td>
<td>45,953</td>
<td>167,056</td>
<td>27.5%</td>
</tr>
<tr>
<td>EMI (UK - Music)</td>
<td>£m</td>
<td>Music copyrights</td>
<td>521.0</td>
<td></td>
<td>24.1%</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Goodwill</td>
<td>26.7</td>
<td></td>
<td>1.2%</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Total</td>
<td>547.7</td>
<td>2,164</td>
<td>25.3%</td>
</tr>
<tr>
<td>Interbrew (Belgium - Brewery group)</td>
<td>€m</td>
<td>Intangible assets</td>
<td>49.4</td>
<td></td>
<td>0.8%</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Goodwill</td>
<td>1,368.0</td>
<td></td>
<td>21.9%</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Total</td>
<td>1,417.4</td>
<td>6,252.5</td>
<td>22.7%</td>
</tr>
<tr>
<td>Roche (Switzerland - Pharmaceuticals, Chemicals)</td>
<td>CHFm</td>
<td>Goodwill</td>
<td>5389</td>
<td></td>
<td>7.7%</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Patents, licenses, trademarks and other</td>
<td>10,283</td>
<td></td>
<td>14.6%</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Intangible assets</td>
<td>15,672</td>
<td>70,431</td>
<td>22.3%</td>
</tr>
<tr>
<td>Saint-Gobain (France - Glass)</td>
<td>€m</td>
<td>Goodwill</td>
<td>4,981</td>
<td></td>
<td>17.8%</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Other intangible assets</td>
<td>1,155</td>
<td></td>
<td>4.1%</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Intangible assets</td>
<td>6,136</td>
<td>27,916</td>
<td>22.0%</td>
</tr>
<tr>
<td>Taylor Nelson Sofres (UK - Market information)</td>
<td>£m</td>
<td>Intangible assets</td>
<td>63.4</td>
<td>289.9</td>
<td>21.9%</td>
</tr>
<tr>
<td>Repsol (Spain - oil and gas)</td>
<td>€m</td>
<td>Start-up expenses</td>
<td>172</td>
<td></td>
<td>0.4%</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Intangible assets</td>
<td>862</td>
<td></td>
<td>2.0%</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Goodwill</td>
<td>4,150</td>
<td></td>
<td>9.9%</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Total</td>
<td>5,184</td>
<td>42,050</td>
<td>12.3%</td>
</tr>
</tbody>
</table>
Objective
The objective of IAS 38 is to prescribe the accounting treatment for intangible assets that are not dealt with specifically in another IAS. The Standard requires an enterprise to recognise an intangible asset if, and only if, certain criteria are met. The Standard also specifies how to measure the carrying amount of intangible assets and requires certain disclosures regarding intangible assets.

Scope
IAS 38 applies to all intangible assets other than: [IAS 38.2-3]
- financial assets
- mineral rights and exploration and development costs incurred by mining and oil and gas companies
- intangible assets arising from insurance contracts issued by insurance companies
- intangible assets covered by another IAS, such as intangibles held for sale, deferred tax assets, lease assets, assets arising from employee benefits, and goodwill. Goodwill is covered by IFRS 3.
Intangible asset:
An identifiable nonmonetary asset without physical substance. An asset is a resource that is controlled by the enterprise as a result of past events (for example, purchase or self-creation) and from which future economic benefits (inflows of cash or other assets) are expected.

Thus, the three critical attributes of an intangible asset are: [IAS 38.8]
- identifiability
- control (power to obtain benefits from the asset)
- future economic benefits (such as revenues or reduced future costs)

Identifiability:
An intangible asset is identifiable when it: [IFRS 38.12]
- is separable (capable of being separated and sold, transferred, licensed, rented, or exchanged, either individually or as part of a package) or
- arises from contractual or other legal rights, regardless of whether those rights are transferable or separable from the entity or from other rights and obligations.
Intangible Assets – recognition criteria

IAS 38 requires an enterprise to recognise an intangible asset, whether purchased or self-created (at cost) if, and only if: [IAS 38.21]

- it is probable that the future economic benefits that are attributable to the asset will flow to the enterprise; and
- the cost of the asset can be measured reliably.

This requirement applies whether an intangible asset is acquired externally or generated internally. IAS 38 includes additional recognition criteria for internally generated intangible assets.

The probability of future economic benefits must be based on reasonable and supportable assumptions about conditions that will exist over the life of the asset. [IAS 38.22] The probability recognition criterion is always considered to be satisfied for intangible assets that are acquired separately or in a business combination. [IAS 38.33]

If recognition criteria not met.

If an intangible item does not meet both the definition of and the criteria for recognition as an intangible asset, IAS 38 requires the expenditure on this item to be recognised as an expense when it is incurred. [IAS 38.68]
Recognition of intangible assets

- **Recognition of R&D, Goodwill and Other Intangibles**
  - **Purchased**
    - **Recorded as an asset**
    - **Written-off against reserves or income**
  - **Internally generated**
    - **Capitalized**
    - **Noncapitalized**
More on Future Economic Benefits

The probability criterion of **future economic benefits** might also be satisfied by showing **revenues** from sales of products and services, **cost reductions** or **other benefits** arising from using the intangible asset.

For example could the application of patents in a existing production process lead to a reduction of future production costs, which might increase future revenues.
Examples of intangible assets:

- computer software
- patents
- copyrights
- motion picture films
- customer lists
- mortgage servicing rights
- licenses
- import quotas
- franchises
- marketing rights (if legally controlled)

Recognise, if criteria are met

Not recognised as criteria are not met. Hence, expensed as costs incurred

- customer and supplier relationships
- customer loyalty
- marketing / advertisement
- market shares
- internally generated brands
- research
- internally generated goodwill
- start-up costs
- relocation / reorganisation
- training
### Main categories of intangibles

<table>
<thead>
<tr>
<th>Research and development</th>
<th>Other intangible assets</th>
</tr>
</thead>
<tbody>
<tr>
<td>Goodwill</td>
<td></td>
</tr>
<tr>
<td>Other intangible assets</td>
<td></td>
</tr>
<tr>
<td>Patent</td>
<td>Organization (or set-up costs)</td>
</tr>
<tr>
<td>Trademark</td>
<td>Computer software costs</td>
</tr>
<tr>
<td>Copyright</td>
<td>Deferred charges (deferred assets)</td>
</tr>
<tr>
<td>Franchises</td>
<td>Transfer fees</td>
</tr>
<tr>
<td>Licensing agreements</td>
<td></td>
</tr>
<tr>
<td>Intangible assets (December 31, 1999) (net amounts)</td>
<td>In millions of Swedish Kroner (SEK)</td>
</tr>
<tr>
<td>--------------------------------------------------</td>
<td>-----------------------------------</td>
</tr>
<tr>
<td>Goodwill</td>
<td>6,929</td>
</tr>
<tr>
<td>Entrance fees, aircraft engine programs</td>
<td>1,293</td>
</tr>
<tr>
<td>Other intangible assets</td>
<td>1,727</td>
</tr>
<tr>
<td>Total</td>
<td>9,949</td>
</tr>
</tbody>
</table>

- relatively rare
- directly related to Volvo’s industrial activities
**Measurement of Intangible Assets**

*Initial Measurement*
Intangible assets are initially measured at cost. [IAS 38.24]

*Measurement Subsequent to Acquisition: Cost Model and Revaluation Models Allowed*
An entity must choose either the cost model or the revaluation model for each class of intangible asset. [IAS 38.72]

**Cost model.**
After initial recognition the benchmark treatment is that intangible assets should be carried at cost less any amortisation and impairment losses. [IAS 38.74]

**Revaluation model.**
Intangible assets may be carried at a revalued amount (based on fair value) less any subsequent amortisation and impairment losses only if fair value can be determined by reference to an active market. [IAS 38.75]

Such active markets are expected to be uncommon for intangible assets. [IAS 38.78] Examples where they might exist:
- Milk quotas.
- Import quotas.
- Taxi medallions.

Under the revaluation model, revaluation increases are credited directly to "revaluation surplus" within equity except to the extent that it reverses a revaluation decrease previously recognised in profit and loss. If the revalued intangible has a finite life and is, therefore, being amortised (see below) the revalued amount is amortised. [IAS 38.85]
Pros and Cons regarding recognition of intangible assets

In favor => Matching principle
   the recognition of intangible assets allows their amortization over the period during which economic benefits are derived.

Against => Prudence principle
   since economic benefits derived from intangible assets are uncertain, the cost should be expensed in the period when incurred.
• The cost less residual value of an intangible asset with a finite useful life should be amortised over that life: [IAS 38.97]

• The amortisation method should reflect the pattern of benefits.
  • If the pattern cannot be determined reliably, amortise by the straight line method.

• The amortisation charge is recognised in profit or loss unless another IFRS requires that it be included in the cost of another asset.

• The amortisation period should be reviewed at least annually. [IAS 38.104]

• The asset should also be assessed for impairment in accordance with IAS 36. [IAS 38.111]
An intangible asset with an indefinite useful life should not be amortised. [IAS 38.107]

• Its useful life should 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 should be accounted for as a change in an accounting estimate. [IAS 38.109]

• The asset should also be assessed for impairment in accordance with IAS 36. [IAS 38.111]
Treatments of changes in value

Recognized asset

Increase in value

Decrease in value

No decrease in value

Amortization

Infinite life

Impairment

Useful life

5 years maximum

20 years maximum

When needed only

Revaluation

No amortization

Infinite useful life
Note 1.3.1 to the financial statements

Amortization is charged by the straight-line method over the following estimated useful lives:

- Computerized reservation system software: 12 years
- Travel management module: 6 years
- Financial information system: 6 years
- Other purchased software: 5 years
- Other intangible assets: 3 to 10 years

Brands are not amortized but provisions are made for any impairment in value.
<table>
<thead>
<tr>
<th>Repsol</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Purchased goodwill</strong></td>
<td>10 years, the average years of</td>
</tr>
<tr>
<td></td>
<td>useful life of the facilities</td>
</tr>
<tr>
<td><strong>Contracts for purchase of service</strong></td>
<td>Related contract terms (from 15 to</td>
</tr>
<tr>
<td>management rights</td>
<td>25 years)</td>
</tr>
<tr>
<td><strong>Exclusive rights to use gas</strong></td>
<td>Term of the related right (currently</td>
</tr>
<tr>
<td>pipelines</td>
<td>25 years)</td>
</tr>
<tr>
<td><strong>Computer software and</strong></td>
<td>From 4 to 10 years</td>
</tr>
<tr>
<td><strong>intellectual property</strong></td>
<td></td>
</tr>
<tr>
<td><strong>Administrative concessions</strong></td>
<td>Concession term</td>
</tr>
</tbody>
</table>
Coldplay an important asset to EMI

A positive market outlook

- Market at inflection point
  - global market down 1.3% in H1 04/05 compared to -9.6% in the same period last year
- The Christmas period appears to have very strong releases
- Digital market continues to show impressive growth throughout the industry
Coldplay an important asset to EMI

Strong releases for the 2\textsuperscript{nd} half of 04/05 – 3\textsuperscript{rd} quarter

- A Perfect Circle
- Chingy
- Norah Jones
- Kylie
- Robbie Williams
- Blue
- Rolling Stones
- Tina Turner
- Ringo Sheena
- Chihiro Onituska
Coldplay an important asset to EMI

Other key releases in the 2nd half of 04/05 – 4th quarter

- Amaral
- Dierks Bentley
- Coldplay
- Doves
- Faith Evans
- Fountains of Wayne
- GLAY
- Gorillaz
- Wir Sind Helden
- Hikaru Utada
- Paul McCartney
- Moby
- Van Morrison
- Lisa Marie Presley
- Röyksopp
Coldplay an important asset to EMI

You can't rush an artist: why Coldplay's struggle is bad for EMI

Despite signs of recovery in the music industry, leading UK company cuts profit forecast by £30m as band delays album release

Jane Martinson and Alexis Petridis
The Guardian, Tuesday February 8 2005
Article history

For the first time in years, tomorrow night’s Brit awards, the annual love-in for the British music industry, should make the home crowd proud. Not only are the nominations dominated by British talent such as Franz Ferdinand and Keane, but the industry is showing signs of recovery after years in the doldrums.

Imagine the disappointment, then, among executives of EMI, when it put out a profits warning yesterday that sales would be 8-9% lower in the year to the end of March. Analysts, who had expected sales to hold steady from the company, cut their profits forecasts by about £30m to £130m. The profits warning prompted a 16% decline in the company’s
EMI can't get no satisfaction as Stones exit label

Jul 25 2008: Veteran rockers decamp to Universal, where digital repositioning of entire catalogue is planned

Bang! And the duds are gone

Jul 21 2008: Can EMI's new hire - formerly in charge of marketing domestic products - save a music business brought to its knees by digital realigns? And what lessons does this have for the rest of the media? By Owen Gibson

Music industry: Hands lifts EMI profits by £100m

Jul 15 2008: EMI's private equity boss Guy Hands has attributed the firm's profit lift to marketing efficiencies and a reduction in number of unsold CDs. By Chris Tryhorn

Retail: EMI turns to Reckitt man to raise volume in its music business
OECD Science, Technology and Industry Scoreboard 2003 - Towards a knowledge-based economy

A.2. Trends in domestic R&D expenditure

- In 2001, OECD countries allocated about USD 645 billion (current PPP) to R&D or about 2.3% of overall GDP.

- OECD-area R&D expenditure (in constant USD PPP) has continued to increase steadily in recent years, rising by 4.7% annually between 1995 and 2001. Since 1995, growth in the United States (5.4% a year) has outpaced growth in the European Union (3.7%) and Japan (2.8%). In 2001, R&D expenditure in the United States accounted for approximately 44% of the OECD total, close to the combined total of the European Union (28%) and Japan (17%).

- Below-average growth in R&D expenditure in the European Union is mainly due to slow and declining growth in the major European countries. Compared to average growth in the OECD area over 1995-2001 (4.7%), R&D expenditure increased by only 3.2% a year in Germany and by less than 3% in France, Italy and the United Kingdom. Only in the Slovak Republic did R&D expenditure decline during the second half of the 1990s.

- In the three main OECD regions, R&D expenditure relative to GDP (R&D intensity) has continued to increase steadily over the past three years. In Japan, this was due more to the stagnation in GDP since 1997 than to a significant increase in R&D expenditure. In the United States, however, the rise was mainly due to significant increases in R&D expenditure, as GDP also grew rapidly. In 2001, R&D intensity in the European Union exceeded 1.9% for the first time in a decade.

- In 2001, Sweden, Finland, Japan and Iceland were the only four OECD countries in which the R&D-to-GDP ratio exceeded 3%, well above the OECD average of 2.3%. During the second half of the 1990s R&D expenditure grew fastest in Iceland, Turkey, Mexico, and Greece, all of which had average annual growth rates above 12%.
Definition of R&D
- according to IAS 38

**Research:**
original and planned investigation to gain new scientific or technical knowledge and understanding

**Development:**
application of research findings or other knowledge for the production of new or substantially improved materials, devices, products, processes, systems or services
Definition of R&D (cont.)
- some countries:

Pure research:
experimental or theoretical work undertaken primarily to acquire new scientific or technical knowledge for its own sake rather than directed towards any specific aim or application.

Applied research:
original or critical investigation undertaken in order to gain new scientific or technical knowledge and directed towards a specific practical aim or objective.
Accounting for R&D

Default position (prudence principle):

  to expense research and development costs when incurred.

Under certain circumstances and if specified criteria are met, some development (and applied research – when the distinction is made) costs may be capitalized and recorded as an intangible asset.
## Conditions for R&D capitalization

<table>
<thead>
<tr>
<th>#</th>
<th>Condition</th>
<th>Examples</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Identifiability</td>
<td>- ‘The projects concerned are clearly identifiable’;</td>
</tr>
<tr>
<td></td>
<td></td>
<td>- ‘A detailed description has been made of the product and process’;</td>
</tr>
<tr>
<td></td>
<td></td>
<td>- ‘The R&amp;D work and the expenditures accrued on the work shall be well defined and the R&amp;D work should have a fixed application’.</td>
</tr>
<tr>
<td>2</td>
<td>Evaluation</td>
<td>- ‘Their respective costs are distinctly evaluated in order to be allocated over time’;</td>
</tr>
<tr>
<td></td>
<td></td>
<td>- ‘Costs to be allocated are determinable’;</td>
</tr>
<tr>
<td></td>
<td></td>
<td>- ‘Ability to measure the expenditure attributable to the intangible asset during its development’.</td>
</tr>
<tr>
<td>3</td>
<td>Technical feasibility</td>
<td>- ‘Proof exists of technical feasibility of the product or process’;</td>
</tr>
<tr>
<td></td>
<td></td>
<td>- ‘The technical feasibility of the product or process has been established’;</td>
</tr>
<tr>
<td></td>
<td></td>
<td>- ‘The technical feasibility of completing the intangible asset so that it will be available for use or sale’;</td>
</tr>
<tr>
<td>4</td>
<td>Commercial success</td>
<td>- ‘Each project has a serious chance of commercial success at the date of closing of financial statements’;</td>
</tr>
<tr>
<td></td>
<td></td>
<td>- ‘The new product or process will be introduced in the market’;</td>
</tr>
<tr>
<td></td>
<td></td>
<td>- ‘There is a clear market potential or other beneficial use’;</td>
</tr>
<tr>
<td></td>
<td></td>
<td>- ‘The enterprise should demonstrate the existence of a market for the output of the intangible asset’;</td>
</tr>
<tr>
<td></td>
<td></td>
<td>- ‘Ability to use or sell the intangible asset’.</td>
</tr>
<tr>
<td>5</td>
<td>Future economic benefits</td>
<td>- ‘It will generate future economic benefits over several years’.</td>
</tr>
<tr>
<td>6</td>
<td>Financial feasibility</td>
<td>- ‘The development process can be completed (i.e. is financially feasible)’;</td>
</tr>
<tr>
<td></td>
<td></td>
<td>- ‘There must be resources both for the completion of the R&amp;D work and for the marketing of the product or process if it is intended for sale’;</td>
</tr>
<tr>
<td></td>
<td></td>
<td>- ‘Availablity of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset’</td>
</tr>
<tr>
<td>7</td>
<td>Intention to complete</td>
<td>- ‘Intention to complete the intangible asset and use or sell it’.</td>
</tr>
</tbody>
</table>
Arguments in favor

R&D expenses, in case of success, should be related to future periods when the benefits will accrue (matching principle).

R&D expenses should be accrued (capitalized) and not expensed in accordance with the principles of accrual accounting.
Arguments against capitalization of R&D

Arguments against
Future economic benefits derived potentially from R&D are not sufficiently objectively defined at the time the expense is incurred to justify capitalization.

The principle of prudence militates in favor of expensing R&D expenditures.
Accounting for computer software

- Purchased
  - Standard software acquired for resale: Expensed as a part of Purchases of merchandise or of Cost of Goods Sold
  - Acquired for internal use: Capitalized as Intangible Asset if amount is material

- Created
  - For internal use or for external use (source code): Costs of Design, Coding, Testing, Documentation, Training materials, etc. are capitalized as Intangible Asset
  - Specific customer’s order: Expensed
GoodFab Ltd works on its production process that is going to revolutionise the fabrication of its products. The development caused 750,000 € in costs during year 2007. However, 450,000 € of these costs were caused before 1 December 2007 and 300,000 € between the period 1 December 2007 and 31 December 2007. The corporation can prove that all criteria to account for as internally generated intangible assets are met since 1 December 2007.

The 2007 annual report shows that the production process was accounted for as an intangible asset with 300,000 € at its initial measurement. The 400,000 € development costs that the company had before 1 December 2007 have to be expensed as costs, as the intangible asset criteria have first been met at 1 December 2007. Therefore, these development costs could not be included in the initial measurement of the internally generated intangible asset.
Revised IAS 38 is a good start
– but there are many problems to stumble upon