Accounting Standard 26: Intangible Assets

1. This AS is mandatory in nature and all companies and non-companies should be apply this standard.

2. Meaning of Intangible Assets (IA)
   Intangible Assets are assets, without physical substance, which are identifiable, non-monetary in nature and held for use in Production of Goods and Services.

   NOTE:
   - Identifiable means capable of sales
   - Without physical substance means non substance of its own. They can have storage device
   - Such assets is not held for sale as stock
   - Such assets is non-monetary means its realisation is not fixed.

3. These are not considered as Intangible Assets and written off
   - Preliminary Expenses
   - Advertisement Expenses
   - Underwriting Expenses
   - Pre-Operative Expenses
   - Voluntary Expansion Expenses
   - Discount on issue of shares
   - Relocation/Shifting Expenses

4. These items are converted in some other standards and not in AS-26
   - Debtors
   - Investment
   - Bills Receivable
   - Banks
   - Cash

5. Intangible Assets can be recognised as follows:
   (a) By purchasing/Acquisition
   (b) By Government grants
   (c) By exchange with other assets
   (d) By self generating such assets

Purchased intangible assets: It means intangible assets have been purchased from market. In such cases cost of such intangible should be

Purchase Price	xxx
+ Taxes on Purchase	xxx
- Refundable Taxes on Purchase	xxx
+ Expenses on Valuation	xxx
+ Expenses on obtaining Title	xxx
	Xxx

Intangible Assets by way of Government grant: Wherever intangible assets are obtained through Government grant, then such assets should be recorded at actual concessional price paid to Government or at nominal value if obtained free of Government.

Intangible assets obtained on Exchanges: If intangible assets are obtained through exchange of assets, then value of such intangible should be

(i) Fair value of assets given or
(ii) Fair value of assets obtained, whichever is more clearly evident.

For Exam Purpose, consider lower value as more evident.

Self Generated Intangible Assets: It means, where intangible assets are generated by contract or own Labour.

- Goodwill, Brands, Masthead, Title, Publishing Titles should NOT be recorded Intangible Assets, since actual cost cannot be determined.
- Other intangible assets should be recorded at actual cost incurred.
  Research Phase: Expenses incurred in research should be written off in P&L. It means planned investigation for gaining knowledge.
  Development Phase: Expenses incurred on Development should be capitalized. It means application of gained knowledge.

NOTE: Development phase begins if following conditions are satisfied:

(i) Technical feasibility has been established
(ii) Resources for development prist

(iii) Market research shows future economic benefits
(iv) Management has approved its development.

Value of intangible assets should not exceed expected future economic benefits.

6. Amortisation of Intangible Assets

Intangible assets should be amortised in ration of expected future benefits. Such ration should be latest and best estimate.

If ratio of future benefits cannot be identified, then assume such ratio to be equal. It means apply Straight Line Method basis for amortisation.

- Life of Intangible Assets (under SLM) for website and software : 3-5 years
- Life of Intangible Assets (under SLM) for others : 10 years

Always assume scrap value to be zero.

7. Disclosure Requirement

(i) Intangible Assets, cost, Amortisation, life should be disclosed.

(ii) Additions / Deletion in Intangible Assets should also be disclosed.

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