PUBLIC BENEFIT ENTITY INTERNATIONAL PUBLIC SECTOR ACCOUNTING STANDARD 31 INTANGIBLE ASSETS (PBE IPSAS 31)

Issued September 2014 and incorporates amendments to 31 December 2022 other than consequential amendments resulting from adoption of PBE IFRS 17 *Insurance Contracts* and *Amendments to PBE IFRS 17*

This Standard was issued on 11 September 2014 by the New Zealand Accounting Standards Board of the External Reporting Board pursuant to section 12(a) of the Financial Reporting Act 2013.

This Standard is a disallowable instrument for the purposes of the Legislation Act 2012, and pursuant to section 27(1) of the Financial Reporting Act 2013 takes effect on 9 October 2014.

Reporting entities that are subject to this Standard are required to apply it in accordance with the effective dates in paragraphs 133.1 to 133.8.

In finalising this Standard, the New Zealand Accounting Standards Board has carried out appropriate consultation in accordance with section 22(1) of the Financial Reporting Act 2013.

This Tier 1 and Tier 2 PBE Standard has been issued as part of a revised full set of PBE Standards that incorporate enhancements for not-for-profit public benefit entities.

This Standard, when applied, supersedes PBE IPSAS 31 *Intangible Assets* issued in May 2013.

Note for not-for-profit entities that apply PBE IFRS 17 *Insurance Contracts* (i.e., not-for-profit entities that issue insurance contracts or issue/hold reinsurance contracts)
Please read this Standard in conjunction with Appendix D of PBE IFRS 17 *Insurance Contracts*, which contains amendments to this Standard. Those amendments are applicable only to Tier 1 and Tier 2 not-for-profit public benefit entities that apply PBE IFRS 17. The amendments introduced by PBE IFRS 17 will be compiled into this Standard together with the amending standard *Insurance Contracts in the Public Sector*.

PBE IPSAS 31 INTANGIBLE ASSETS

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PBE IPSAS 31 INTANGIBLE ASSETS

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Public Benefit Entity International Public Sector Accounting Standard 31 *Intangible Assets* is set out in paragraphs 1–134 and the Application Guidance. All the paragraphs have equal authority. PBE IPSAS 31 should be read in the context of its objective, the NZASB's Basis for Conclusions on PBE IPSAS 31, the IPSASB's Basis for Conclusions on IPSAS 31, the *Public Benefit Entities' Conceptual Framework* and Standard XRB A1 *Application of the Accounting Standards Framework*. PBE IPSAS 3 *Accounting Policies, Changes in Accounting Estimates and Errors* provides a basis for selecting and applying accounting policies in the absence of explicit guidance.

Objective

1. The objective of this Standard is to prescribe the accounting treatment for intangible assets that are not dealt with specifically in another Standard. This Standard requires an entity to recognise an intangible asset if, and only if, specified criteria are met. The Standard also specifies how to measure the carrying amount of intangible assets, and requires specified disclosures about intangible assets.

Scope

2. **An entity that prepares and presents financial statements shall apply this Standard in accounting for intangible assets.**

3. **This Standard shall be applied in accounting for intangible assets, except:**

   (a) **Intangible assets that are within the scope of another Standard;**

   (b) **Financial assets, as defined in PBE IPSAS 28 *Financial Instruments: Presentation*;**

   (c) **The recognition and measurement of exploration and evaluation assets (see the relevant international or national accounting standard dealing with exploration for, and evaluation of, mineral resources);**

   (d) **Expenditure on the development and extraction of minerals, oil, natural gas and similar non-regenerative resources;**

   (e)–(f) [Deleted by IPSASB]

   (g) **Powers and rights conferred by legislation, a constitution, or by equivalent means;**

   (h) **Deferred tax assets (see PBE IAS 12 *Income Taxes*);**

   (i) **Deferred acquisition costs, and intangible assets, arising from an insurer's contractual rights under insurance contracts within the scope of PBE IFRS 4 *Insurance Contracts*. PBE IFRS 4 sets out specific disclosure requirements for those deferred acquisition costs but not for those intangible assets. Therefore, the disclosure requirements in this Standard apply to those intangible assets; and**

   (j) **Non-current intangible assets classified as held for sale (or included in a disposal group that is classified as held for sale) in accordance with PBE IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations.***

   (k) [Not used]

4. [Not used]

4.1 **This Standard applies to Tier 1 and Tier 2 public benefit entities.**

4.2 **A Tier 2 entity is not required to comply with the disclosure requirements in this Standard denoted with an asterisk (*). Where a Tier 2 entity elects to apply a disclosure concession it shall comply with any RDR paragraphs associated with that concession.**

5. [Not used]

6. If another PBE Standard prescribes the accounting for a specific type of intangible asset, an entity applies that PBE Standard instead of this Standard. For example, this Standard does not apply to:

   (a) Intangible assets held by an entity for sale in the ordinary course of operations (see PBE IPSAS 11 *Construction Contracts* and PBE IPSAS 12 *Inventories*);

   (b) Leases that are within the scope of PBE IPSAS 13 *Leases*;

   (c) Assets arising from employee benefits (see PBE IPSAS 39 *Employee Benefits*);

   (d) Financial assets as defined in PBE IPSAS 28. The recognition and measurement of some financial assets are covered by PBE IPSAS 34 *Separate Financial Statements*, PBE IPSAS 35 *Consolidated Financial Statements* and PBE IPSAS 36 *Investments in Associates and Joint Ventures*;

   (e) Recognition and initial measurement of service concession assets that are within the scope of PBE IPSAS 32 *Service Concession Arrangements: Grantor*. However, this Standard applies to the subsequent measurement and disclosure of such assets; and

(f) Goodwill (see PBE IPSAS 40 *PBE Combinations*).

7. Some intangible assets may be contained in or on a physical substance such as a compact disc (in the case of computer software), legal documentation (in the case of a licence or patent), or film. In determining whether an asset that incorporates both intangible and tangible elements should be treated under PBE IPSAS 17 *Property, Plant and Equipment* or as an intangible asset under this Standard, an entity uses judgement to assess which element is more significant. For example, the navigation software for a fighter aircraft is integral to the aircraft and is treated as property, plant and equipment. The same applies to the operating system of a computer. When the software is not an integral part of the related hardware, computer software is treated as an intangible asset.

8. This Standard applies to, among other things, expenditure on advertising, training, start-up, research, and development activities. Research and development activities are directed to the development of knowledge. Therefore, although these activities may result in an asset with physical substance (e.g., a prototype), the physical element of the asset is secondary to its intangible component, i.e., the knowledge embodied in it.

9. In the case of a finance lease, the underlying asset may be either tangible or intangible. After initial recognition, a lessee accounts for an intangible asset held under a finance lease in accordance with this Standard. Rights under licensing agreements for items such as motion picture films, video recordings, plays, manuscripts, patents, and copyrights are excluded from the scope of PBE IPSAS 13 and are within the scope of this Standard.

10. Exclusions from the scope of a Standard may occur if activities or transactions are so specialised that they give rise to accounting issues that may need to be dealt with in a different way. Such issues arise in the accounting for expenditure on the exploration for, or development and extraction of, oil, gas, and mineral deposits in extractive industries, and in the case of insurance contracts. Therefore, this Standard does not apply to expenditure on such activities and contracts. However, this Standard applies to other intangible assets used (such as computer software), and other expenditure incurred (such as start-up costs), in extractive industries, or by insurers.

Intangible Heritage Assets

11. [Not used]

12. Some intangible assets are described as intangible heritage assets because of their cultural, environmental, or historical significance. Examples of intangible heritage assets include recordings of significant historical events and rights to use the likeness of a significant public person on, for example, postage stamps or collectible coins. Certain characteristics, including the following, are often displayed by intangible heritage assets (although these characteristics are not exclusive to such assets):

   (a) Their value in cultural, environmental, and historical terms is unlikely to be fully reflected in a financial value based purely on a market price;

   (b) Legal and/or statutory obligations may impose prohibitions or severe restrictions on disposal by sale;

   (c) Their value may increase over time; and

   (d) It may be difficult to estimate their useful lives, which in some cases could be several hundred years.

13. Entities may have large holdings of intangible heritage assets that have been acquired over many years and by various means, including purchase, donation, bequest, and sequestration. These assets are rarely held for their ability to generate cash inflows, and there may be legal or social obstacles to using them for such purposes.

14. Some intangible heritage assets have future economic benefits or service potential other than their heritage value, for example, royalties paid to the entity for use of an historical recording. In these cases, an intangible heritage asset may be recognised and measured on the same basis as other items of cash-generating intangible assets. For other intangible heritage assets, their future economic benefit or service potential is limited to their heritage characteristics. The existence of both future economic benefits and service potential can affect the choice of measurement base.

15. [Not used]

Definitions

16. **The following terms are used in this Standard with the meanings specified:**

Amortisation is the systematic allocation of the depreciable amount of an intangible asset over its useful life.

Carrying amount is the amount at which an asset is recognised after deducting any accumulated amortisation and accumulated impairment losses.

Development is the application of research findings or other knowledge to a plan or design for the production of new or substantially improved materials, devices, products, processes, systems or services before the start of commercial production or use.

An intangible asset is an identifiable non-monetary asset without physical substance.

Research is original and planned investigation undertaken with the prospect of gaining new scientific or technical knowledge and understanding.

Terms defined in other PBE Standards are used in this Standard with the same meaning as in those Standards, and are reproduced in the *Glossary of Defined Terms* published separately.

Intangible Assets

17. Entities frequently expend resources, or incur liabilities, on the acquisition, development, maintenance, or enhancement of intangible resources such as scientific or technical knowledge, design and implementation of new processes, or systems, licences, intellectual property, and trademarks (including brand names and publishing titles). Common examples of items encompassed by these broad headings are computer software, patents, copyrights, motion picture films, lists of users of a service, acquired fishing licences, acquired import quotas, and relationships with users of a service.

Identifiability

18. Not all the items described in paragraph 17 meet the definition of an intangible asset, i.e., identifiability, control over a resource, and existence of future economic benefits or service potential. If an item within the scope of this Standard does not meet the definition of an intangible asset, expenditure to acquire it or generate it internally is recognised as an expense when it is incurred. However, if the item is acquired in an acquisition, it forms part of the goodwill recognised at the acquisition date (see paragraph 66).

18A. The definition of an intangible asset requires an intangible asset to be identifiable to distinguish it from goodwill. Goodwill recognised in an acquisition is an asset representing the future economic benefits arising from other assets acquired in an acquisition that are not individually identified and separately recognised. The future economic benefits may result from synergy between the identifiable assets acquired or from assets that, individually, do not qualify for recognition in the financial statements.

19. **An asset is identifiable if it either:**

(a) **Is separable, i.e., is capable of being separated or divided from the entity and sold, transferred, licensed, rented, or exchanged, either individually or together with a related contract, identifiable asset or liability, regardless of whether the entity intends to do so; or**

(b) **Arises from binding arrangements (including rights from contracts or other legal rights), regardless of whether those rights are transferable or separable from the entity or from other rights and obligations.**

20. For the purposes of this Standard, a binding arrangement describes an arrangement that confers similar rights and obligations on the parties to it as if it were in the form of a contract.

Control of an Asset

21. An entity controls an asset if the entity has the power to obtain the future economic benefits or service potential flowing from the underlying resource and to restrict the access of others to those benefits or that service potential. The capacity of an entity to control the future economic benefits or service potential from an intangible asset would normally stem from legal rights that are enforceable in a court of law. In the absence of legal rights, it is more difficult to demonstrate control. However, legal enforceability of a right

is not a necessary condition for control because an entity may be able to control the future economic benefits or service potential in some other way.

22. Scientific or technical knowledge may give rise to future economic benefits or service potential. An entity controls those benefits or that service potential if, for example, the knowledge is protected by legal rights such as copyrights, a restraint of trade agreement (where permitted), or by a legal duty on employees to maintain confidentiality.

23. An entity may have a team of skilled staff and may be able to identify incremental staff skills leading to future economic benefits or service potential from training. The entity may also expect that the staff will continue to make their skills available to the entity. However, an entity usually has insufficient control over the expected future economic benefits or service potential arising from a team of skilled staff and from training for these items to meet the definition of an intangible asset. For a similar reason, specific management or technical talent is unlikely to meet the definition of an intangible asset, unless it is protected by legal rights to use it and to obtain the future economic benefits or service potential expected from it, and it also meets the other parts of the definition.

24. An entity may have a portfolio of users of its services or its success rate in reaching intended users of its services and expect that, because of its efforts in building relationships with users of its services, those users will continue to use its services. However, in the absence of legal rights to protect, or other ways to control the relationships with users of a service or the loyalty of those users, the entity usually has insufficient control over the expected economic benefits or service potential from relationships with users of a service and loyalty for such items (e.g., portfolio of users of a service, market shares or success rates of a service, relationships with, and loyalty of, users of a service) to meet the definition of intangible assets. In the absence of legal rights to protect such relationships, exchange transactions for the same or similar non-contractual customer relationships (other than as part of an acquisition) provide evidence that the entity is nonetheless able to control the expected future economic benefits or service potential flowing from the relationships with the users of a service. Because such exchange transactions also provide evidence that the relationships with users of a service are separable, those relationships meet the definition of an intangible asset.

Future Economic Benefits or Service Potential

25. The future economic benefits or service potential flowing from an intangible asset may include revenue from the sale of products or services, cost savings, or other benefits resulting from the use of the asset by the entity. For example, the use of intellectual property in a production or service process may reduce future production or service costs or improve service delivery rather than increase future revenues (e.g., an on-line system that allows citizens to renew driving licences more quickly on-line, resulting in a reduction in office staff required to perform this function while increasing the speed of processing).

Recognition and Measurement

26. The recognition of an item as an intangible asset requires an entity to demonstrate that the item meets:

    (a) The definition of an intangible asset (see paragraphs 17–25); and

    (b) The recognition criteria (see paragraphs 28–30).

    This requirement applies to the cost measured at recognition (the cost in an exchange transaction or to internally generate an intangible asset, or the fair value of an intangible asset acquired through a non-exchange transaction) and those incurred subsequently to add to, replace part of, or service it.

26A. Paragraphs 32–39 deal with the application of the recognition criteria to separately acquired intangible assets, and paragraphs 39A–39.3 deal with their application to intangible assets acquired in a PBE combination. Paragraphs 42–43 deal with the initial measurement of intangible assets acquired through non-exchange transactions, paragraphs 44–45 with exchanges of intangible assets, and paragraphs 46–48 with the treatment of internally generated goodwill. Paragraphs 49–65 deal with the initial recognition and measurement of internally generated intangible assets.

27. The nature of intangible assets is such that, in many cases, there are no additions to such an asset or replacements of part of it. Accordingly, most subsequent expenditures are likely to maintain the expected future economic benefits or service potential embodied in an existing intangible asset rather than meet the definition of an intangible asset and the recognition criteria in this Standard. In addition, it is often difficult

to attribute subsequent expenditure directly to a particular intangible asset rather than to the entity's operations as a whole. Therefore, only rarely will subsequent expenditure—expenditure incurred after the initial recognition of an acquired intangible asset or after completion of an internally generated intangible asset—be recognised in the carrying amount of an asset. Consistent with paragraph 61, subsequent expenditure on brands, mastheads, publishing titles, lists users of a service, and items similar in substance (whether externally acquired or internally generated) is always recognised in surplus or deficit as incurred. This is because such expenditure cannot be distinguished from expenditure to develop the entity's operations as a whole.

28. **An intangible asset shall be recognised if, and only if:**

    (a) **It is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the entity; and**

    (b) **The cost or fair value of the asset can be measured reliably.**[1]

29. **An entity shall assess the probability of expected future economic benefits or service potential using reasonable and supportable assumptions that represent management's best estimate of the set of economic conditions that will exist over the useful life of the asset.**

30. An entity uses judgement to assess the degree of certainty attached to the flow of future economic benefits or service potential that are attributable to the use of the asset on the basis of the evidence available at the time of initial recognition, giving greater weight to external evidence.

31. **An intangible asset shall be measured initially at cost in accordance with paragraphs 32–43. Where an intangible asset is acquired through a non-exchange transaction, its initial cost at the date of acquisition, shall be measured at its fair value as at that date.**

Separate Acquisition

32. Normally, the price an entity pays to acquire separately an intangible asset will reflect expectations about the probability that the expected future economic benefits or service potential embodied in the asset will flow to the entity. In other words, the entity expects there to be an inflow of economic benefits or service potential, even if there is uncertainty about the timing or the amount of the inflow. Therefore, the probability recognition criterion in paragraph 28(a) is always considered to be satisfied for separately acquired intangible assets.

33. In addition, the cost of a separately acquired intangible asset can usually be measured reliably. This is particularly so when the purchase consideration is in the form of cash or other monetary assets.

34. The cost of a separately acquired intangible asset comprises:

    (a) Its purchase price, including import duties and non-refundable purchase taxes, after deducting trade discounts and rebates; and

    (b) Any directly attributable cost of preparing the asset for its intended use.

35. Examples of directly attributable costs are:

    (a) Costs of employee benefits (as defined in PBE IPSAS 39) arising directly from bringing the asset to its working condition;

    (b) Professional fees arising directly from bringing the asset to its working condition; and

    (c) Costs of testing whether the asset is functioning properly.

36. Examples of expenditures that are not part of the cost of an intangible asset are:

    (a) Costs of introducing a new product or service (including costs of advertising and promotional activities);

    (b) Costs of conducting operations in a new location or with a new class of users of a service (including costs of staff training); and

[1] Information that is reliable is free from material error and bias, and can be depended on by users to faithfully represent that which it purports to represent or could reasonably be expected to represent. Paragraph BC10 of PBE IPSAS 1 *Presentation of Financial Reports* discusses the transitional approach to the explanation of reliability.

(c) Administration and other general overhead costs.

37. Recognition of costs in the carrying amount of an intangible asset ceases when the asset is in the condition necessary for it to be capable of operating in the manner intended by management. Therefore, costs incurred in using or redeploying an intangible asset are not included in the carrying amount of that asset. For example, the following costs are not included in the carrying amount of an intangible asset:

(a) Costs incurred while an asset capable of operating in the manner intended by management has yet to be brought into use; and

(b) Initial operating deficits, such as those incurred while demand for the asset's output builds up.

38. Some operations occur in connection with the development of an intangible asset, but are not necessary to bring the asset to the condition necessary for it to be capable of operating in the manner intended by management. These incidental operations may occur before or during the development activities. Because incidental operations are not necessary to bring an asset to the condition necessary for it to be capable of operating in the manner intended by management, the revenue and related expenses of incidental operations are recognised immediately in surplus or deficit, and included in their respective classifications of revenue and expense.

39. If payment for an intangible asset is deferred beyond normal credit terms, its cost is the cash price equivalent. The difference between this amount and the total payments is recognised as interest expense over the period of credit unless it is capitalised in accordance with the capitalisation treatment permitted in PBE IPSAS 5 *Borrowing Costs*.

Acquisition of an Intangible Asset as Part of an Acquisition (PBE Combination)

39A. In accordance with PBE IPSAS 40, if an intangible asset is acquired in an acquisition, the cost of that intangible asset is its fair value at the acquisition date. The fair value of an intangible asset will reflect expectations about the probability that the future economic benefits or service potential embodied in the asset will flow to the entity. In other words, the entity expects there to be an inflow of economic benefits or service potential, even if there is uncertainty about the timing or the amount of the inflow. Therefore, the probability recognition criterion in paragraph 28(a) is always considered to be satisfied for intangible assets acquired in acquisitions. If an asset acquired in an acquisition is separable or arises from binding arrangements (including rights from contracts or other legal rights), sufficient information exists to measure reliably the fair value of the asset. Thus, the reliable measurement criterion in paragraph 28(b) is always considered to be satisfied for intangible assets acquired in acquisitions.

39B. In accordance with this Standard and PBE IPSAS 40, an acquirer recognises at the acquisition date, separately from goodwill, an intangible asset of the acquired operation, irrespective of whether the asset had been recognised by the acquired operation before the acquisition. This means that the acquirer recognises as an asset separately from goodwill an in-process research and development project of the acquired operation if the project meets the definition of an intangible asset. An acquired operation's in-process research and development project meets the definition of an intangible asset when it:

(a) Meets the definition of an asset; and

(b) Is identifiable, i.e., is separable or arises from binding arrangements (including rights from contracts or other legal rights).

Measuring the Fair Value of an Intangible Asset Acquired in an Acquisition (PBE Combination)

39C. If an intangible asset acquired in an acquisition is separable or arises from binding arrangements (including rights from contracts or other legal rights), sufficient information exists to measure reliably the fair value of the asset. When, for the estimates used to measure an intangible asset's fair value, there is a range of possible outcomes with different probabilities, that uncertainty enters into the measurement of the asset's fair value.

39D. An intangible asset acquired in an acquisition might be separable, but only together with a binding arrangement, identifiable asset or liability. In such cases, the acquirer recognises the intangible assets separately from goodwill but together with the related item.

39E. The acquirer may recognise a group of complementary intangible assets as a single asset provided the individual assets have similar useful lives. For example, the terms 'brand' and 'brand name' are often used as synonyms for trademarks and other marks. However, the former are general marketing terms that are typically used to refer to a group of complementary assets such as a trademark (or service mark) and its related trade name, formulas, recipes and technological expertise.

39.1 Quoted market prices in an active market provide the most reliable estimate of the fair value of an intangible asset (see also paragraph 77). The appropriate market price is usually the current bid price. If current bid prices are unavailable, the price of the most recent similar transaction may provide a basis from which to estimate fair value, provided that there has not been a significant change in economic circumstances between the transaction date and the date at which the asset's fair value is estimated.

39.2 If no active market exists for an intangible asset, its fair value is the amount that the entity would have paid for the asset, at the acquisition date, in an arm's length transaction between knowledgeable and willing parties, on the basis of the best information available. In determining this amount, an entity considers the outcome of recent transactions for similar assets.

39.3 Entities that are involved in the purchase and sale of intangible assets may have developed techniques for estimating their fair values indirectly. These techniques may be used for initial measurement of an intangible asset acquired in an acquisition if their objective is to estimate fair value and if they reflect current transactions and practices in the industry to which the asset belongs. These techniques include, for example:

(a) Discounting estimated future net cash flows from the asset;

(b) Estimating the costs the entity avoids by owning the intangible asset and not needing:

   (i) To license it from another party in an arm's length transaction (as in the 'relief from royalty' approach, using discounted net cash flows); or

   (ii) To recreate or replace it (as in the cost approach).

Subsequent Expenditure on an Acquired In-process Research and Development Project

40. **Research or development expenditure that:**

(a) **Relates to an in-process research or development project acquired separately or in an acquisition and recognised as an intangible asset; and**

(b) **Is incurred after the acquisition of that project;**

shall be accounted for in accordance with paragraphs 52–60.

41. Applying the requirements in paragraphs 52–60 means that subsequent expenditure on an in-process research or development project acquired separately or in an acquisition and recognised as an intangible asset is:

(a) Recognised as an expense when incurred if it is research expenditure;

(b) Recognised as an expense when incurred if it is development expenditure that does not satisfy the criteria for recognition as an intangible asset in paragraph 55; and

(c) Added to the carrying amount of the acquired in-process research or development project if it is development expenditure that satisfies the recognition criteria in paragraph 55.

Intangible Assets Acquired through Non-Exchange Transactions

42. In some cases, an intangible asset may be acquired through a non-exchange transaction. This may happen when an entity transfers to another entity in a non-exchange transaction, intangible assets such as airport landing rights, licences to operate radio or television stations, import licences or quotas or rights to access other restricted resources. A private citizen, for example a Nobel Prize winner, may bequeath his or her personal papers, including the copyright to his or her publications to the national archives or a charitable trust (a public benefit entity) in a non-exchange transaction.

43. Under these circumstances the cost of the item is its fair value at the date it is acquired. For the purposes of this Standard, the measurement at recognition of an intangible asset acquired through a non-exchange transaction, at its fair value consistent with the requirements of paragraph 74, does not constitute a revaluation. Accordingly, the revaluation requirements in paragraph 74, and the supporting commentary in paragraphs 75–86 only apply when an entity elects to revalue an intangible item in subsequent reporting periods.

Exchanges of Assets

44. One or more intangible assets may be acquired in exchange for a non-monetary asset or assets, or a combination of monetary and non-monetary assets. The following discussion refers simply to an exchange of one non-monetary asset for another, but it also applies to all exchanges described in the preceding sentence. The cost of such an intangible asset is measured at fair value unless the fair value of neither the asset received nor the asset given up is reliably measurable. The acquired asset is measured in this way even if an entity cannot immediately derecognise the asset given up. If the acquired asset is not measured at fair value, its cost is measured at the carrying amount of the asset given up.

45. Paragraph 28(b) specifies that a condition for the recognition of an intangible asset is that the cost of the asset can be measured reliably. The fair value of an intangible asset for which comparable market transactions do not exist is reliably measurable if:

    (a) The variability in the range of reasonable fair value estimates is not significant for that asset: or

    (b) The probabilities of the various estimates within the range can be reasonably assessed and used in estimating fair value.

    If an entity is able to determine reliably the fair value of either the asset received or the asset given up, then the fair value of the asset given up is used to measure cost unless the fair value of the asset received is more clearly evident.

Internally Generated Goodwill

46. **Internally generated goodwill shall not be recognised as an asset.**

47. In some cases, expenditure is incurred to generate future economic benefits or service potential, but it does not result in the creation of an intangible asset that meets the recognition criteria in this Standard. Such expenditure is often described as contributing to internally generated goodwill. Internally generated goodwill is not recognised as an asset because it is not an identifiable resource, i.e., it is not separable nor does it arise from binding arrangements (including rights from contracts or other legal rights) controlled by the entity that can be measured reliably at cost.

48. Differences between the market value of an entity and the carrying amount of its identifiable net assets at any time may capture a range of factors that affect the value of the entity. However, such differences do not represent the cost of intangible assets controlled by the entity.

Internally Generated Intangible Assets

49. It is sometimes difficult to assess whether an internally generated intangible asset qualifies for recognition because of problems in:

    (a) Identifying whether and when there is an identifiable asset that will generate expected future economic benefits or service potential; and

    (b) Determining the cost of the asset reliably. In some cases, the cost of generating an intangible asset internally cannot be distinguished from the cost of maintaining or enhancing the entity's internally generated goodwill or of running day-to-day operations.

    Therefore, in addition to complying with the general requirements for the recognition and initial measurement of an intangible asset, an entity applies the requirements and guidance in paragraphs 50–65 to all internally generated intangible assets.

50. To assess whether an internally generated intangible asset meets the criteria for recognition, an entity classifies the generation of the asset into:

    (a) A research phase; and

    (b) A development phase.

    Although the terms "research" and "development" are defined, the terms "research phase" and "development phase" have a broader meaning for the purpose of this Standard.

51. If an entity cannot distinguish the research phase from the development phase of an internal project to create an intangible asset, the entity treats the expenditure on that project as if it were incurred in the research phase only.

Research Phase

52. **No intangible asset arising from research (or from the research phase of an internal project) shall be recognised. Expenditure on research (or on the research phase of an internal project) shall be recognised as an expense when it is incurred.**

53. In the research phase of an internal project, an entity cannot demonstrate that an intangible asset exists that will generate probable future economic benefits or service potential. Therefore, this expenditure is recognised as an expense when it is incurred.

54. Examples of research activities are:

    (a) Activities aimed at obtaining new knowledge;

    (b) The search for, evaluation and final selection of, applications of research findings or other knowledge;

    (c) The search for alternatives for materials, devices, products, processes, systems, or services; and

    (d) The formulation, design, evaluation, and final selection of possible alternatives for new or improved materials, devices, products, processes, systems, or services.

Development Phase

55. **An intangible asset arising from development (or from the development phase of an internal project) shall be recognised if, and only if, an entity can demonstrate all of the following:**

    (a) **The technical feasibility of completing the intangible asset so that it will be available for use or sale;**

    (b) **Its intention to complete the intangible asset and use or sell it;**

    (c) **Its ability to use or sell the intangible asset;**

    (d) **How the intangible asset will generate probable future economic benefits or service potential. Among other things, the entity can demonstrate the existence of a market for the output of the intangible asset or the intangible asset itself or, if it is to be used internally, the usefulness of the intangible asset;**

    (e) **The availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and**

    (f) **Its ability to measure reliably the expenditure attributable to the intangible asset during its development.**

56. In the development phase of an internal project, an entity can, in some instances, identify an intangible asset and demonstrate that the asset will generate probable future economic benefits or service potential. This is because the development phase of a project is further advanced than the research phase.

57. Examples of development activities are:

    (a) The design, construction, and testing of pre-production or pre-use prototypes and models;

    (b) The design of tools, jigs, moulds, and dies involving new technology;

    (c) The design, construction, and operation of a pilot plant or operation that is not of a scale economically feasible for commercial production or use in providing services;

    (d) The design, construction, and testing of a chosen alternative for new or improved materials, devices, products, processes, systems, or services; and

    (e) Website costs and software development costs.

58. To demonstrate how an intangible asset will generate probable future economic benefits or service potential, an entity assesses the future economic benefits or service potential to be received from the asset using the principles in either PBE IPSAS 21 *Impairment of Non-Cash-Generating Assets* or PBE IPSAS 26 *Impairment of Cash-Generating Assets* as appropriate. If the asset will generate economic benefits or service potential only in combination with other assets, the entity applies the concept of cash-generating units in PBE IPSAS 26.

59. Availability of resources to complete, use, and obtain the benefits from an intangible asset can be demonstrated by, for example, an operating plan showing the technical, financial, and other resources needed and the entity's ability to secure those resources. In some cases, an entity demonstrates the availability of external finance by obtaining a lender's or funder's indication of its willingness to fund the plan.

60. An entity's costing systems can often measure reliably the cost of generating an intangible asset internally, such as salary and other expenditure incurred in securing logos, copyrights or licences, or developing computer software.

61. **Internally generated brands, mastheads, publishing titles, lists of users of a service, and items similar in substance shall not be recognised as intangible assets.**

62. Expenditure on internally generated brands, mastheads, publishing titles, lists of users of a service, and items similar in substance cannot be distinguished from the cost of developing the entity's operations as a whole. Therefore, such items are not recognised as intangible assets.

Cost of an Internally Generated Intangible Asset

63. The cost of an internally generated intangible asset for the purpose of paragraph 31 is the sum of expenditure incurred from the date when the intangible asset first meets the recognition criteria in paragraphs 28, 29, and 55. Paragraph 70 prohibits reinstatement of expenditure previously recognised as an expense.

64. The cost of an internally generated intangible asset comprises all directly attributable costs necessary to create, produce, and prepare the asset to be capable of operating in the manner intended by management. Examples of directly attributable costs are:

    (a) Costs of materials and services used or consumed in generating the intangible asset;

    (b) Costs of employee benefits (as defined in PBE IPSAS 39) arising from the generation of the intangible asset;

    (c) Fees to register a legal right; and

    (d) Amortisation of patents and licences that are used to generate the intangible asset.

    PBE IPSAS 5 specifies criteria for the recognition of interest as an element of the cost of an asset that is a qualifying asset.

65. The following are not components of the cost of an internally generated intangible asset:

    (a) Selling, administrative and other general overhead expenditure unless this expenditure can be directly attributed to preparing the asset for use;

    (b) Identified inefficiencies and initial operating deficits incurred before the asset achieves planned performance; and

    (c) Expenditure on training staff to operate the asset.

Recognition of an Expense

66. **Expenditure on an intangible item shall be recognised as an expense when it is incurred unless:**

    (a) It forms part of the cost of an intangible asset that meets the recognition criteria (see paragraphs 26–65); or

    (b) The item is acquired in an acquisition and cannot be recognised as an intangible asset. If this is the case, it forms part of the amount recognised as goodwill at the acquisition date (see PBE IPSAS 40).

67. In some cases, expenditure is incurred to provide future economic benefits or service potential to an entity, but no intangible asset or other asset is acquired or created that can be recognised. In the case of the supply of goods, the entity recognises such expenditure as an expense when it has a right to access those goods. In the case of the supply of services, the entity recognises the expenditure as an expense when it receives the services. For example, expenditure on research is recognised as an expense when it is incurred (see

paragraph 52), except when it is acquired as part of an acquisition. Other examples of expenditure that is recognised as an expense when it is incurred include:

(a) Expenditure on start-up activities (i.e., start-up costs), unless this expenditure is included in the cost of an item of property, plant and equipment in accordance with PBE IPSAS 17. Start-up costs may consist of establishment costs such as legal and secretarial costs incurred in establishing a legal entity, expenditure to open a new facility or operation (i.e., pre-opening costs), or expenditures for starting new operations or launching new products or processes (i.e., pre-operating costs);

(b) Expenditure on training activities;

(c) Expenditure on advertising and promotional activities (including mail order catalogues and information pamphlets); and

(d) Expenditure on relocating or reorganising part or all of an entity.

68. An entity has a right to access goods when it owns them. Similarly, it has a right to access goods when they have been constructed by a supplier in accordance with the terms of a supply contract and the entity could demand delivery of them in return for payment. Services are received when they are performed by a supplier in accordance with a contract to deliver them to the entity and not when the entity uses them to deliver another service, for example, to deliver information about a service to users of that service.

69. Paragraph 66 does not preclude an entity from recognising a prepayment as an asset when payment for goods has been made in advance of the entity obtaining a right to access those goods. Similarly, paragraph 66 does not preclude an entity from recognising a prepayment as an asset when payment for services has been made in advance of the entity receiving those services.

Past Expenses not to be Recognised as an Asset

70. **Expenditure on an intangible item that was initially recognised as an expense under this Standard shall not be recognised as part of the cost of an intangible asset at a later date.**

Subsequent Measurement

71. **An entity shall choose either the cost model in paragraph 73 or the revaluation model in paragraph 74 as its accounting policy. If an intangible asset is accounted for using the revaluation model, all the other assets in its class shall also be accounted for using the same model, unless there is no active market for those assets.**

72. A class of intangible assets is a grouping of assets of a similar nature and use in an entity's operations. The items within a class of intangible assets are revalued simultaneously to avoid selective revaluation of assets and the reporting of amounts in the financial statements representing a mixture of costs and values as at different dates.

Cost Model

73. **After initial recognition, an intangible asset shall be carried at its cost less any accumulated amortisation and any accumulated impairment losses.**

Revaluation Model

74. **After initial recognition, an intangible asset shall be carried at a revalued amount, being its fair value at the date of the revaluation less any subsequent accumulated amortisation and any subsequent accumulated impairment losses. For the purpose of revaluations under this Standard, fair value shall be determined by reference to an active market. Revaluations shall be made with such regularity that at the reporting date the carrying amount of the asset does not differ materially from its fair value.**

75. The revaluation model does not allow:

(a) The revaluation of intangible assets that have not previously been recognised as assets; or

(b) The initial recognition of intangible assets at amounts other than cost.

76. The revaluation model is applied after an asset has been initially recognised at cost. However, if only part of the cost of an intangible asset is recognised as an asset because the asset did not meet the criteria for recognition until part of the way through the process (see paragraph 63), the revaluation model may be

applied to the whole of that asset. Also, the revaluation model may be applied to an intangible asset that was received through a non-exchange transaction (see paragraphs 42–43).

77. It is uncommon for an active market to exist for an intangible asset, although this may happen. For example, in some jurisdictions, an active market may exist for freely transferable homogeneous classes of licences or production quotas the entity has acquired from another entity. However, an active market cannot exist for brands, newspaper mastheads, music and film publishing rights, patents, or trademarks, because each such asset is unique. Also, although intangible assets are bought and sold, contracts are negotiated between individual buyers and sellers, and transactions are relatively infrequent. For these reasons, the price paid for one asset may not provide sufficient evidence of the fair value of another. Moreover, prices are often not available to the public.

78. The frequency of revaluations depends on the volatility of the fair values of the intangible assets being revalued. If the fair value of a revalued asset differs materially from its carrying amount, a further revaluation is necessary. Some intangible assets may experience significant and volatile movements in fair value, thus necessitating annual revaluation. Such frequent revaluations are unnecessary for intangible assets with only insignificant movements in fair value.

79. When an intangible asset is revalued, the carrying amount of that asset is adjusted to the revalued amount. At the date of the revaluation, the asset is treated in one of the following ways:

(a) The gross carrying amount is adjusted in a manner that is consistent with the revaluation of the carrying amount of the asset. For example, the gross carrying amount may be restated by reference to observable market data or it may be restated proportionately to the change in the carrying amount. The accumulated amortisation at the date of the revaluation is adjusted to equal the difference between the gross carrying amount and the carrying amount of the asset after taking into account accumulated impairment; or

(b) The accumulated amortisation is eliminated against the gross carrying amount of the asset.

The amount of the adjustment of accumulated amortisation forms part of the increase or decrease in the carrying amount that is accounted for in accordance with paragraphs 84 and 85.

80. **If an intangible asset in a class of revalued intangible assets cannot be revalued because there is no active market for this asset, the asset shall be carried at its cost less any accumulated amortisation and impairment losses.**

81. **If the fair value of a revalued intangible asset can no longer be determined by reference to an active market, the carrying amount of the asset shall be its revalued amount at the date of the last revaluation by reference to the active market less any subsequent accumulated amortisation and any subsequent accumulated impairment losses.**

82. The fact that an active market no longer exists for a revalued intangible asset may indicate that the asset may be impaired and that it needs to be tested in accordance with PBE IPSAS 21 or PBE IPSAS 26, as appropriate.

83. If the fair value of the asset can be determined by reference to an active market at a subsequent measurement date, the revaluation model is applied from that date.

84. **If an intangible asset's carrying amount is increased as a result of a revaluation, the increase shall be recognised in other comprehensive revenue and expense and accumulated in equity under the heading of revaluation surplus. However, the increase shall be recognised in surplus or deficit to the extent that it reverses a revaluation decrease of the same asset previously recognised in surplus or deficit.**

85. **If an intangible asset's carrying amount is decreased as a result of a revaluation, the decrease shall be recognised in surplus or deficit. However, the decrease shall be recognised in other comprehensive revenue and expense to the extent of any credit balance in the revaluation surplus in respect of that asset. The decrease recognised in other comprehensive revenue and expense reduces the amount accumulated in net assets/equity under the heading of revaluation surplus.**

86. The cumulative revaluation surplus included in net assets/equity may be transferred directly to accumulated comprehensive revenue and expense when the surplus is realised. The whole surplus may be realised on the retirement or disposal of the asset. However, some of the surplus may be realised as the asset is used by

the entity; in such a case, the amount of the surplus realised is the difference between amortisation based on the revalued carrying amount of the asset and amortisation that would have been recognised based on the asset's historical cost. The transfer from revaluation surplus to accumulated comprehensive revenue and expense is not made through surplus or deficit.

Useful Life

87. **An entity shall assess whether the useful life of an intangible asset is finite or indefinite and, if finite, the length of, or number of production or similar units constituting, that useful life. An intangible asset shall be regarded by the entity as having an indefinite useful life when, based on an analysis of all of the relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows for, or provide service potential to, the entity.**

88. The accounting for an intangible asset is based on its useful life. An intangible asset with a finite useful life is amortised (see paragraphs 96–105), and an intangible asset with an indefinite useful life is not (see paragraphs 106–109). The Illustrative Examples accompanying this Standard illustrate the determination of useful life for different intangible assets, and the subsequent accounting for those assets based on the useful life determinations.

89. Many factors are considered in determining the useful life of an intangible asset, including:

    (a) The expected usage of the asset by the entity and whether the asset could be managed efficiently by another management team;

    (b) Typical product life cycles for the asset and public information on estimates of useful lives of similar assets that are used in a similar way;

    (c) Technical, technological, commercial, or other types of obsolescence;

    (d) The stability of the industry in which the asset operates and changes in the market demand for the products or services output from the asset;

    (e) Expected actions by competitors or potential competitors;

    (f) The level of maintenance expenditure required to obtain the expected future economic benefits or service potential from the asset and the entity's ability and intention to reach such a level;

    (g) The period of control over the asset and legal or similar limits on the use of the asset, such as the expiry dates of related leases; and

    (h) Whether the useful life of the asset is dependent on the useful life of other assets of the entity.

90. The term "indefinite" does not mean "infinite." The useful life of an intangible asset reflects only that level of future maintenance expenditure required to maintain the asset at its standard of performance assessed at the time of estimating the asset's useful life, and the entity's ability and intention to reach such a level. A conclusion that the useful life of an intangible asset is indefinite should not depend on planned future expenditure in excess of that required to maintain the asset at that standard of performance.

91. Given the history of rapid changes in technology, computer software and many other intangible assets are susceptible to technological obsolescence. Therefore, it will often be the case that their useful life is short. Expected future reductions in the selling price of an item that was produced using an intangible asset could indicate the expectation of technological or commercial obsolescence of the asset, which, in turn, might reflect a reduction of the future economic benefits or service potential embodied in the asset.

92. The useful life of an intangible asset may be very long or even indefinite. Uncertainty justifies estimating the useful life of an intangible asset on a prudent basis, but it does not justify choosing a life that is unrealistically short.

93. **The useful life of an intangible asset that arises from binding arrangements (including rights from contracts or other legal rights) shall not exceed the period of the binding arrangement (including rights from contracts or other legal rights), but may be shorter depending on the period over which the entity expects to use the asset. If the binding arrangements (including rights from contracts or other legal rights) are conveyed for a limited term that can be renewed, the useful life of the intangible asset shall include the renewal period(s) only if there is evidence to support renewal by the entity without significant cost.**

93A. **The useful life of:**

(a) **A license or similar right previously granted by one combining operation to another combining operation that is recognised by the resulting entity in an amalgamation; or**

(b) **A reacquired right recognised as an intangible asset in an acquisition**

is the remaining period of the binding arrangement (including rights from contracts or other legal rights) in which the right was granted and shall not include renewal periods.

94. There may be economic, political, social, and legal factors influencing the useful life of an intangible asset. Economic, political, or social factors determine the period over which future economic benefits or service potential will be received by the entity. Legal factors may restrict the period over which the entity controls access to such economic benefits or service potential. The useful life is the shorter of the periods determined by these factors.

95. Existence of the following factors, among others, indicates that an entity would be able to renew the binding arrangements (including rights from contracts or other legal rights) without significant cost:

(a) There is evidence, possibly based on experience, that the binding arrangements (including rights from contracts or other legal rights) will be renewed. If renewal is contingent upon the consent of a third party, this includes evidence that the third party will give its consent;

(b) There is evidence that any conditions necessary to obtain renewal will be satisfied; and

(c) The cost to the entity of renewal is not significant when compared with the future economic benefits or service potential expected to flow to the entity from renewal.

If the cost of renewal is significant when compared with the future economic benefits or service potential expected to flow to the entity from renewal, the "renewal" cost represents, in substance, the cost to acquire a new intangible asset at the renewal date.

Intangible Assets with Finite Useful Lives

Amortisation Period and Amortisation Method

96. **The depreciable amount of an intangible asset with a finite useful life shall be allocated on a systematic basis over its useful life. Amortisation shall begin when the asset is available for use, i.e., when it is in the location and condition necessary for it to be capable of operating in the manner intended by management. Amortisation shall cease at the earlier of the date that the asset is classified as held for sale (or included in a disposal group that is classified as held for sale) in accordance with PBE IFRS 5 and the date that the asset is derecognised. The amortisation method used shall reflect the pattern in which the asset's future economic benefits or service potential are expected to be consumed by the entity. If that pattern cannot be determined reliably, the straight-line method shall be used. The amortisation charge for each period shall be recognised in surplus or deficit unless this or another Standard permits or requires it to be included in the carrying amount of another asset.**

97. A variety of amortisation methods can be used to allocate the depreciable amount of an asset on a systematic basis over its useful life. These methods include the straight-line method, the diminishing balance method, and the units of production method. The method used is selected on the basis of the expected pattern of consumption of the expected future economic benefits or service potential embodied in the asset and is applied consistently from period to period, unless there is a change in the expected pattern of consumption of those future economic benefits or service potential.

97A. There is a rebuttable presumption that an amortisation method that is based on the revenue generated by an activity that includes the use of an intangible asset is inappropriate. The revenue generated by an activity that includes the use of an intangible asset typically reflects factors that are not directly linked to the consumption of the economic benefits or service potential embodied in the intangible asset. For example, revenue is affected by other inputs and processes, selling activities and changes in sales volumes and prices. The price component of revenue may be affected by inflation, which has no bearing upon the way in which an asset is consumed. This presumption can be overcome only in the limited circumstances:

(a) In which the intangible asset is expressed as a measure of revenue, as described in paragraph 97C; or

(b) When it can be demonstrated that revenue and the consumption of the economic benefits or service potential of the intangible asset are highly correlated.

97B. In choosing an appropriate amortisation method in accordance with paragraph 97, an entity could determine the predominant limiting factor that is inherent in the intangible asset. For example, the contract that sets out the entity's rights over its use of an intangible asset might specify the entity's use of the intangible asset as a predetermined number of years (i.e., time), as a number of units produced or as a fixed total amount of revenue to be generated. Identification of such a predominant limiting factor could serve as the starting point for the identification of the appropriate basis of amortisation, but another basis may be applied if it more closely reflects the expected pattern of consumption of economic benefits or service potential.

97C. In the circumstance in which the predominant limiting factor that is inherent in an intangible asset is the achievement of a revenue threshold, the revenue to be generated can be an appropriate basis for amortisation. For example, the right to operate a toll road could be based on a fixed total amount of revenue to be generated from cumulative tolls charged (for example, a contract could allow operation of the toll road until the cumulative amount of tolls generated from operating the road reaches CU100 million). In the case in which revenue has been established as the predominant limiting factor in the contract for the use of the intangible asset, the revenue that is to be generated might be an appropriate basis for amortising the intangible asset, provided that the contract specifies a fixed total amount of revenue to be generated on which amortisation is to be determined.

98. Amortisation is usually recognised in surplus or deficit. However, sometimes the future economic benefits or service potential embodied in an asset are absorbed in producing other assets. In this case, the amortisation charge constitutes part of the cost of the other asset and is included in its carrying amount. For example, the amortisation of intangible assets used in a production process is included in the carrying amount of inventories (see PBE IPSAS 12).

Residual Value

99. **The residual value of an intangible asset with a finite useful life shall be assumed to be zero unless:**

(a) **There is a commitment by a third party to acquire the asset at the end of its useful life; or**

(b) **There is an active market for the asset, and:**

(i) **Residual value can be determined by reference to that market; and**

(ii) **It is probable that such a market will exist at the end of the asset's useful life.**

100. The depreciable amount of an asset with a finite useful life is determined after deducting its residual value. A residual value other than zero implies that an entity expects to dispose of the intangible asset before the end of its economic life.

101. An estimate of an asset's residual value is based on the amount recoverable from disposal using prices prevailing at the date of the estimate for the sale of a similar asset that has reached the end of its useful life and has operated under conditions similar to those in which the asset will be used. The residual value is reviewed at least at each reporting date. A change in the asset's residual value is accounted for as a change in an accounting estimate in accordance with PBE IPSAS 3 *Accounting Policies, Changes in Accounting Estimates and Errors*.

102. The residual value of an intangible asset may increase to an amount equal to or greater than the asset's carrying amount. If it does, the asset's amortisation charge is zero unless and until its residual value subsequently decreases to an amount below the asset's carrying amount.

Review of Amortisation Period and Amortisation Method

103. **The amortisation period and the amortisation method for an intangible asset with a finite useful life shall be reviewed at least at each reporting date. If the expected useful life of the asset is different from previous estimates, the amortisation period shall be changed accordingly. If there has been a change in the expected pattern of consumption of the future economic benefits or service potential embodied in the asset, the amortisation method shall be changed to reflect the changed pattern. Such changes shall be accounted for as changes in accounting estimates in accordance with PBE IPSAS 3.**

104. During the life of an intangible asset, it may become apparent that the estimate of its useful life is inappropriate. For example, the recognition of an impairment loss may indicate that the amortisation period needs to be changed.

105. Over time, the pattern of future economic benefits or service potential expected to flow to an entity from an intangible asset may change. For example, it may become apparent that a diminishing balance method of amortisation is appropriate rather than a straight-line method. Another example is if use of the rights represented by a licence is deferred pending action on other components of the entity's strategic plan. In this case, economic benefits or service potential that flow from the asset may not be received until later periods.

Intangible Assets with Indefinite Useful Lives

106. **An intangible asset with an indefinite useful life shall not be amortised.**

107. In accordance with PBE IPSAS 21 and PBE IPSAS 26, an entity is required to test an intangible asset with an indefinite useful life or an intangible asset not yet available for use for impairment by comparing its recoverable service amount or its recoverable amount, as appropriate, with its carrying amount:

(a) Annually; and

(b) Whenever there is an indication that the intangible asset may be impaired.

Review of Useful Life Assessment

108. **The useful life of an intangible asset that is not being amortised shall 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 shall be accounted for as a change in an accounting estimate in accordance with PBE IPSAS 3.**

109. In accordance with either PBE IPSAS 21 or PBE IPSAS 26, as appropriate, reassessing the useful life of an intangible asset as finite rather than indefinite, is an indicator that the asset may be impaired. As a result, the entity tests the asset for impairment by comparing its recoverable service amount or its recoverable amount, determined in accordance with either PBE IPSAS 21 or PBE IPSAS 26, as appropriate, with its carrying amount, and recognising any excess of the carrying amount over the recoverable service amount or recoverable amount as appropriate, as an impairment loss.

Recoverability of the Carrying Amount—Impairment Losses

110. To determine whether an intangible asset is impaired, an entity applies either PBE IPSAS 21 or PBE IPSAS 26, as appropriate. Those Standards explain when and how an entity reviews the carrying amount of its assets, how it determines the recoverable service amount or recoverable amount of an asset, as appropriate, and when it recognises or reverses an impairment loss.

Retirements and Disposals

111. **An intangible asset shall be derecognised:**

(a) **On disposal (including disposal through a non-exchange transaction); or**

(b) **When no future economic benefits or service potential are expected from its use or disposal.**

112. **The gain or loss arising from the derecognition of an intangible asset shall be determined as the difference between the net disposal proceeds, if any, and the carrying amount of the asset. It shall be recognised in surplus or deficit when the asset is derecognised (unless PBE IPSAS 13 requires otherwise on a sale and leaseback).**

113. The disposal of an intangible asset may occur in a variety of ways (e.g., by sale, by entering into a finance lease or through a non-exchange transaction). In determining the date of disposal of such an asset, an entity applies the criteria in PBE IPSAS 9 *Revenue from Exchange Transactions* for recognising revenue from the sale of goods. PBE IPSAS 13 applies to disposal by a sale and leaseback.

114. If, in accordance with the recognition principle in paragraph 28, an entity recognises in the carrying amount of an asset the cost of a replacement for part of an intangible asset, then it derecognises the carrying amount of the replaced part. If it is not practicable for an entity to determine the carrying amount of the replaced

part, it may use the cost of the replacement as an indication of what the cost of the replaced part was at the time it was acquired or internally generated.

114A. In the case of:

(a) A license or similar right previously granted by one combining operation to another combining operation that is recognised by the resulting entity in an amalgamation; or

(b) A reacquired right recognised as an intangible asset in an acquisition,

if the right is subsequently reissued (sold) to a third party, the related carrying amount, if any, shall be used in determining the gain or loss on reissue.

114.1 [Deleted by NZASB]

115. The consideration receivable on disposal of an intangible asset is recognised initially at its fair value. If payment for the intangible asset is deferred, the consideration received is recognised initially at the cash price equivalent. The difference between the nominal amount of the consideration and the cash price equivalent is recognised as interest revenue in accordance with PBE IPSAS 41 reflecting the effective interest rate on the receivable.

116. Amortisation of an intangible asset with a finite useful life does not cease when the intangible asset is no longer used, unless the asset has been fully depreciated or is classified as held for sale (or included in a disposal group that is classified as held for sale) in accordance with PBE IFRS 5.

Disclosure

General

117. **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 revenue and expense 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 acquisitions;**

(ii) **Assets classified as held for sale or included in a disposal group classified as held for sale in accordance with PBE IFRS 5;**

(iii) **Increases or decreases during the period resulting from revaluations under paragraphs 74, 84 and 85 (if any);**

(iv) **Impairment losses recognised in surplus or deficit during the period in accordance with PBE IPSAS 21 or PBE IPSAS 26 (if any);**

(v) **Impairment losses reversed in surplus or deficit during the period in accordance with PBE IPSAS 21 or PBE IPSAS 26 (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.**

RDR 117.1 **A Tier 2 entity is not required to disclose the reconciliation specified in paragraph 117(e) for prior periods.**

118. 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;

(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.

*119. An entity discloses information on impaired intangible assets in accordance with PBE IPSAS 21 or PBE IPSAS 26 in addition to the information required by paragraph 117(e)(iii)–(v).

120. PBE IPSAS 3 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.

121. **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 through a non-exchange transaction and initially recognised at fair value (see paragraphs 42–43):**

(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.**

(e) **The amount of contractual commitments for the acquisition of intangible assets.**

122. 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 89.

Intangible Assets Measured after Recognition using the Revaluation Model

123. **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; and**

(ii) **The carrying amount of revalued intangible assets.**

(iii) [Not used]

(b) **The amount of the revaluation surplus that relates to intangible assets at the beginning and end of the reporting period, indicating the changes during the reporting period and any restrictions on the distribution of the balance to owners; and**

(c) **The methods and significant assumptions applied in estimating the assets' fair values.**

124. 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

125. **An entity shall disclose the aggregate amount of research and development expenditure recognised as an expense during the period.**

126. Research and development expenditure comprises all expenditure that is directly attributable to research or development activities (see paragraphs 64 and 65 for guidance on the type of expenditure to be included for the purpose of the disclosure requirement in paragraph 125).

Other Information

*127. 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.

Transitional Provisions

128–131. [Not used]

131A. *2015 Omnibus Amendments to PBE Standards*, issued in July 2015, amended paragraph 79. An entity shall apply that amendment to all revaluations recognised in annual periods beginning on or after the date of initial application of that amendment and in the immediately preceding annual period.

Effective Date

132–133. [Not used]

133.1 **A public benefit entity shall apply this Standard for annual financial statements covering periods beginning on or after 1 April 2015. Earlier application is permitted for not-for-profit public benefit entities as long as the full suite of PBE Standards is applied at the same time.**

133.2 ***2015 Omnibus Amendments to PBE Standards*, issued in July 2015, amended paragraphs 79, 91 and 97 and added paragraphs 97A, 97B, 97C and 131A. An entity shall apply those amendments prospectively for annual financial statements covering periods beginning on or after 1 January 2016. Earlier application is permitted, subject to paragraph 133.1. If an entity applies those amendments for an earlier period it shall disclose that fact.**

133.3 ***2016 Omnibus Amendments to PBE Standards*, issued in January 2017, added a footnote to paragraph 28. An entity shall apply that amendment for annual financial statements covering periods beginning on or after 1 January 2017.**

133.4 **PBE IPSAS 34 *Separate Financial Statements*, PBE IPSAS 35 *Consolidated Financial Statements*, PBE IPSAS 36 *Interests in Associates and Joint Ventures* and PBE IPSAS 37 *Joint Arrangements* issued in January 2017, amended paragraph 6. An entity shall apply that amendment when it applies PBE IPSAS 34, PBE IPSAS 35, PBE IPSAS 36 and PBE IPSAS 37.**

133.5 ***Impairment of Revalued Assets* (Amendments to PBE IPSASs 21 and 26), issued in April 2017, amended paragraphs 109 and 110. An entity shall apply those amendments for annual financial statements covering periods beginning on or after 1 January 2019. Earlier application is permitted. If an entity applies that amendment for an earlier period it shall disclose that fact.**

133.6 **PBE IPSAS 39, issued in May 2017, amended paragraphs 6, 35 and 64. An entity shall apply those amendments when it applies PBE IPSAS 39.**

133.7 **PBE IPSAS 40, issued in July 2019, renumbered paragraphs 39.1–39.5 as paragraphs 39A–39E and paragraphs 39.6–39.8 as paragraphs 39.1–39.3, amended paragraphs 6, 18, 24, 39A–39D and the related headings, 40, 41, 66, 67, 93 and 117, added paragraphs 18A 26A, 93A and 114A and a heading above paragraph 18, and deleted paragraphs 3(e), 3(f) and 114.1. An entity shall apply those amendments when it applies PBE IPSAS 40.**

133.8 **PBE IPSAS 41 *Financial Instruments*, issued in March 2019, amended paragraph 115. An entity shall apply that amendment when it applies PBE IPSAS 41.**

133.9 [See PBE IFRS 17 *Insurance Contracts* and *Amendments to PBE IFRS 17*]

Withdrawal and Replacement of PBE IPSAS 31 (May 2013)

134. This Standard, when applied, supersedes PBE IPSAS 31 *Intangible Assets* issued in May 2013.

Application Guidance

This Appendix is an integral part of PBE IPSAS 31.

Website Costs

AG1. An entity may incur internal expenditure on the development and operation of its own website for internal or external access. A website designed for external access may be used for various purposes such as to disseminate information, create awareness of services, request comment on draft legislation, promote and advertise an entity's own services and products, provide electronic services, request donations and sell services and products. A website designed for internal access may be used to store entity policies and details of users of a service, and search relevant information.

AG2. The stages of a website's development can be described as follows:

(a) Planning—includes undertaking feasibility studies, defining objectives and specifications, evaluating alternatives, and selecting preferences;

(b) Application and Infrastructure Development—includes obtaining a domain name, purchasing and developing hardware and operating software, installing developed applications, and stress testing;

(c) Graphical Design Development—includes designing the appearance of web pages; and

(d) Content Development—includes creating, purchasing, preparing, and uploading information, either textual or graphical in nature, on the website before the completion of the website's development. This information may either be stored in separate databases that are integrated into (or accessed from) the website or coded directly into the web pages.

AG3. Once development of a website has been completed, the Operating stage begins. During this stage, an entity maintains and enhances the applications, infrastructure, graphical design, and content of the website.

AG4. When accounting for internal expenditure on the development and operation of an entity's own website for internal or external access, the issues are:

(a) Whether the website is an internally generated intangible asset that is subject to the requirements of this Standard; and

(b) The appropriate accounting treatment of such expenditure.

AG5. This Application Guidance does not apply to expenditure on purchasing, developing, and operating hardware (e.g., web servers, staging servers, production servers, and Internet connections) of a website. Such expenditure is accounted for under PBE IPSAS 17. Additionally, when an entity incurs expenditure on an Internet service provider hosting the entity's website, the expenditure is recognised as an expense when the services are received.

AG6. PBE IPSAS 31 does not apply to intangible assets held by an entity for sale in the ordinary course of operations (see PBE IPSAS 11 and PBE IPSAS 12) or leases that fall within the scope of PBE IPSAS 13. Accordingly, this Application Guidance does not apply to expenditure on the development or operation of a website (or website software) for sale to another entity. When a website is leased under an operating lease, the lessor applies this Application Guidance. When a website is leased under a finance lease, the lessee applies this Application Guidance after initial recognition of the leased asset.

AG7. An entity's own website that arises from development and is for internal or external access is an internally generated intangible asset that is subject to the requirements of this Standard.

AG8. A website arising from development is recognised as an intangible asset if, and only if, in addition to complying with the general requirements described in paragraph 28 of this Standard for recognition and initial measurement, an entity can satisfy the requirements in paragraph 55 of this Standard. In particular, an entity may be able to satisfy the requirement to demonstrate how its website will generate probable future economic benefits or service potential in accordance with paragraph 55(d) of this Standard when, for example, the website is capable of generating revenues, including direct revenues from enabling orders to be placed, donations to be received or providing services using the website, rather than at a physical location using civil servants. An entity is not able to demonstrate how a website developed solely or primarily for promoting and advertising its own services and products will generate probable future economic benefits or service potential, and consequently all expenditure on developing such a website is recognised as an expense when incurred.

AG9. Any internal expenditure on the development and operation of an entity's own website is accounted for in accordance with this Standard. The nature of each activity for which expenditure is incurred (e.g., training employees and maintaining the website) and the website's stage of development or post-development are evaluated to determine the appropriate accounting treatment (additional guidance is provided in the table included at the end of the Illustrative Examples). For example:

(a) The Planning stage is similar in nature to the research phase in paragraphs 52–54 of this Standard. Expenditure incurred in this stage is recognised as an expense when it is incurred;

(b) The Application and Infrastructure Development stage, the Graphical Design stage, and the Content Development stage, to the extent that content is developed for purposes other than to advertise and promote an entity's own services and products, are similar in nature to the development phase in paragraphs 55–62 of this Standard. Expenditure incurred in these stages is included in the cost of a website recognised as an intangible asset in accordance with paragraph AG8 when the expenditure can be directly attributed and is necessary to creating, producing or preparing the website for it to be capable of operating in the manner intended by management. For example, expenditure on purchasing or creating content (other than content that advertises and promotes an entity's own services and products) specifically for a website, or expenditure to enable use of the content (e.g., a fee for acquiring a license to reproduce) on the website, is included in the cost of development when this condition is met. However, in accordance with paragraph 83 of this Standard, expenditure on an intangible item that was initially recognised as an expense in previous financial statements is not recognised as part of the cost of an intangible asset at a later date (e.g., if the costs of a copyright have been fully amortised, and the content is subsequently provided on a website);

(c) Expenditure incurred in the Content Development stage, to the extent that content is developed to advertise and promote an entity's own services and products (e.g., digital photographs of products), is recognised as an expense when incurred in accordance with paragraph 67(c) of this Standard. For example, when accounting for expenditure on professional services for taking digital photographs of an entity's own products and for enhancing their display, expenditure is recognised as an expense as the professional services are received during the process, not when the digital photographs are displayed on the website; and

(d) The Operating stage begins once development of a website is complete. Expenditure incurred in this stage is recognised as an expense when it is incurred unless it meets the recognition criteria in paragraph 28 of this Standard.

AG10. A website that is recognised as an intangible asset under paragraph AG8 of this Application Guidance is measured after initial recognition by applying the requirements of paragraphs 71–86 of this Standard. The best estimate of a website's useful life should be short, as described in paragraph 91.

AG11. The guidance in paragraphs AG1–AG10 does not specifically apply to software development costs. However, an entity may apply the principles in these paragraphs.

Basis for Conclusions

This Basis for Conclusions accompanies, but is not part of, PBE IPSAS 31.

BC1. The New Zealand Accounting Standards Board (NZASB) has modified IPSAS 31 *Intangible Assets* for application by Tier 1 and Tier 2 public benefit entities. Where applicable, disclosure concessions have been identified for Tier 2 entities and the language generalised for use by public benefit entities. The NZASB considered that the requirements of IPSAS 31 are generally appropriate for application by public benefit entities.

Heritage Assets

BC2. IPSAS 31 does not require recognition of intangible heritage assets. If an entity does recognise intangible heritage assets, IPSAS 31 requires that the entity disclose certain information about those intangible heritage assets.

BC3. The NZASB decided that, consistent with PBE IPSAS 17 *Property, Plant and Equipment,* these requirements were not appropriate in the New Zealand context. The NZASB noted that for many years NZ GAAP has required that entities recognise and measure intangible heritage assets in the same way as other assets in that class.

BC4. The NZASB noted that there are instances where intangible heritage assets are not able to be reliably measured and are therefore not recognised in the statement of financial position. The NZASB considers that recognising intangible heritage assets other than those that do not meet the recognition criteria provides more useful information than not recognising any intangible heritage assets. The NZASB also noted that many intangible heritage assets are currently recognised and measured at fair value.

BC5. The NZASB therefore modified IPSAS 31 by requiring application of the recognition and measurement requirements in that Standard to all intangible heritage assets.

Goodwill and Intangible Assets Acquired in a Business Combination

BC6. NZ IAS 38 *Intangible Assets* contains requirements and guidance on intangible assets acquired in a business combination. When the IPSASB first issued IPSAS 31, which is based on IAS 38, it had not developed an IPSAS on business combinations. The IPSASB therefore excluded intangible assets acquired in a business combination from the scope of IPSAS 31. As a consequence of deciding that PBE IFRS 3 *Business Combinations* should form part of the suite of PBE Standards the NZASB agreed that PBE IPSAS 31 should include guidance on intangible assets acquired in a business combination.

BC6.1 In January 2017 the IPSASB issued IPSAS 40 *Public Sector Combinations* and incorporated guidance in IPSAS 31 on intangible assets acquired in a public sector combination. In July 2019 the NZASB issued PBE IPSAS 40 *PBE Combinations* and incorporated guidance in PBE IPSAS 31 on intangible assets acquired in a PBE combination. PBE IPSAS 31 and IPSAS 31 are now broadly aligned in relation to this matter.

Disclosure not Required

BC7. The NZASB has deleted the requirement to disclose, by class of intangible asset, the carrying amount that would have been recognised had the revalued class of intangible assets been measured using the cost model (paragraph 123(a)(iii)). Public benefit entities are not required to make the equivalent disclosure in NZ IAS 38 on the basis that the disclosure requirement imposes significant costs on preparers with little (if any) benefits for users of the financial statements.

2015 Omnibus Amendments to PBE Standards

BC8. In the IASB's *Annual Improvements to IFRSs Cycle 2010-2012* the IASB amended IAS 38 to clarify the treatment of the carrying amount and accumulated amortisation when an intangible asset is revalued. The IPSASB made equivalent amendments to IPSAS 31 as there was no public sector specific reason for not adopting the amendments. The NZASB made these amendments as part of the 2015 Omnibus Amendments to PBE Standards.

BC9. In the IASB's *Clarification of Acceptable Methods of Depreciation and Amortisation* (Amendments to IAS 16 and IAS 38) the IASB amended IAS 16 *Property, Plant and Equipment* and IAS 38 to clarify the acceptable methods of depreciating assets and amortising intangible assets. The IPSASB made equivalent amendments to IPSAS 17 and IPSAS 31 as there was no public sector specific reason for not adopting the amendments. The NZASB made these amendments as part of the *2015 Omnibus Amendments to PBE Standards*.

Impairment of Revalued Assets

BC10. In July 2016, the IPSASB issued *Impairment of Revalued Assets* (Amendments to IPSAS 21 *Impairment of Non-Cash-Generating Assets* and IPSASB 26 *Impairment of Cash-Generating Assets*), which amended the scope of both standards to include property, plant and equipment and intangible assets measured at revalued amounts and also amended IPSAS 31 to remove reference to assets measured under the cost model when referring to impairment of intangible assets. The NZASB subsequently amended PBE IPSAS 31 by issuing *Impairment of Revalued Assets* (Amendments to PBE IPSASs 21 and 26) in April 2017.

Illustrative Examples

These examples accompany, but are not part of, PBE IPSAS 31.

ILLUSTRATIVE EXAMPLES

CONTENTS

Recognition and Measurement of an Internally-Generated Intangible Asset

Example Applying Paragraph 63 of this Standard

IE1. An entity developed a new system to schedule court cases more effectively that will result in increased service delivery. During the financial year ending March 31, 20X8, expenditure incurred for the development of the system was CU1,000,[2] of which CU900 was incurred before March 1, 20X8 and CU100 was incurred between March 1, 20X8 and March 31, 20X8. The entity is able to demonstrate that, at March 1, 20X8, the newly developed system met the criteria for recognition as an intangible asset. The recoverable service amount of the system (including future cash outflows to complete the development before it is available for use) is estimated to be CU500.

IE2. At the end of the financial year, the developed system is recognised as an intangible asset at a cost of CU100 (expenditure incurred since the date when the recognition criteria were met, i.e., March 1, 20X8). The CU900 expenditure incurred before March 1, 20X8 is recognised as an expense because the recognition criteria were not met until March 1, 20X8. This expenditure does not form part of the cost of the system recognised in the statement of financial position.

IE3. During the financial year ending March 31, 20X9, expenditure incurred is CU2,000. At the end of this financial year, the recoverable service amount of the system (including future cash outflows to complete the system before it is available for use) is estimated to be CU1,900.

IE4. As at March 31, 20X9, the cost of the developed system is CU2,100 (CU100 expenditure recognised at the end of 20X8 plus CU2,000 expenditure recognised in the 20X9 financial year). The entity recognises an impairment loss of CU200 to adjust the carrying amount of the developed system before the impairment loss (CU2,100) to its recoverable service amount (CU1,900). This impairment loss will be reversed in a subsequent period if the requirements for the reversal of an impairment loss in PBE IPSAS 21 are met.

Example Applying Paragraphs 55–65 of this Standard

IE5. An entity is developing a system which produces statistical reports for its internal use and for sale to third-parties. The system is technically feasible, the entity is aware that there is a demand for this type of report and which third-parties are willing to pay for the product and therefore will generate probable future economic benefits. The expenditure attributable to the development of this system can be identified and measured reliably.

Assessing the Useful Lives of Intangible Assets

IE6. The following guidance provides examples on determining the useful life of an intangible asset in accordance with this Standard.

IE7. Each of the following examples describes an acquired intangible asset, the facts and circumstances surrounding the determination of its useful life, and the subsequent accounting based on that determination.

An Acquired Patent with a Finite Useful Life

IE8. Entity A acquires a patent over a formula for a vaccine, from Entity B to secure Entity A's ability to provide free vaccinations to its constituents. The vaccine protected by the patent is expected to be a source of service potential for at least 15 years. Entity A has a commitment from Entity C to purchase that patent in five years for 60 per cent of the fair value of the patent at the date it was acquired, and Entity A intends to sell the patent in five years.

IE9. The patent would be amortised over its five-year useful life to Entity A, with a residual value equal to 60 per cent of the patent's fair value at the date it was acquired. The patent would also be reviewed for impairment in accordance with PBE IPSAS 21.

An Acquired Patent with an Indefinite Useful Life

IE10. Entity A acquires an asset, the patent over a formula for a vaccine, from Entity B to secure Entity A's ability to provide free vaccinations to its constituents. It is expected that the formula will need to be slightly modified every 10 years to maintain its efficacy. There is evidence to support ongoing renewal of the patent. A contract with Entity B stipulates that Entity B will maintain the efficacy of the formula continuously, and

[2] In this Standard, monetary amounts are denominated in "currency units" (CU).

evidence supports its ability to do so. The costs to renew the patent and maintain the efficacy of the formula are expected to be insignificant and will be paid to the Entity B when the improvements are made.

IE11. An analysis of product lifecycle studies, and demographic and environmental trends, provides evidence that the patent will provide service potential to Entity A by enabling it to deliver its vaccination program for an indefinite period. Accordingly, the patent would be treated as having an indefinite useful life. Therefore, the patent would not be amortised unless its useful life is determined to be finite. The patent would be tested for impairment in accordance with PBE IPSAS 21.

An Acquired Copyright that has a Remaining Legal Life of 50 Years

IE12. Entity A acquires a copyright from Entity B to enable it to reproduce and sell the copyrighted material on a cost-recovery basis to its constituency. An analysis of the habits of the entity's constituency and other trends provides evidence that the copyrighted material will generate net cash inflows for only 30 more years.

IE13. The copyright would be amortised over its 30-year estimated useful life. The copyright also would be reviewed for impairment in accordance with PBE IPSAS 21.

An Acquired Broadcasting License that Expires in Five Years—Part A

IE14. Entity A acquires a broadcasting license from Entity B. Entity A intends to provide free broadcasting services in the community. The broadcasting license is renewable every 10 years if Entity A provides at least an average level of service to its users of its service and complies with the relevant legislative requirements. The license may be renewed indefinitely at little cost and has been renewed twice before the most recent acquisition. Entity A intends to renew the license indefinitely and evidence supports its ability to do so. Historically, there has been no compelling challenge to the license renewal. The technology used in broadcasting is not expected to be replaced by another technology at any time in the foreseeable future. Therefore, the license is expected to contribute to Entity A's ability to provide free broadcasting services indefinitely.

IE15. Entity B does not recognise its power to grant broadcasting licenses as an intangible asset. The broadcasting license would be treated by Entity A as having an indefinite useful life because it is expected to contribute to the entity's ability to provide free broadcasting services indefinitely. Therefore, the license would not be amortised until its useful life is determined to be finite. The license would be tested for impairment in accordance with PBE IPSAS 21.

An Acquired Broadcasting License that Expires in Five Years—Part B

IE16. The licensing authority subsequently decides that it will no longer renew broadcasting licenses, but rather will auction the licenses. At the time the licensing authority's decision is made, Entity A's broadcasting license has three years until it expires. Entity A expects that the license will continue to provide service potential until the license expires.

IE17. Because the broadcasting license can no longer be renewed, its useful life is no longer indefinite. Thus, the acquired license would be amortised by Entity A over its remaining three-year useful life and immediately tested for impairment in accordance with PBE IPSAS 21.

An Acquired Right to Operate a Public Transit Route Between Two Cities that Expires in Three Years

IE18. Entity A acquires from Entity B a right to operate a public transit route between two cities, which generates revenues. The transit route may be renewed every five years, and Entity A intends to comply with the applicable rules and regulations surrounding renewal. Transit route renewals are routinely granted at a minimal cost and historically have been renewed when the entity that holds the rights to the route has complied with the applicable rules and regulations. Entity A expects to provide transit services on the route indefinitely. An analysis of demand and cash flows supports those assumptions.

IE19. Because the facts and circumstances support the public transit route providing cash flows to Entity A for an indefinite period of time, the intangible asset related to the transit route is treated as having an indefinite useful life. Therefore, the intangible asset would not be amortised until its useful life is determined to be finite. It would be tested for impairment in accordance with PBE IPSAS 26 annually and whenever there is an indication that it may be impaired.

An Acquired List of Property Owners

IE20. A local authority (Entity A) acquires a list of property owners from another public sector entity which is responsible for registering property deeds (Entity B). Entity B is at another level of government, and is not part of Entity A's reporting entity. Entity A intends to use the list to generate tax revenues and Entity A expects that it will be able to derive benefit from the information on the acquired list[3] for at least one year, but no more than three years.

IE21. The list of property owners would be amortised over Entity A's best estimate of its useful life, say 18 months. Although Entity B may intend to add property owner names and other information to the list in the future, the expected benefits to Entity A of the acquired list relate only to the property owners on that list at the date Entity A acquired the list. The list of property owners also would be reviewed for impairment in accordance with PBE IPSAS 21 by assessing annually and whenever there is any indication that it may be impaired.

Examples Illustrating the Application Guidance

IE22. The purpose of the table is to illustrate examples of expenditure that occur during each of the stages described in paragraphs AG2–AG3 and to illustrate application of paragraphs AG4–AG11 to assist in clarifying their meaning. It is not intended to be a comprehensive checklist of expenditure that might be incurred.

STAGE/NATURE OF EXPENDITURE	ACCOUNTING TREATMENT
Planning	
• Undertaking feasibility studies; • Defining hardware and software specifications; • Evaluating alternative products and suppliers; and • Selecting preferences.	Recognise as an expense when incurred in accordance with paragraph 52 of this Standard.
Application and Infrastructure Development	
• Purchasing or developing hardware. • Obtaining a domain name; • Developing operating software (e.g., operating system and server software); • Developing code for the application; • Installing developed applications on the web server; and • Stress testing.	Apply the requirements of PBE IPSAS 17. Recognise as an expense when incurred, unless the expenditure can be directly attributed to preparing the website to operate in the manner intended by management, and the website meets the recognition criteria in paragraphs 28 and 55[4] of this Standard.
Graphical Design Development	
• Designing the appearance (e.g., layout and colour) of web pages.	Recognise as an expense when incurred, unless the expenditure can be directly attributed to preparing the website to operate in the manner intended by management, and the website meets the recognition criteria in paragraphs 28 and 55[5] of this Standard.

[3] Although the local authority may intend to add property owners and other information to the database in the future, the expected benefits of the acquired database relate only to the property owners on that database at the date it was acquired. Subsequent additions would be considered to be internally-developed intangible assets, and accounted for in accordance with this Standard.

[4] All expenditure on developing a website solely or primarily for promoting, advertising, or providing information to the public at large regarding the entity's own products and services is recognised as an expense when incurred in accordance with paragraph 66 of this Standard.

[5] See footnote 4.

STAGE/NATURE OF EXPENDITURE	ACCOUNTING TREATMENT
Content Development	
• Creating, purchasing, preparing (e.g., creating links and identifying tags), and uploading information, either textual or graphic in nature, on the website before the completion of the website's development. Examples of content include information about an entity, services, or products, and topics that subscribers access.	Recognise as an expense when incurred in accordance with paragraph 67(c) of this Standard to the extent that content is developed to advertise and promote an entity's own services and products (e.g., digital photographs of products). Otherwise, recognise as an expense when incurred, unless the expenditure can be directly attributed to preparing the website to operate in the manner intended by management, and the website meets the recognition criteria in paragraphs 28 and 55[6] of this Standard.
Operating	
• Updating graphics and revising content; • Adding new functions, features, and content; • Registering the website with search engines; • Backing up data; • Reviewing security access; and • Analysing usage of the website.	Assess whether it meets the definition of an intangible asset and the recognition criteria set out in paragraph 28 of this Standard, in which case the expenditure is recognised in the carrying amount of the website asset.
Other	
• Selling, administrative, and other general overhead expenditure unless it can be directly attributed to preparing the website for use to operate in the manner intended by management; • Clearly identified inefficiencies and initial operating deficits incurred before the website achieves planned performance (e.g., false-start testing); and • Training employees to operate the website.	Recognise as an expense when incurred in accordance with paragraphs 63–69 of this Standard.

[6] See footnote 4.

Comparison with IPSAS 31

PBE IPSAS 31 *Intangible Assets* is drawn from IPSAS 31 *Intangible Assets*.

The significant differences between PBE IPSAS 31 and IPSAS 31 are:

(a) PBE IPSAS 31 requires that where intangible heritage assets are able to be reliably measured they shall be recognised.

(b) PBE IPSAS 31 does not require disclosure of the carrying amount that would have been recognised had a revalued class of intangible assets been measured after initial recognition using the cost model.

(c) PBE Standards require the presentation of a statement of comprehensive revenue and expense. IPSASs require the presentation of a statement of financial performance.

History of Amendments

PBE IPSAS 31 *Intangible Assets* was issued in September 2014.

This table lists the pronouncements establishing and substantially amending PBE IPSAS 31. The table is based on amendments issued as at 31 December 2022 other than consequential amendments resulting from adoption of PBE IFRS 17 *Insurance Contracts* and *Amendments to PBE IFRS 17*.

Pronouncements	**Date issued**	**Early operative date**	**Effective date (annual financial statements … on or after …)**
PBE IPSAS 31 *Intangible Assets*	Sept 2014	Early application is permitted for not-for-profit public benefit entities	1 April 2015
2015 Omnibus Amendments to PBE Standards	July 2015	Early application is permitted	1 Jan 2016
2016 Omnibus Amendments to PBE Standards	Jan 2017	–	1 Jan 2017
PBE IPSAS 34 *Separate Financial Statements*	Jan 2017	Early application is permitted	1 Jan 2019
PBE IPSAS 35 *Consolidated Financial Statements*	Jan 2017	Early application is permitted	1 Jan 2019
PBE IPSAS 36 *Interests in Associates and Joint Ventures*	Jan 2017	Early application is permitted	1 Jan 2019
PBE IPSAS 37 *Joint Arrangements*	Jan 2017	Early application is permitted	1 Jan 2019
Impairment of Revalued Assets (Amendments to PBE IPSASs 21 and 26)	Apr 2017	Early application is permitted	1 Jan 2019
PBE IPSAS 39 *Employee Benefits*	May 2017	Early application is permitted	1 Jan 2019
PBE FRS 48 *Service Performance Reporting*	Nov 2017	Early application is permitted	1 Jan 2022[7]
PBE IPSAS 41 *Financial Instruments*	Mar 2019	Early application is permitted	1 Jan 2022
PBE IPSAS 40 *PBE Combinations*	July 2019	Early application is permitted	1 Jan 2021
PBE IFRS 17 *Insurance Contracts*	July 2019	Early application is permitted	1 Jan 2023[8]
Amendments to PBE IFRS 17	Aug 2020	Early application is permitted	1 Jan 2023[9]
Editorial Corrections to PBE Standards	Dec 2021	–	–
Editorial Corrections to PBE Standards	Dec 2022	–	–

7 *2020 Amendments to PBE FRS 48*, issued in August 2020, deferred the effective date of PBE FRS 48 from 1 January 2021 to 1 January 2022.

8 PBE IFRS 17 has not been compiled. *Amendments to PBE IFRS 17*, issued in August 2020, deferred the effective date of PBE IFRS 17 from 1 January 2022 to 1 January 2023.

9 *Amendments to PBE IFRS 17* has not been compiled.

Table of Amended Paragraphs in PBE IPSAS 31		
Paragraph affected	**How affected**	**By … [date]**
Paragraph 3(e)–(f)	Deleted	PBE IPSAS 40 [July 2019]
Paragraph 6	Amended	PBE IPSAS 35 and PBE IPSAS 37 [Jan 2017]
Paragraph 6	Amended	PBE IPSAS 39 [May 2017]
Paragraph 6	Amended	PBE IPSAS 40 [July 2019]
Paragraph 18	Amended and heading added	PBE IPSAS 40 [July 2019]
Paragraph 18A	Added	PBE IPSAS 40 [July 2019]
Paragraph 24	Amended	PBE IPSAS 40 [July 2019]
Paragraph 26A	Added	PBE IPSAS 40 [July 2019]
Paragraph 28	Amended	*2016 Omnibus Amendments to PBE Standards* [Jan 2017]
Paragraph 28	Amended	PBE FRS 48 [Nov 2017]
Paragraph 35	Amended	PBE IPSAS 39 [May 2017]
Paragraphs 39A–39E (previously 39.1–39.5)	Renumbered	PBE IPSAS 40 [July 2019]
Paragraph 39A	Amended	PBE IPSAS 40 [July 2019]
Paragraph 39B	Amended	PBE IPSAS 40 [July 2019]
Paragraph 39C	Amended	PBE IPSAS 40 [July 2019]
Paragraph 39D	Amended	PBE IPSAS 40 [July 2019]
Paragraphs 39.1–39.3 (previously 39.6–39.8)	Renumbered	PBE IPSAS 40 [July 2019]
Paragraph 40	Amended	PBE IPSAS 40 [July 2019]
Paragraph 41	Amended	PBE IPSAS 40 [July 2019]
Paragraph 64	Amended	PBE IPSAS 39 [May 2017]
Paragraph 66	Amended	PBE IPSAS 40 [July 2019]
Paragraph 67	Amended	PBE IPSAS 40 [July 2019]
Paragraph 79	Amended	*2015 Omnibus Amendments to PBE Standards* [July 2015]
Paragraph 91	Amended	*2015 Omnibus Amendments to PBE Standards* [July 2015]
Paragraph 93	Amended	PBE IPSAS 40 [July 2019]
Paragraph 93A	Added	PBE IPSAS 40 [July 2019]
Paragraph 97	Amended	*2015 Omnibus Amendments to PBE Standards* [July 2015]
Paragraph 97A	Added	*2015 Omnibus Amendments to PBE Standards* [July 2015]
Paragraph 97B	Added	*2015 Omnibus Amendments to PBE Standards* [July 2015]
Paragraph 97C	Added	*2015 Omnibus Amendments to PBE Standards* [July 2015]
Paragraph 109	Amended	*Impairment of Revalued Assets* [Apr 2017]
Paragraph 110	Amended	*Impairment of Revalued Assets* [Apr 2017]
Paragraph 114A	Added	PBE IPSAS 40 [July 2019]
Paragraph 114.1	Deleted	PBE IPSAS 40 [July 2019]
Paragraph 115	Amended	PBE IPSAS 41 [Mar 2019]
Paragraph 117	Amended	PBE IPSAS 40 [July 2019]
Paragraph 131A	Added	*2015 Omnibus Amendments to PBE Standards* [July 2015]

Table of Amended Paragraphs in PBE IPSAS 31		
Paragraph affected	**How affected**	**By … [date]**
Paragraph 133.2	Added	*2015 Omnibus Amendments to PBE Standards* [July 2015]
Paragraph 133.3	Added	*2016 Omnibus Amendments to PBE Standards* [Jan 2017]
Paragraph 133.4	Added	PBE IPSAS 35 and PBE IPSAS 37 [Jan 2017]
Paragraph 133.5	Added	*Impairment of Revalued Assets* [Apr 2017]
Paragraph 133.6	Added	PBE IPSAS 39 [May 2017]
Paragraph 133.7	Added	PBE IPSAS 40 [July 2019]
Paragraph 133.8	Added	PBE IPSAS 41 [Mar 2019]