SSAP 29
STATEMENT OF STANDARD ACCOUNTING PRACTICE 29
INTANGIBLE ASSETS

(Issued January 2001)

*The standards, which have been set in **bold italic type,** should be read in the context of the background material and implementation guidance and in the context of the Foreword to Statements of Standard Accounting Practice, Interpretations and Accounting Guidelines. Statements of Standard Accounting Practice are not intended to apply to immaterial items (see paragraph 8 of the Foreword).*

Objective

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

Scope

1. This Statement should be applied by all enterprises in accounting for intangible assets, except:

a. intangible assets that are covered by another Statement of Standard Accounting Practice;

b. financial assets being any asset that is cash, a contractual right to receive cash or another financial asset from another enterprise, a contractual right to exchange financial instruments with another enterprise under conditions that are potentially favourable, or an equity instrument of another enterprise;

c. mineral rights and expenditure on the exploration for, or development and extraction of, minerals, oil, natural gas and similar non-regenerative resources; and

d. intangible assets arising in insurance enterprises from contracts with policyholders.

2. If another Statement of Standard Accounting Practice deals with a specific type of intangible asset, an enterprise applies that Statement instead of this Statement. For example, this Statement does not apply to:

a. intangible assets held by an enterprise for sale in the ordinary course of business (see SSAP 22 "Inventories" and SSAP 23 "Construction contracts");

b. deferred tax assets (see SSAP 12 "Accounting for deferred tax");

c. leases that fall within the scope of SSAP 14 "Leases";

d. goodwill arising on a business combination (see SSAP 30 "Business combinations"); and

e. leasehold interests and land use rights that are accounted for in accordance with SSAP 13 or SSAP 17 (see paragraph 11 of SSAP 14).

3. Some intangible assets may be contained in or on a physical substance such as a compact disk (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 SSAP 17 "Property, plant and equipment" or as an intangible asset under this Statement, judgement is required to assess which element is more significant. For example, computer software for a computer controlled machine tool that cannot operate without the specific software is an integral part of the related hardware and it is treated as property, plant and equipment. The same applies to the operating system of a computer. Where the software is not an integral part of the related hardware, computer software is treated as an intangible asset.

4. This Statement 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 (for example, a prototype), the physical element of the asset is secondary to its intangible component, that is the knowledge embodied in it.

5. In the case of a finance lease, the underlying asset may be either tangible or intangible. After initial recognition, a lessee deals with an intangible asset held under a finance lease under this Statement. Rights under licensing agreements for items such as motion picture films, video recordings, plays, manuscripts, patents and copyrights are excluded from the scope of SSAP 14 and fall within the scope of this Statement.

6. Exclusions from the scope of a Statement of Standard Accounting Practice may occur if certain 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 expenditure on the exploration for, or development and extraction of, oil, gas and mineral deposits in extractive industries and in the case of contracts between insurance enterprises and their policyholders. Therefore, this Statement does not apply to expenditure on such activities. However, this Statement applies to other intangible assets used (such as computer software), and other expenditure (such as start-up costs), in extractive industries or by insurance companies.

Definitions

7. ***The following terms are used in this Statement with the meanings specified:***

An <u>intangible asset</u> is an identifiable non-monetary asset without physical substance held for use in the production or supply of goods or services, for rental to others, or for administrative purposes.

An asset is a resource:

a. controlled by an enterprise as a result of past events; and

b. from which future economic benefits are expected to flow to the enterprise.

<u>Monetary assets</u> are money held and assets to be received in fixed or determinable amounts of money.

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

<u>Development</u> 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 prior to the commencement of commercial production or use.

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

<u>Depreciable amount</u> is the cost of an asset, or other amount substituted for cost in the financial statements, less its residual value.

***Useful life* is either:**

a. ***the period of time over which an asset is expected to be used by the enterprise; or***

b. ***the number of production or similar units expected to be obtained from the asset by the enterprise.***

***Cost* is the amount of cash or cash equivalents paid or the fair value of the other consideration given to acquire an asset at the time of its acquisition or production.**

***Residual value* is the net amount which an enterprise expects to obtain for an asset at the end of its useful life after deducting the expected costs of disposal.**

***Fair value* of an asset is the amount for which that asset could be exchanged between knowledgeable, willing parties in an arm's length transaction.**

An active market is a market where all the following conditions exist:

a. ***the items traded within the market are homogeneous;***

b. ***willing buyers and sellers can normally be found at any time; and***

c. ***prices are available to the public.***

An impairment loss is the amount by which the carrying amount of an asset exceeds its recoverable amount.

***Carrying amount* is the amount at which an asset is recognised in the balance sheet after deducting any accumulated amortisation and accumulated impairment losses thereon.**

Intangible assets

8. Enterprises 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, market knowledge 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, customer lists, mortgage servicing rights, fishing licences, import quotas, franchises, customer or supplier relationships, customer loyalty, market share and marketing rights.

9. Not all the items described in paragraph 8 will meet the definition of an intangible asset, that is, identifiability, control over a resource and existence of future economic benefits. If an item covered by this Statement 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 a business combination that is an acquisition, it forms part of the goodwill recognised at the date of acquisition (see paragraph 56).

Identifiability

10. The definition of an intangible asset requires that an intangible asset be identifiable to distinguish it clearly from goodwill. Goodwill arising on a business combination that is an acquisition represents a payment made by the acquirer in anticipation of future economic benefits. The future economic benefits may result from synergy between the identifiable assets acquired or from assets which, individually, do not qualify for recognition in the financial statements but for which the acquirer is prepared to make a payment in the acquisition.

11. An intangible asset can be clearly distinguished from goodwill if the asset is separable. An asset is separable if the enterprise could rent, sell, exchange or distribute the specific future economic benefits attributable to the asset without also disposing of future economic benefits that flow from other assets used in the same revenue earning activity.

12. Separability is not a necessary condition for identifiability since an enterprise may be able to identify an asset in some other way. For example, if an intangible asset is acquired with a group of assets, the transaction may involve the transfer of legal rights that enable an enterprise to identify the intangible asset. Similarly, if an internal project aims to create legal rights for the enterprise, the nature of these rights may assist the enterprise in identifying an underlying internally generated intangible asset. Also, even if an asset generates future economic benefits only in combination with other assets, the asset is identifiable if the enterprise can identify the future economic benefits that will flow from the asset.

Control

13. An enterprise controls an asset if the enterprise has the power to obtain the future economic benefits flowing from the underlying resource and also can restrict the access of others to those benefits. The capacity of an enterprise to control the future economic benefits 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 since an enterprise may be able to control the future economic benefits in some other way.

14. Market and technical knowledge may give rise to future economic benefits. An enterprise controls those benefits 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.

15. An enterprise may have a team of skilled staff and may be able to identify incremental staff skills leading to future economic benefits from training. The enterprise may also expect that the staff will continue to make their skills available to the enterprise. However, usually an enterprise has insufficient control over the expected future economic benefits arising from a team of skilled staff and from training to consider that these items 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 expected from it, and it also meets the other parts of the definition.

16. An enterprise may have a portfolio of customers or a market share and expects that, due to its efforts in building customer relationships and loyalty, the customers will continue to trade with the enterprise. However, in the absence of legal rights to protect, or other ways to control, the relationships with customers or the loyalty of the customers to the enterprise, the enterprise usually has insufficient control over the economic benefits from customer relationships and loyalty to consider that such items (portfolio of customers, market shares, customer relationships, customer loyalty) meet the definition of intangible assets.

Future economic benefits

17. The future economic benefits 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 enterprise. For example, the use of intellectual property in a production process may reduce future production costs rather than increase future revenues.

Recognition and initial measurement of an intangible asset

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

    a. definition of an intangible asset (see paragraphs 7-17); and

b. recognition criteria set out in this Statement (see paragraphs 19-55).

19. An intangible asset should be recognised if, and only if:

a. it is probable that the future economic benefits that are attributable to the asset will flow to the enterprise; and

b. the cost of the asset can be measured reliably.

20. An enterprise should assess the probability of future economic benefits 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.

21. An enterprise uses judgement to assess the degree of certainty attached to the flow of future economic benefits 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.

22. An intangible asset should be measured initially at cost.

Separate acquisition

23. If an intangible asset is acquired separately, the cost of the 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.

24. The cost of an intangible asset comprises its purchase price, including any import duties and non-refundable purchase taxes, and any directly attributable expenditure on preparing the asset for its intended use. Directly attributable expenditure includes, for example professional fees for legal services. Any trade discounts and rebates are deducted in arriving at the cost.

25. 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 SSAP 19 "Borrowing costs".

26. If an intangible asset is acquired in exchange for equity instruments of the reporting enterprise, the cost of the asset is the fair value of the equity instruments issued, which is equal to the fair value of the asset.

Acquisition as part of a business combination

27. Under SSAP 30 "Business combinations", if an intangible asset is acquired in a business combination that is an acquisition, the cost of that intangible asset is based on its fair value at the date of acquisition.

28. Judgement is required to determine whether the cost (i.e. fair value) of an intangible asset acquired in a business combination can be measured with sufficient reliability for the purpose of separate recognition. Quoted market prices in an active market provide the most reliable measurement of fair value (see also paragraph 67). 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.

29. If no active market exists for an asset, its cost reflects the amount that the enterprise would have paid, at the date of the acquisition, for the asset in an arm's length transaction between knowledgeable and willing parties, based on the best information available. In determining this amount, an enterprise considers the outcome of recent transactions for similar assets.

30. Certain enterprises that are regularly involved in the purchase and sale of unique intangible assets have developed techniques for estimating their fair values indirectly. These techniques may be used for initial measurement of an intangible asset acquired in a business combination that is an acquisition if their objective is to estimate fair value as defined in this Statement and if they reflect current transactions and practices in the industry to which the asset belongs. These techniques include, where appropriate, applying multiples reflecting current market transactions to certain indicators driving the profitability of the asset (such as revenue, market shares, operating profit, etc.) or discounting estimated future net cash flows from the asset.

31. In accordance with this Statement and the requirements in SSAP 30 for the recognition of identifiable assets and liabilities:

    a. an acquirer recognises an intangible asset that meets the recognition criteria in paragraphs 19 and 20, even if that intangible asset had not been recognised in the financial statements of the acquiree; and

    b. if the cost (i.e. fair value) of an intangible asset acquired as part of a business combination that is an acquisition cannot be measured reliably, that asset is not recognised as a separate intangible asset but is included in goodwill (see paragraph 56).

32. Unless there is an active market for an intangible asset acquired in a business combination that is an acquisition, SSAP 30 limits the cost initially recognised for the intangible asset to an amount that does not create or increase any negative goodwill arising at the date of acquisition.

Acquisition by way of a government grant

33. In some cases, an intangible asset may be acquired free of charge, or for nominal consideration, by way of a government grant. This may occur when a government transfers or allocates to an enterprise 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. An enterprise may choose to recognise both the intangible asset and the grant at fair value initially. If an enterprise chooses not to recognise the asset initially at fair value, the enterprise recognises the asset initially at a nominal amount plus any expenditure that is directly attributable to preparing the asset for its intended use.

Exchanges of assets

34. An intangible asset may be acquired in exchange or part exchange for a dissimilar intangible asset or other asset. The cost of such an item is measured at the fair value of the asset received, which is equivalent to the fair value of the asset given up, adjusted by the amount of any cash or cash equivalents transferred.

35. An intangible asset may be acquired in exchange for a similar asset that has a similar use in the same line of business and that has a similar fair value. An intangible asset may also be sold in exchange for an equity interest in a similar asset. In both cases, since the earnings process is incomplete, no gain or loss is recognised on the transaction. Instead, the cost of the new asset is the carrying amount of the asset given up. However, the fair value of the asset received may provide evidence of an impairment loss in the asset given up. Under these circumstances an impairment loss is recognised for the asset given up and the carrying amount after impairment is assigned to the new asset.

Internally generated goodwill

36. Internally generated goodwill should not be recognised as an asset.

37. In some cases, expenditure is incurred to generate future economic benefits, but it does not result in the creation of an intangible asset that meets the recognition criteria in this Statement. 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 controlled by the enterprise that can be measured reliably at cost.

38. Differences between the market value of an enterprise and the carrying amount of its identifiable net assets at any point in time may capture a range of factors that affect the value of the enterprise. However, such differences cannot be considered to represent the cost of intangible assets controlled by the enterprise.

Internally generated intangible assets

39. It is sometimes difficult to assess whether an internally generated intangible asset qualifies for recognition. It is often difficult to:

    a. identify whether, and the point of time when, there is an identifiable asset that will generate probable future economic benefits; and

    b. determine 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 enterprise'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 enterprise applies the requirements and guidance in paragraphs 40-55 below to all internally generated intangible assets.

40. To assess whether an internally generated intangible asset meets the criteria for recognition, an enterprise 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 Statement.

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

Research phase

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

43. This Statement takes the view that, in the research phase of a project, an enterprise cannot demonstrate that an intangible asset exists that will generate probable future economic benefits. Therefore,this expenditure is always recognised as an expense when it is incurred.

44. 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

45. An intangible asset arising from development (or from the development phase of an internal project) should be recognised if, and only if, an enterprise 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. Among other things, the enterprise should 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 the expenditure attributable to the intangible asset during its development reliably.

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

47. 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 that is not of a scale economically feasible for commercial production; and

    d. the design, construction and testing of a chosen alternative for new or improved materials, devices, products, processes, systems or services.

48. To demonstrate how an intangible asset will generate probable future economic benefits, an enterprise assesses the future economic benefits to be received from the asset using the principles in SSAP 31 "Impairment of assets". If the asset will generate economic benefits only in combination with other assets, the enterprise applies the concept of cash-generating units as set out in SSAP 31.

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

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

51. Internally generated brands, mastheads, publishing titles, customer lists and items similar in substance should not be recognised as intangible assets.

52. This Statement takes the view that expenditure on internally generated brands, mastheads, publishing titles, customer lists and items similar in substance cannot be distinguished from the cost of developing the business as a whole. Therefore, such items are not recognised as intangible assets.

Costs of an internally generated intangible asset

53. The cost of an internally generated intangible asset for the purpose of paragraph 22 is the sum of expenditure incurred from the date when the intangible asset first meets the recognition criteria in paragraphs 19-20 and 45. Paragraph 59 prohibits reinstatement of expenditure recognised as an expense in previous annual financial statements or interim financial reports.

54. The cost of an internally generated intangible asset comprises all expenditure that can be directly attributed, or allocated on a reasonable and consistent basis, to creating, producing and preparing the asset for its intended use. The cost includes, if applicable:

   a. expenditure on materials and services used or consumed in generating the intangible asset;

   b. the salaries, wages and other employment related costs of personnel directly engaged in generating the asset;

   c. any expenditure that is directly attributable to generating the asset, such as fees to register a legal right and the amortisation of patents and licences that used to generate the asset; and

   d. overheads that are necessary to generate the asset and that can be allocated on a reasonable and consistent basis to the asset (for example, an allocation of the depreciation of property, plant and equipment, insurance premiums and rent). Allocations of overheads are made on bases similar to those used in allocating overheads to inventories (see SSAP 22 "Inventories"). SSAP 19 "Borrowing costs" establishes criteria for the recognition of interest as a component of the cost of an internally generated intangible asset.

55. 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. clearly identified inefficiencies and initial operating losses incurred before an asset achieves planned performance; and

   c. expenditure on training staff to operate the asset.

Example illustrating paragraph 53

An enterprise is developing a new production process. During 20X5, expenditure incurred was \$1,000 of which \$900 was incurred before 1 December 20X5 and \$100 was incurred between 1 December 20X5 and 31 December 20X5. The enterprise is able to demonstrate that, at 1 December 20X5, the production process met the criteria for recognition as an intangible asset. The recoverable amount of the know-how embodied in the process (including future cash outflows to complete the process before it is available for use) is estimated to be \$500.

At the end of 20X5, the production process is recognised as an intangible asset at a cost of \$100 (expenditure incurred since the date when the recognition criteria were met, that is, 1 December 20X5). The \$900 expenditure incurred before 1 December 20X5 is recognised as an expense because the recognition criteria were not met until 1 December 20X5. This expenditure will never form part of the cost of the production process recognised in the balance sheet.

During 20X6, expenditure incurred is \$2,000. At the end of 20X6, the recoverable amount of the know-how embodied in the process (including future cash outflows to complete the process before it is available for use) is estimated to be \$1,900.

At the end of 20X6, the cost of the production process is \$2,100 (\$100 expenditure recognised at the end of 20X5 plus \$2,000 expenditure recognised in 20X6). The enterprise recognises an impairment loss of \$200 to adjust the carrying amount of the process before impairment loss (\$2,100) to its recoverable amount (\$1,900). This impairment loss will be reversed in a subsequent period if the requirements for the reversal of an impairment loss in SSAP 31 "Impairment of assets" are met.

Recognition of an expense

56. Expenditure on an intangible item should 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 18-55); or***
- ***b. the item is acquired in a business combination that is an acquisition and cannot be recognised as an intangible asset. If this is the case, this expenditure (included in the cost of acquisition) should form part of the amount attributed to goodwill (negative goodwill) at the date of acquisition (see SSAP 30 "Business combinations").***

57. In some case, expenditure is incurred to provide future economic benefits to an enterprise, but no intangible asset or other asset is acquired or created that can be recognised. In these cases, the expenditure is recognised as an expense when it is incurred. For example, expenditure on research is always recognised as an expense when it is incurred (see paragraph 42). Examples of other expenditure that is recognised as an expense when it is incurred include:

- a. expenditure on start-up activities (start-up costs), unless this expenditure is included in the cost of an item of property, plant and equipment under SSAP 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 business (pre-opening costs) or expenditures for commencing new operations or launching new products or processes (pre-operating costs);
- b. expenditure on training activities;
- c. expenditure on advertising and promotional activities;
- d. expenditure on relocating or re-organising part or all of an enterprise.

58. Paragraph 56 does not preclude recognising a prepayment as an asset when payment for the delivery of goods or services has been made in advance of the delivery of goods or the rendering of services.

Past expenses not to be recognised as an asset

59. Expenditure on an intangible item that was initially recognised as an expense by a reporting enterprise in previous annual financial statements or interim financial reports should not be recognised as part of the cost of an intangible asset at a later date.

Subsequent expenditure

60. Subsequent expenditure on an intangible asset after its purchase or its completion should be recognised as an expense when it is incurred unless:

a. it is probable that this expenditure will enable the asset to generate future economic benefits in excess of its originally assessed standard of performance; and

b. this expenditure can be measured and attributed to the asset reliably.

If these conditions are met, the subsequent expenditure should be added to the cost of the intangible asset.

61. Subsequent expenditure on a recognised intangible asset is recognised as an expense if this expenditure is required to maintain the asset at its originally assessed standard of performance. The nature of intangible assets is such that, in many cases, it is not possible to determine whether subsequent expenditure is likely to enhance or maintain the economic benefits that will flow to the enterprise from those assets. In addition, it is often difficult to attribute such expenditure directly to a particular intangible asset rather than the business as a whole. Therefore, only rarely will expenditure incurred after the initial recognition of a purchased intangible asset or after completion of an internally generated intangible asset result in additions to the cost of the intangible asset.

62. Consistent with paragraph 51, subsequent expenditure on brands, mastheads, publishing titles, customer lists and items similar in substance (whether externally purchased or internally generated) is always recognised as an expense to avoid the recognition of internally generated goodwill.

Measurement subsequent to initial recognition

Benchmark treatment

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

Allowed alternative treatment

64. After initial recognition, an intangible asset should 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 Statement, fair value should be determined by reference to an active market. Revaluation should be made with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair value at the balance sheet date.

65. The allowed alternative treatment 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 their cost.

66. The allowed alternative treatment 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 53), the allowed alternative treatment may be applied to the whole of that asset. Also, the allowed alternative treatment may be applied to an intangible asset that was received by way of a government grant and recognised at a nominal amount (see paragraph 33).

67. It is uncommon for an active market with the characteristics described in paragraph 7 to exist for an intangible asset, although this may occur. For example, in certain jurisdictions, an active market may exist for freely-transferable taxi licences, fishing licences or production quotas. 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. Finally, prices are often not available to the public.

68. 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.

69. If an intangible asset is revalued, any accumulated amortisation at the date of the revaluation is either:

a. restated proportionately with the change in the gross carrying amount of the asset so that the carrying amount of the asset after revaluation equals its revalued amount; or

b. eliminated against the gross carrying amount of the asset and the net amount restated to the revalued amount of the asset.

70. If an intangible asset is revalued, all the other assets in its class should also be revalued, unless there is no active market for those assets.

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

72. 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 should be carried at its cost less any accumulated amortisation and impairment losses.

73. 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 should 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.

74. 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 under SSAP 31 "Impairment of assets".

75. If the fair value of the asset can be determined by reference to an active market at a subsequent measurement date, the allowed alternative treatment is applied from that date.

76. If an intangible asset's carrying amount is increased as a result of a revaluation, the increase should be credited directly to equity under the heading of revaluation surplus. However, a revaluation increase should be recognised as income to the extent that it reverses a revaluation decrease of the same asset and that revaluation decrease was previously recognised as an expense.

77. If an asset's carrying amount is decreased as a result of a revaluation, the decrease should be recognised as an expense. However, a revaluation decrease should be charged directly against any related revaluation surplus to the extent that the decrease does not exceed the amount held in the revaluation surplus in respect of that same asset.

78. The cumulative revaluation surplus included in equity may be transferred directly to retained earnings 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 enterprise; 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 retained earnings is not made through the income statement.

Amortisation

Amortisation period

79. The depreciable amount of an intangible asset should be allocated on a systematic basis over the best estimate of its useful life. There is a rebuttable presumption that the useful life of an intangible asset will not exceed twenty years from the date when the asset is available for use. Amortisation should commence when the asset is available for use.

80. As the future economic benefits embodied in an intangible asset are consumed over time, the carrying amount of the asset is reduced to reflect that consumption. This is achieved by systematic allocation of the cost or revalued amount of the asset, less any residual value, as an expense over the asset's useful life. Amortisation is recognised whether or not there has been an increase in, for example, the asset's fair value or recoverable amount. Many factors need to be considered in determining the useful life of an intangible asset including:

a. the expected usage of the asset by the enterprise and whether the asset could be efficiently managed by another management team;

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

c. technical, technological 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 from the asset and the company's ability and intent 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 enterprise.

81. Given the history of rapid changes in technology, computer software and many other intangible assets are susceptible to technology obsolescence. Therefore, it is likely that their useful life will be short.

82. Estimates of the useful life of an intangible asset generally become less reliable as the length of the useful life increases. This Statement adopts a presumption that the useful life of intangible assets is unlikely to exceed twenty years.

83. In rare cases, there may be persuasive evidence that the useful life of an intangible asset will be a specific period longer than twenty years. In these cases, the presumption that the useful life generally does not exceed twenty years is rebutted and the enterprise:

a. amortises the intangible asset over the best estimate of its useful life;

b. estimates the recoverable amount of the intangible asset at least annually in order to identify any impairment loss (see paragraph 99); and

c. discloses the reasons why the presumption is rebutted and the factor(s) that played a significant role in determining the useful life of the asset (see paragraph 111(a)).

Examples

A. An enterprise has purchased an exclusive right to generate hydro-electric power for sixty years. The costs of generating hydro-electric power are much lower than the costs of obtaining power from alternative sources. It is expected that the geographical area surrounding the power station will demand a significant amount of power from the power station for at least sixty years.

The enterprise amortises the right to generate power over sixty years, unless there is evidence that its useful life is shorter.

B. An enterprise has purchased an exclusive right to operate a toll motorway for thirty years. There is no plan to construct alternative routes in the area served by the motorway. It is expected that this motorway will be in use for at least thirty years.

The enterprise amortises the right to operate the motorway over thirty years, unless there is evidence that its useful life is shorter.

84. The useful life of an intangible asset may be very long but it is always finite. 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.

85. If control over the future economic benefits from an intangible asset is achieved through legal rights that have been granted for a finite period, the useful life of the intangible asset should not exceed the period of the legal rights unless:

a. the legal rights are renewable; and

b. renewal is virtually certain.

86. There may be both economic and legal factors influencing the useful life of an intangible asset: economic factors determine the period over which future economic benefits will be received; legal factors may restrict the period over which the enterprise controls access to these benefits. The useful life is the shorter of the periods determined by these factors.

87. The following factors, among others, indicate that renewal of a legal right is virtually certain:

a. the fair value of the intangible asset does not reduce as the initial expiry date approaches, or does not reduce by more than the cost of renewing the underlying right;

b. there is evidence (possibly based on past experience) that the legal rights will be renewed; and

c. there is evidence that the conditions necessary to obtain the renewal of the legal right (if any) will be satisfied.

Amortisation method

88. The amortisation method used should reflect the pattern in which the asset's economic benefits are consumed by the enterprise. If that pattern cannot be determined reliably, the straight-line method should be used. The amortisation charge for each period should be recognised as an expense unless another Statement of Standard Accounting Practice permits or requires it to be included in the carrying amount of another asset.

89. 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 unit of production method. The method used for an asset is selected based on the expected pattern of consumption of economic benefits and is consistently applied from period to period, unless there is a change in the expected pattern of consumption of economic benefits to be derived from that asset. There will rarely, if ever, be persuasive evidence to support an amortisation method for intangible assets that results in a lower amount of accumulated amortisation than under straight-line method.

90. Amortisation is usually recognised as an expense. However, sometimes, the economic benefits embodied in an asset are absorbed by the enterprise in producing other assets rather than giving rise to an expense. In these cases, the amortisation charge forms 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 SSAP 22 "Inventories").

Residual value

91. The residual value of an intangible asset should be assumed to be zero unless:

a. there is a commitment by a third party to purchase 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.

92. The depreciable amount of an asset is determined after deducting its residual value. A residual value other than zero implies that an enterprise expects to dispose of the intangible asset before the end of its economic life.

93. If the benchmark treatment is adopted, the residual value is estimated using prices prevailing at the date of acquisition of the asset, for the sale of a similar asset that has reached the end of its estimated useful life and that has operated under conditions similar to those in which the asset will be used. The residual value is not subsequently increased for changes in prices or value. If the allowed alternative treatment is adopted, a new estimate of residual value is made at the date of each revaluation of the asset using prices prevailing at that date.

Review of amortisation period and amortisation method

94. The amortisation period and the amortisation method should be reviewed at least at each financial year end. If the expected useful life of the asset is significantly different from previous estimates, the amortisation period should be changed accordingly. If there has been a significant change in the expected pattern of economic benefits from the asset, the amortisation method should be changed to reflect the changed pattern. Such changes should be accounted for as changes in accounting estimates under SSAP 2 "Net profit or loss for the period, fundamental errors and changes in accounting policies", by adjusting the amortisation charge for the current and future periods.

95. During the life of an intangible asset, it may become apparent that the estimate of its useful life is inappropriate. For example, the useful life may be extended by subsequent expenditure that improves the condition of the asset beyond its originally assessed standard of performance. Also, the recognition of an impairment loss may indicate that the amortisation period needs to be changed.

96. Over time, the pattern of future economic benefits expected to flow to an enterprise 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 business plan. In this case, economic benefits that flow from the asset may not be received until later periods.

Recoverability of the carrying amount - impairment losses

97. To determine whether an intangible asset is impaired, an enterprise applies SSAP 31 "Impairment of assets". That Statement explains how an enterprise reviews the carrying amount of its assets, how it determines the recoverable amount of an asset and when it recognises or reverses an impairment loss.

98. Under SSAP 30 "Business combinations" if an impairment loss occurs before the end of the first annual accounting period commencing after acquisition for an intangible asset acquired in a business combination that was an acquisition, the impairment loss is recognised as an adjustment to both the amount assigned to the intangible asset and the goodwill (negative goodwill) recognised at the date of acquisition. However, if the impairment loss relates to specific events or changes in circumstances occurring after the date of acquisition, the impairment loss is recognised under SSAP 31 and not as an adjustment to the amount assigned to the goodwill (negative goodwill) recognised at the date of acquisition.

99. In addition to the following requirements included in SSAP 31 "Impairment of assets", an enterprise should estimate the recoverable amount of the following intangible assets at least at each financial year end, even if there is no indication that the asset is impaired:

a. an intangible asset that is not yet available for use; and

b. an intangible asset that is amortised over a period exceeding twenty years from the date when the asset is available for use.

The recoverable amount should be determined under SSAP 31 and impairment losses recognised accordingly.

100. The ability of an intangible asset to generate sufficient future economic benefits to recover its cost is usually subject to great uncertainty until the asset is available for use. Therefore, this Statement requires an enterprise to test for impairment, at least annually, the carrying amount of an intangible asset that is not yet available for use.

101. It is sometimes difficult to identify whether an intangible asset may be impaired because, among other things, there is not necessarily any obvious evidence of obsolescence. This difficulty arises particularly if the asset has a long useful life. As a consequence, this Statement requires, as a minimum, an annual calculation of the recoverable amount of an intangible asset if its useful life exceeds twenty years from the date when it becomes available for use.

102. The requirement for an annual impairment test of an intangible asset applies whenever the current total estimated useful life of the asset exceeds twenty years from when it became available for use. Therefore, if the useful life of an intangible asset was estimated to be less than twenty years at initial recognition, but the useful life is extended by subsequent expenditure to exceed twenty years from when the asset became available for use, an enterprise performs the impairment test required under paragraph 99(b) and also makes the disclosure required under paragraph 111(a).

Retirements and disposals

103. An intangible asset should be derecognised (eliminated from the balance sheet) on disposal or when no future economic benefits are expected from its use and subsequent disposal.

104. Gains or losses arising from the retirement or disposal of an intangible asset should be determined as the difference between the net disposal proceeds and the carrying amount of the asset and should be recognised as income or expense in the income statement.

105. If an intangible asset is exchanged for a similar asset under the circumstances described in paragraph 35, the cost of the acquired asset is equal to the carrying amount of the asset disposed of and no gain or loss results.

106. An intangible asset that is retired from active use and held for disposal is carried at its carrying amount at the date when the asset is retired from active use. At least at each financial year end, an enterprise tests the asset for impairment under SSAP 31 "Impairment of assets" and recognises any impairment loss accordingly.

Disclosure

General

107. The financial statements should disclose the following for each class of intangible assets, distinguishing between internally generated intangible assets and other intangible assets:

- ***a. the useful lives or the amortisation rates used;***
- ***b. the amortisation methods used;***
- ***c. the gross carrying amount and the accumulated amortisation (aggregated with accumulated impairment losses) at the beginning and end of the period;***
- ***d. the line item(s) of the income statement in which the 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 and through business combinations;***
  - ***ii. retirements and disposals;***

iii. ***increases or decreases during the period resulting from revaluations under paragraphs 64, 76 and 77 and from impairment losses recognised or reversed directly in equity under SSAP 31 "Impairment of assets" (if any);***

iv. ***impairment losses recognised in the income statement during the period under SSAP 31 (if any);***

v. ***impairment losses reversed in the income statement during the period under SSAP 31 (if any);***

vi. ***amortisation recognised during the period;***

vii. ***net exchange differences arising on the translation of the financial statements of a foreign entity; and***

viii. ***other changes in the carrying amount during the period.***

Comparative information is not required.

108. A class of intangible assets is a grouping of assets of a similar nature and use in an enterprise's operations. Examples of separate classes may include:

a. brand names;

b. mastheads and publishing titles;

c. computer software;

d. licences and franchises;

e. copyrights, patents and other industrial property rights, service and operating rights;

f. recipes, formulae, models, designs and prototypes; and

g. intangible assets under development.

The classes mentioned above are disaggregated (aggregated) into smaller (larger) classes if this results in more relevant information for the users of the financial statements.

109. An enterprise discloses information on impaired intangible assets under SSAP 31 in addition to the information required by paragraph 107(e)(iii) to (v).

110. An enterprise discloses the nature and effect of a change in an accounting estimate that has a material effect in the current period or that is expected to have a material effect in subsequent periods, under SSAP 2 "Net profit or loss for the period, fundamental errors and changes in accounting policies". Such disclosure may arise from changes in:

a. the amortisation period;

b. the amortisation method; or

c. residual values.

111. The financial statements should also disclose:

a. if an intangible asset is amortised over more than twenty years, the reasons why the presumption that the useful life of an intangible asset will not exceed twenty years from the date when the asset is available for use is rebutted. In giving these reasons, the enterprise should describe the factor(s) that played a significant role in determining the useful life of the asset;

b. ***a description, the carrying amount and remaining amortisation period of any individual intangible asset that is material to the financial statements of the enterprise as a whole;***

c. ***for intangible assets acquired by way of a government grant and initially recognised at fair value (see paragraph 33):***

i. ***the fair value initially recognised for these assets;***

ii. ***their carrying amount; and***

iii. ***whether they are carried under the benchmark or the allowed alternative treatment for subsequent measurement;***

d. ***the existence and carrying amounts of intangible assets whose title is restricted and the carrying amounts of intangible assets pledged as security for liabilities; and***

e. ***the amount of commitments for the acquisition of intangible assets.***

112. When an enterprise describes the factor(s) that played a significant role in determining the useful life of an intangible asset that is amortised over more than twenty years, the enterprise considers the list of factors in paragraph 80.

Intangible assets carried under the allowed alternative treatment

113. If intangible assets are carried at revalued amounts, the following should be disclosed:

a. ***by class of intangible assets:***

i. ***the effective date of the revaluation;***

ii. ***the carrying amount of revalued intangible assets; and***

iii. ***the carrying amount that would have been included in the financial statements had the revalued intangible assets been carried under the benchmark treatment in paragraph 63; and***

b. ***the amount of the revaluation surplus that relates to intangible assets at the beginning and end of the period, indicating the changes during the period and any restrictions on the distribution of the balance to shareholders.***

114. 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 benchmark and allowed alternative treatments for subsequent measurement.

Research and development expenditure

115. The financial statements should disclose the aggregate amount of research and development expenditure recognised as an expense during the period.

116. Research and development expenditure comprises all expenditure that is directly attributable to research or development activities or that can be allocated on a reasonable and consistent basis to such activities (see paragraphs 54-55 for guidance on the type of expenditure to be included for the purpose of the disclosure requirement in paragraph 115).

Other information

117. An enterprise is encouraged, but not required, to give 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 enterprise but not recognised as assets because they did not meet the recognition criteria in this Statement or because they were acquired or generated before this Statement was effective.

Transitional provisions

118. At the date when this Statement becomes effective (or at the date of adoption, if earlier), it should be applied as set out in the following tables. In all cases other than those detailed in these tables, this Statement should be applied retrospectively, unless it is impracticable to do so.

119. The tables below require retrospective applications whenever this is necessary to eliminate an item that no longer qualifies for recognition under this Statement or if the previous measurement of an intangible asset contradicted the principles set out in this Statement (for example, intangible assets that have never been amortised or that have been revalued but not by reference to an active market). In other cases, prospective application of the recognition and amortisation requirements is required or, in some cases, permitted.

<table>
<tr><td colspan="2">Transitional Provisions -Recognition</td></tr>
<tr><td>Circumstances</td><td>Requirements</td></tr>
<tr><td colspan="2">1. An intangible item was recognised as a separate asset - whether or not described as an intangible asset - and, at the effective date of this Statement (or at the date of adoption of this Statement, if earlier), the item does not meet the definition of, or recognition criteria for, an intangible asset.</td></tr>
<tr><td>(a) The item was acquired in a business combination that was an acquisition.</td><td>(i) Re-allocate the item to the goodwill (negative goodwill) resulting from the same acquisition; and

(ii) adjust the goodwill (negative goodwill) recognised at the date of acquisition retrospectively, as if the item had always been included in the goodwill (negative goodwill) recognised at the date of acquisition. For example, if the goodwill was recognised as an asset and amortised, estimate the accumulated amortisation that would have been recognised, had the item been included in the goodwill recognised at the date of acquisition, and adjust the carrying amount of the goodwill accordingly.</td></tr>
<tr><td>(b) The item was not acquired in a business combination that was an acquisition (for example, it was purchased separately or generated internally).</td><td>Derecognise the item (eliminate it from the balance sheet).</td></tr>
</table>

Transitional Provisions - Recognition (continued)	
Circumstances	***Requirements***
2. An intangible item was recognised as a separate asset - whether or not described as an intangible asset - and, at the effective date of this Statement (or at the date of adoption of this Statement, if earlier), the item meets the definition of, and recognition criteria for, an intangible asset.	
(a) The asset was recognised initially at cost.	***Classify the asset as an intangible asset. The cost initially recognised for the asset is deemed to have been properly determined. See transitional provisions for subsequent measurement and amortisation under circumstances 4 and 5 below.***
(b) The asset was recognised initially at an amount other than cost.	***(i) Classify the asset as an intangible asset; and*** ***(ii) re-estimate the carrying amount of asset at cost (or revalued amount, after initial recognition at cost) less accumulated amortisation, determined under this Statement.*** ***If the cost of the intangible asset cannot be determined, derecognise the asset (eliminate it from the balance sheet).***

<table>
<tr><th colspan="2">Transitional Provisions - Recognition (continued)</th></tr>
<tr><th>Circumstances</th><th>Requirements</th></tr>
<tr><td colspan="2">3. At the effective date of this Statement (or at the date of adoption of this Statement, if earlier), an item meets the definition of, and recognition criteria for, an intangible asset but it was not previously recognised as an asset.</td></tr>
<tr><td>(a) The intangible asset was acquired in a business combination that was an acquisition and formed part of the goodwill recognised.</td><td>Recognition of the intangible asset is encouraged, but not required. If the intangible asset is recognised:

(i) measure the carrying amount of the asset at cost (or revalued amount) less accumulated amortisation determined under this Statement; and

(ii) adjust the goodwill recognised at the date of acquisition retrospectively, as if the intangible asset had never been included in the goodwill recognised at the date of acquisition. For example, if the goodwill was recognised as an asset and amortised, estimate the effect on the accumulated amortisation of the goodwill of distinguishing the intangible asset separately and adjust the carrying amount of the goodwill accordingly.</td></tr>
<tr><td>(b) The intangible asset was not acquired in a business combination that was an acquisition (for example it was purchased separately or generated internally).</td><td>The intangible asset should not be recognised.</td></tr>
</table>

Transitional Provisions - Recognition (continued)	
Circumstances	***Requirements***
4. The asset was not previously amortised or the amortisation charge was deemed to be nil.	***Restate the carrying amount of the asset as if the accumulated amortisation had always been determined under this Statement.***
5. The asset was previously amortised. Accumulated amortisation determined under this Statement is different to that previously determined (because theamortisation period and/or the amortisation method is different).	***Do not restate the carrying amount of the intangible asset for any difference between the accumulated amortisation in prior years and that calculated under this Statement. Amortise any carrying amount of the asset over its remaining useful life determined under this Statement (i.e. any change is treated as a change in accounting estimate - see paragraph 94).***
6. An intangible asset was carried at a revalued amount not determined by reference to an active market:	
(a) There is an active market for the asset.	***The asset should be revalued by reference to this active market at the effective date of this Statement (or at the date of adoption of this Statement, if earlier).***
(b) There is no active market for the asset.	***(i) Eliminate the effect of any revaluation; and (ii) measure the carrying amount of the asset at cost less accumulated amortisation, determined under this Statement.***

120. The effect of adopting this Statement on its effective date (or earlier) should be recognised under SSAP 2 "Net profit or loss for the period, fundamental errors and changes in accounting policies", that is, as an adjustment to the opening balance of retained earnings of the earliest period presented.

121. In the first annual financial statements issued under this Statement, an enterprise should disclose the transitional provisions adopted where transitional provisions under this Statement permit a choice.

Effective date

122. The accounting practices set out in this Statement should be regarded as standard in respect of financial statements relating to periods beginning on or after 1 January 2001. Earlier adoption is encouraged but not required. If an enterprise applies this Statement for financial statements covering periods beginning before 1 January 2001, the enterprise should:

a. disclose that fact; and

b. adopt SSAP 30 "Business combinations" and SSAP 31 "Impairment of assets" at the same time.

123. This Statement supersedes SSAP 16 "Research and development costs".

Notes on legal requirements in Hong Kong

124. The references to "the Schedule" below are to the Tenth Schedule to the Companies Ordinance.

125. Paragraph 9(1)(b) of the Schedule requires the disclosure of the unamortised balances on patents and trademarks either as separate items or aggregated with any unamortised balance of goodwill. This requirement applies whether the patents and trademarks are carried as balances in the books or can only be ascertained from contracts or documents.

126. The amortisation treatment involves the allocation of the depreciable amount of an intangible asset over the best estimate of its useful life and can be regarded as depreciation within the meaning of the Schedule. Therefore, the disclosure requirements of paragraph 13(1)(a) of the Schedule apply and the amount charged to revenue for amortisation of an intangible asset should be disclosed.

Compliance with International Accounting Standards

127. Paragraph 11 of SSAP 14 "Leases" provides that a leasehold interest in land that receives all the risks and rewards incident to ownership is to be accounted for in accordance with SSAP 13 "Accounting for investment properties" or SSAP 17 "Property, plant and equipment" as appropriate. This Statement takes the view that a land use right that receives all the risks and rewards incident to ownership is analogous to a leasehold interest in land and therefore such a right is also to be accounted for in accordance with SSAP 13 or SSAP 17, as appropriate, instead of this Statement. Except for the above, compliance with this Statement ensures compliance with International Accounting Standard IAS 38 "Intangible assets".

Appendix

Changes from International Accounting Standard 38 "Intangible assets"

The purpose of this appendix is to summarise the major changes made to the equivalent International Accounting Standard when adopting it in Hong Kong and the reasons for such changes. It does not form part of the standards and should be read in the context of the full text of the Statement.

Changes	Reasons for the Changes
(i) <u>SSAP 29 Para 2 vs IAS 38 Para 2</u> 1. Assets arising from employee benefits as covered by IAS 19 "Employee benefits" and financial assets as defined in IAS 32 "Financial instruments: Disclosure and presentation" are deleted from the examples of the types of intangible assets that are dealt with by a specific SSAP rather than this Statement.	There is no SSAP equivalent to IAS 19. There is also no SSAP that deals with certain financial assets as defined in IAS 32 that are intangible in nature.
2. "Leasehold interests and land use rights that are accounted for in accordance with SSAP 13 or SSAP 17 (see paragraph 11 of SSAP 14)" is added to the examples of the types of intangible assets that are dealt with by a specific SSAP rather than this Statement.	As provided in SSAP 14 "Leases", a leasehold interest in land that receives all the risks and rewards incident to ownership is to be accounted for in accordance with SSAP 13 or SSAP 17 as appropriate. This Statement takes the position that a land use right that receives all the risks and rewards incident to ownership is analogous to a leasehold interest in land and thus such a right is also to be accounted for in accordance with SSAP 13 or SSAP 17, as appropriate, instead of this Statement.
(ii) <u>SSAP 29 Para 33 vs IAS 38 Para 33</u> A cross-reference to IAS 20 "Accounting for government grants and disclosure of government assistance" is deleted.	There is no SSAP equivalent to IAS 20.