IASB® meeting

Date	**April 2024**
Project	**Intangible Assets**
Topic	**Project commencement**
Contacts	Tim Craig (tcraig@ifrs.org)

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Purpose and structure

1. The purpose of this paper is to provide the International Accounting Standards Board (IASB) with an overview of the initial work we plan to undertake in the Intangible Assets project.

2. The paper is structured as follows:

    (a)   Initial work;

    (b)   Question for the IASB;

    (c)   Appendix A—Possible project topics; and

    (d)   Appendix B—Possible project approaches.

Initial work

3. As explained in Agenda Paper AP17 (see paragraphs 5–10 of that paper) the IASB decided to add to the research pipeline a project on intangible assets that would comprehensively review the accounting requirements for intangible assets. The project will now move from the research project pipeline to the research work plan.

The initial research in the project will seek to identify the scope of the project[1] and how best to stage work on this topic to deliver timely improvements to IFRS Accounting Standards.

4. We are aware of several national standard-setters (NSS) that have conducted research on the topic of intangible assets. There is also academic research in this area. We have summarised this research in Agenda Paper AP17A (NSS research) and Agenda Paper AP17B (academic research).

5. We have used the evidence from the research, together with the feedback received in the Third Agenda Consultation (see paragraphs 5–13 of Agenda Paper 17), to identify topics that the IASB might explore in this project (see Appendix A). Although the list of topics is not meant to be exhaustive, and the topics are intentionally broad, we think they will help the IASB (and stakeholders) to begin to consider the scope of the project and how best to stage the work.

6. We have also provided three possible approaches to staging the work and some brief initial analysis of those approaches (see Appendix B). The list of approaches is not meant to be exhaustive—there are other approaches that the IASB could decide to follow—but they are intended to facilitate discussion and obtain feedback to help inform the IASB's (and stakeholders') initial consideration of how to stage the work.

7. In our initial research on the scope of the project and how best to stage work on the topic, we will hold discussions with the IASB's consultative bodies and other external stakeholder groups and organisations using information based on Appendix A and B. We will request feedback on:

    (a) whether the topics identified are sufficient to inform the IASB's initial consideration of the scope of the project, and whether there are other topics that should form part of the initial consideration of the scope of the project;

    (b) which of the topics the IASB should prioritise;

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[1] This includes the topics that the IASB explores when it comprehensively reviews IAS 38 *Intangible Assets* and the intangible items that it considers in the project.

(c)   which approach would best respond to the concerns stakeholders have raised and would allow more timely progress; and

(d)   whether there are other approaches the IASB should consider in deciding how to stage the work.

8.   Stakeholders have identified connections between a project on intangible assets and other projects on the IASB's work plan or prospective work plan, for example Management Commentary and Pollutant Pricing Mechanisms, and with the work of the International Sustainability Standards Board (ISSB). We will consider these connections and how best to incorporate these connections in the project.

9.   At a future meeting, we will present the feedback from these consultative activities, analysis of the possible approaches to stage the work and a tentative project plan.

Question for the IASB
Does the IASB have any comments or questions on our plans for initial research on the scope of the project and how best to stage the work?

Appendix A—Possible project topics

A1.   We reviewed the feedback from the Third Agenda Consultation (see Agenda Paper AP17), feedback highlighted by the NSS in their research (see Agenda Paper AP17A) and the evidence from academic research (see Agenda Paper AP17B).

A2.   Based on the perceived shortcomings with the accounting for intangible assets that this research highlighted, we have identified topics that the IASB might explore in the project. We have grouped those topics into five broad categories:

(a)   Scope:[2]

(i)   Should the project consider only financial statement elements—assets and expenses arising from expenditure on intangible items—or should the project aim to address intangible items, and the information about them, more broadly?

(ii)   Should the project consider intangible assets that are outside the scope of IAS 38 *Intangible Assets* (for example, exploration and evaluation assets or goodwill)?

(iii)   Should intangible assets held for investing (for example, cryptocurrencies and emission rights) be included in the scope of the project and IAS 38?

(b)   Definition of an intangible asset:

(i)   What are the properties of intangible assets?

(ii)   Should the definition of an intangible asset, and the associated guidance, be updated for the revisions to the *Conceptual Framework for Financial Reporting*?

(iii)   Is there a need to develop more consistent labels and terminology?

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[2] This includes questions about the scope of IAS 38 *Intangible Assets* and about which intangible items to include in the scope of the project.

(iv) Do specific practice issues arising from applying the definition of an intangible asset, and the associated guidance, suggest a need to revise the definition—for example, issues related to software as a service arrangements and the view that improvements are needed to IAS 38 in the context of intangible asset arrangements linked to digitisation, particularly to clarify what is the underlying resource that an entity needs to demonstrate control of?[3]

(c) Recognition:

(i) Are the recognition criteria in IAS 38 still appropriate?

1. Do the properties of intangible assets justify specific recognition criteria for intangible assets?

2. Should the recognition criteria be updated to reflect new types of intangible resources and new ways entities are accessing and using intangible resources?

3. Should the recognition criteria be updated for the revisions to the *Conceptual Framework for Financial Reporting*?

(ii) Should the prohibitions in IAS 38 be reconsidered—for example, in paragraph 63 of IAS 38 expenditure on internally generated brands, mastheads, publishing titles, customer lists and items similar in substance shall not be recognised as intangible assets?

(iii) Should there be a recognition difference between acquired intangible assets and internally generated intangible assets, and how could the IASB help comparisons between entities that grow organically and those that grow through acquisition?

(iv) Should the recognition criteria for intangible assets acquired as part of a business combination be amended?

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[3] See Agenda Paper 12A to the IASB's April 2021 meeting which considered the IFRS Interpretations Committee's Agenda Decision *Configuration or Customisation Costs in a Cloud Computing Arrangement (IAS 38)*.

(d)   Measurement:

    (i)   Can the cost of internally generated intangible assets be reliably measured?

    (ii)   Is it necessary for the fair value of intangible assets that are accounted for using the revaluation model to be measured by reference to an active market?

    (iii)   Because intangible assets often work together with other assets to generate value, can a fair value be linked to a specific intangible asset?

(e)   Disclosure requirements:

    (i)   What information about recognised and unrecognised intangible assets do users of financial statements need? Where should the information be disclosed—financial statements or management commentary?

    (ii)   Should requirements be developed to disaggregate particular expenses that are associated with unrecognised intangible assets?

    (iii)   Should disclosure of qualitative and quantitative information about intangible resources that are sources of an entity's value be required? Where should the information be disclosed—financial statements or management commentary?

Appendix B—Possible project approaches

B1.   We have developed three possible approaches to staging the work. Although not an exhaustive list of approaches, we think these alternatives highlight the main items that could be performed differently when the IASB decides on how to stage work in the project.

B2.   We consider each approach to represent a comprehensive review of the accounting requirements for intangible assets.

B3.   For each approach, we have provided a brief initial discussion of its possible advantages and disadvantages.

B4.   We have provided this information to help stimulate feedback from stakeholders on the different ways the IASB could approach this project. We will perform a full analysis of the different approaches once we have collected feedback from stakeholders.

B5.   The scope of the project is not considered in these approaches—the IASB would need to make the same scoping decision whichever approach the IASB decides to take for this project.

Project approach	Description	Pros	Cons
1 All-in-one[4]	All topics identified by stakeholders further researched by the IASB to identify underlying problems and, if feasible, potential solutions. IASB's preliminary views consulted upon in a single due process document (most likely a discussion paper).	- All topics further researched – less risk of not identifying an improvement to IFRS Accounting Standards. - Easier to consider the interaction between topics.	- Significant amount of time until improvements to IFRS Accounting Standards implemented. - Resource may be expended on topics that ultimately do not result in improvements to IFRS Accounting Standards.
2 Early evaluation[5]	Initial outreach used to assign priorities to the topics identified by stakeholders. Only topics that meet a specified threshold explored further in the project. Identifying topics to explore further could be based on urgency, prevalence, likelihood of feasible solution,	- Improvements made on a timelier basis. - High priority topics dealt with – efficient use of IASB and stakeholder resources.	- Not all stakeholders' concerns further researched. - May not meet stakeholders' expectations of a comprehensive review of the

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[4] Most projects follow this approach. All topics are considered together by the IASB and all the IASB's decisions are published in a discussion paper or exposure draft and, following redeliberation, a final Accounting Standard or amendment is issued. Although sequencing of the discussion of topics would occur (so that topics are tackled in a logical order), consultative documents are only published, and a new Accounting Standard or amendment is only issued, once all topics have been fully considered.

[5] During the lifecycle of all projects, the IASB will decide which topics to pursue standard-setting for based on several factors (pervasiveness, prevalence, feasibility of a standard-setting solution, and so on). In this approach, the IASB performs that task at an earlier stage in the project based on stakeholder feedback collected at that point.

Project approach	Description	Pros	Cons
	likelihood of benefits outweighing costs and so on. Topics meeting the threshold further researched by the IASB to identify underlying problems and, if feasible, potential solutions. IASB's decisions on all topics researched consulted upon in a single due process document.	• Other topics could be investigated later if sufficient stakeholder demand.	accounting for intangible assets. • Time and resources spent on prioritising topics – might be more than expected if consensus is difficult to achieve. • Risk of not pursuing a topic that should be explored because of simplicity of the process – for example, a topic might not be explored on the basis that it is unlikely a feasible solution can be developed, but further research might have identified a feasible solution.

Project approach	Description	Pros	Cons
			• Developing a solution for a topic that is ring-fenced could be complex.
3 Phased[6]	For example, based on the feedback and research collected to date, the IASB could focus initially only on improving the information entities disclose about (recognised and unrecognised) intangible items. IASB's decisions on disclosure requirements consulted upon in a due process document. Other topics explored and consulted upon in separate and later due process document(s) after improved disclosure requirements issued.	• Improvements made expediently for the topic that users of financial statements appear to have identified as the most likely to satisfy their needs. • All topics eventually explored. • Information from the research on disclosure requirements may inform research on other topics.	• Not all stakeholders may agree that the priority is disclosure. • There may also be more than one high priority topic. • Risk that disclosure requirements have to be reconsidered when other topics are considered. • Completion of the whole project will take longer than 'all-in-one' approach because

[6] The project is split into phases with particular topics (for example, disclosure, recognition and measurement, and so on) considered by the IASB in different phases. Phase one completed (issuing a new Accounting Standard or amendment for the topics in that phase) before moving on to phase two, and so on. Although, with more project resource, phases could be worked on concurrently (as was the case for IFRS 9 *Financial Instruments*), this has not been specifically considered because the ability to work on topics concurrently is equally applicable to the other approaches—the more resource allocated to the project, the greater the scope there is for working on topics concurrently whichever approach is followed.

Project approach	Description	Pros	Cons
			of the need for multiple due process documents. • Some stakeholders may lose interest in the project after the first phase if the first phase deals with their biggest concerns.