
Accounting Standards Advisory Forum meeting

Date **December 2025**

Project **Intangible Assets**

Topic **Understanding user information needs**

Contacts **Ana Simpson** (asimpson@ifrs.org)
 Jelena Voilo (jvoilo@ifrs.org)
 Tim Craig (tcraig@ifrs.org)

This paper has been prepared for discussion at a public meeting of the Accounting Standards Advisory Forum (ASAF). This paper does not represent the views of the International Accounting Standards Board (IASB) or any individual IASB member. Any comments in the paper do not purport to set out what would be an acceptable or unacceptable application of IFRS® Accounting Standards. The IASB's technical decisions are made in public and are reported in the IASB® *Update*.
Copyright © 2025 IFRS Foundation. All rights reserved.

Purpose of this session

In October 2025, ASAF provided advice on one of the initial research streams of the Intangible Assets project—potential changes to some aspects of the definition and recognition requirements (slide 20 in the Appendix).



The focus of this session is on the second initial research stream—information needs of users of financial statements (users). The IASB is interested in what you have heard from users in your jurisdiction about:

- their information needs in relation to information about recognised and unrecognised intangible assets and expenditure associated with them¹, in particular whether and how those needs differ **by sector or type of intangible asset** (slides 6–14); and
- any specific information needs related to **newer types of intangible assets** and new ways of using them (slides 15–16).

We understand that it may not be realistic for you to get input from users in all intangibles-heavy sectors or cover the whole range of intangible asset types. It would be helpful if in your responses to the questions on slides 3–5 you could specify whether your comments are relevant to a specific sector(s) or type(s) of intangible assets.

¹ In the rest of the slide deck we refer to ‘recognised and unrecognised intangible assets and associated expenditure’ as ‘intangible assets’. The term ‘intangible items’ is used to refer to a broader set of intangible resources including items that are not intangible assets such as human capital.

Questions for ASAF members (1/3)

We are planning to run the session in three blocks—we have indicated the themes and expected timings in **bold blue font**.

User information needs related to intangible assets (slides 6–14)

Current sources of information (20 minutes)

1. If users in your jurisdiction mentioned a significant variation in the level of information in annual reports about intangible assets, for which sectors / asset types are users most / least satisfied with the information provided by companies and why?
 2. Do our initial findings on information currently provided by companies (slides 12–13) reflect the experience of users in your jurisdiction? Where do users currently get most of the information they need to understand and value a company's intangible activity from? What role do the financial statements play in providing the information users need today?
-

Questions for ASAF members (2/3)

User information needs related to intangible assets (slides 6–14)

Focus of the session – improvements to information in financial statements (45 min)

3. If users in your jurisdiction mentioned a lack of information that significantly hinders their analysis, what information about intangible assets is missing? Did they provide any suggestions on what the IASB could do to improve the usefulness of information about intangible assets in **financial statements**? For example:
 - a. is more disaggregated information as suggested on slide 14 needed and why?
 - b. what expenditure related to intangible assets do users want to have more information about and why?
 - c. is any other information missing in the financial statements that users need to understand how intangible assets contribute to a company's value creation?
 4. Is there information in the financial statements that users find unhelpful for their analysis or information that they ignore—for example, is the distinction between capitalised development costs and research expenses helpful, unhelpful or of little interest?
-

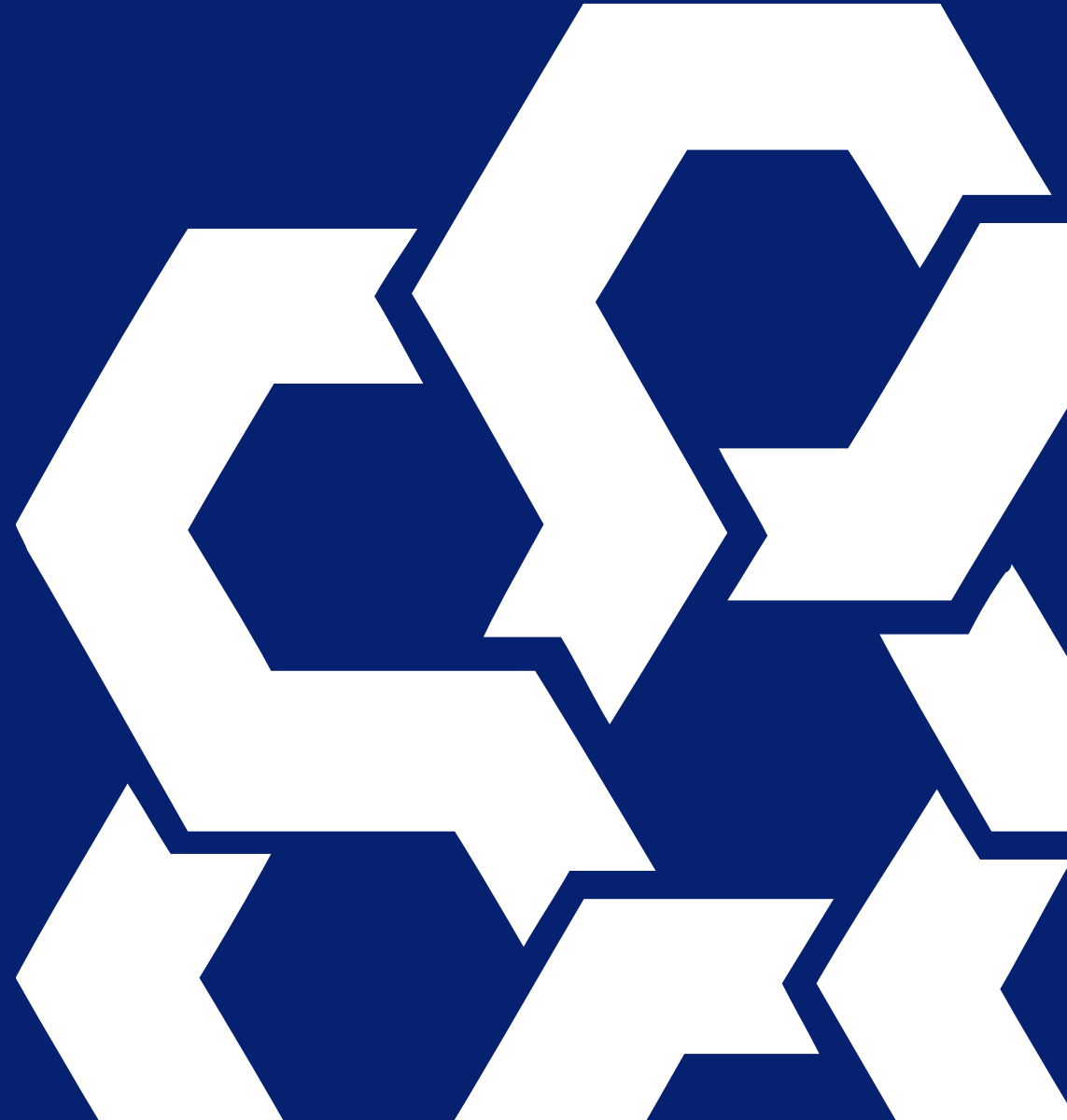
Questions for ASAF members (3/3)

Information needs related to newer types of intangible assets and new ways of using them (slide 16)

Modernising the Standard (20 minutes)

5. Did users in your jurisdiction identify significant deficiencies in information provided by companies about newer types of intangible assets and new ways of using them such as cloud computing arrangements, agile software development, AI and data resources? If so, did they have any suggestions on what the IASB could do to improve the usefulness of information about newer types of intangible assets in **financial statements**?
-

User information needs



User information needs and the role of financial statements

Financial statements (and therefore IFRS Accounting Standards) seek to provide their users with:

- financial information to make decisions
- inputs into their financial analysis

However, there is a **financial reporting gap**:²

Financial statements show:

- History
- Cost
- Inventory of items / transactions
- Size

What really matters to users:

- Future
- Value
- Information
- Competitive advantage

In the Intangible Assets project we aim to explore how **financial statements** could help meet user information needs:

- this work is anchored in the objective of financial statements and focuses on information about a company's assets, liabilities, equity, income and expenses
- financial statements cannot provide all the information users need about intangible assets. Some of the other information users need might be found in other reports or alternative data sources

² Source: <https://blogs.cfainstitute.org/investor/2018/08/27/franchise-quality-score-a-metric-for-intangibles/>

Initial feedback from users



Users rated a project on Intangible Assets as **high priority**

Financial statements are the most **important source** of information about intangible assets

But financial statements provide **insufficient information** about intangible assets

Users provided **wide range of suggestions** for information they would find useful – **no prevalent theme**

Many users **adjust financial statements** in relation to intangible assets. Their reasons vary, including:

- better reflecting their view of economic performance of the business
- adjusting because of insufficient information about intangible assets

Users are primarily concerned about the role **intangible assets** play **as an input** into **how a business creates value** rather than as an output used for valuation

See [Agenda Paper 17C](#) for the IASB's February 2025 meeting for more information

Exploring user information needs further

Companies use wide range of intangible items to create value and generate cash flows:

- Brands
- Customer relationships
- Patents
- Intellectual property (IP) and licenses
- Software
- Research and development (R&D)
- Data
- Human capital
- Franchise agreements
- Musical works

How and why do user
information needs vary?

Clear message from initial outreach—must consider user information needs:



by sector



by type of intangible item

Staff's desktop research

Purpose

- The purpose of research is to support discussions with users. In particular, we aim:
 - to present an overview of information about intangible assets that is currently provided in annual reports by companies in the intangibles-heavy sectors
 - to draw inferences on what **financial statement** information might be useful to users and test these inferences with users

Scope

- The staff have been reviewing samples of companies' annual reports from:
 - healthcare and technology sectors (completed)
 - consumer cyclicals and non-cyclicals and industrials (in progress)
- For each sector, the sample includes:
 - companies from various industries within the sector
 - companies of different sizes and different lifecycle stages
 - companies from different geographical regions

Limitations

- Each sample is limited in scope and may not fully capture the diversity of information about intangible assets provided by companies in each sector
- However, this research is meant to provide only preliminary insights and a starting point for discussions with users

What we expect user information needs to be

- Companies' 'intangible' activity aims to create value for the business—for example, by developing new products or maintaining demand for existing products—and can be represented by various intangible assets and associated expenditure (see slide 9) in the financial statements.
- We do not think users want to know about those different types of intangible assets specifically but instead want to know about the **creation of value** holistically. For example, users may be interested in assessing the **benefits generated by intangible assets and how they contribute towards the attractiveness of the business** from a competitive and long-term success standpoint.

Illustrations: Users focus on **benefits** companies derive from intangible assets rather than the intangible assets themselves, for example:



Findings to date (1/2)

Our earlier outreach with users and desktop research performed to date³ suggest that:

- **Much of the information** about intangible assets is provided in the **narrative sections** of annual reports.⁴ Observations include the following:
 - **granularity and type** of information varies by company size, lifecycle stage and the nature of intangible assets. For example, larger companies often tend to provide more narrative about intangible assets but less product-specific detail due to portfolio size and diversity; less established companies often provide more product-specific information and discuss product development and strategy for growing the market
 - most information about intangible assets is **qualitative**, focusing on descriptions of main existing and potential products lines
 - most companies explain developments in the current period, but the amount of **forward-looking information** provided by companies varies. For example, healthcare companies seem to provide more forward-looking information about their pipeline compared to technology companies
 - some companies provide **non-financial key performance indicators** (KPIs) related to intangible assets, such as patent numbers or net promoter scores
 - some companies provide **financial measures with adjustments related to intangible assets/their amortisation**, such as EBITDA and free cash flow

³ To date we have completed our limited review of healthcare and technology companies' annual reports and are continuing work on other sectors (see slide 10).

⁴ In this slide deck, we used 'narrative sections of annual reports' to refer to reports such as Management Commentary, Management's Discussion and Analysis (MD&A), Strategic Report, Environmental, Social and Governance (ESG) or Sustainability Reports.

Findings to date (2/2)

- **Information in financial statements** about companies' intangible assets is **limited**:
 - most information provided focuses on recognised intangible assets which are predominantly **related to M&A activity**
 - **capitalisation policies** vary among and within sectors. For example, pharmaceutical companies seem to have a widely accepted capitalisation threshold related to phase 3 clinical trials, but capitalisation rates of software development companies differ significantly
 - **disaggregated spending** (by product, programme, segment, or phase of project) is rare
 - information about **R&D expenses** is presented by most companies in a single line-item
 - **advertising** and **marketing** expenses are not always separately disclosed by companies, for example, in the healthcare sector they are often subsumed into general and administrative expenses
- It is often **difficult to connect detailed information in narrative sections** with the amounts included in the **financial statements** and hence it can be difficult to understand the relationship between expenditure on intangible assets (for example, R&D spend or advertising and marketing expenses) and expected future benefits, limiting the usefulness of both sets of intangible-related information

Our inferences

- Despite some differences by sector and by type of intangible asset, a common theme seems to be the lack of disaggregated information in financial statements. We expect it would be **useful** to users if companies provide **more disaggregated information** in financial statements—to better link intangible-related expenditure to the information provided in MD&A and assess how effective a company's spending is.^{5,6} For example:

R&D expenses

- by same product/programme split as in MD&A
- by activity (research, patent protection, development, etc)
- by type of expense

Advertising and marketing expenses

- by activities to support new products / existing products

Recognised intangible assets

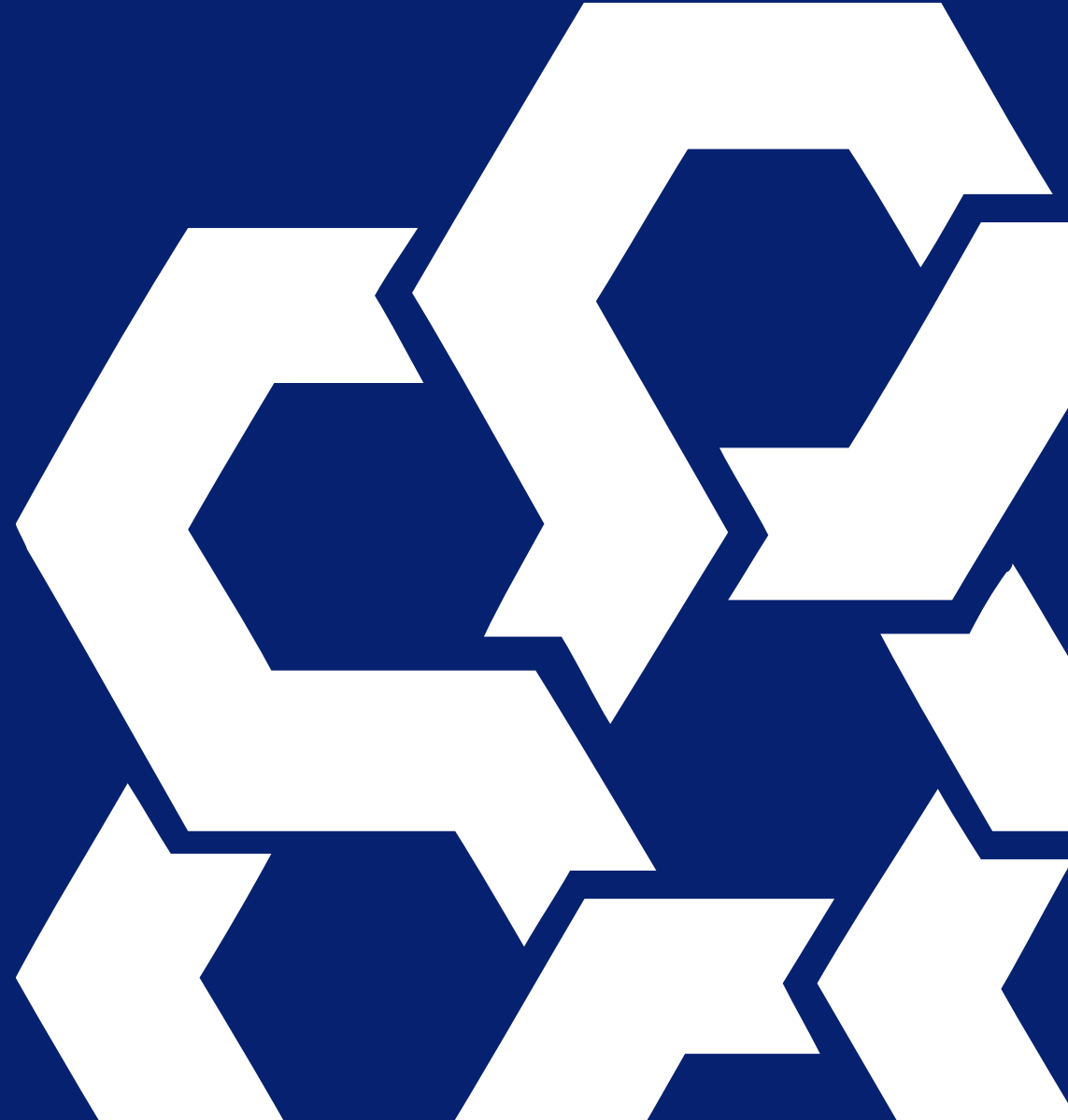
- by same product/programme split as in MD&A

- The IASB issued IFRS 18 *Presentation and Disclosure in Financial Statements* that provides updated requirements on disaggregation. The new requirements might affect the level of detail provided once companies start applying that Standard.
- In considering any further disaggregation requirements, the IASB will need to consider preparers' concerns about commercial sensitivity.

⁵ We refer to MD&A where we talk about management commentary-type reports.

⁶ This project focuses on the information provided in the financial statements - ie on the company's assets, liabilities, equity, income and expenses. In 2025 the IASB revised its Practice Statement on Management Commentary - this report is intended to enhance users' understanding of the company's financial performance and financial position reported in its financial statements.

Potential changes to improve IAS 38 for newer types of intangible assets



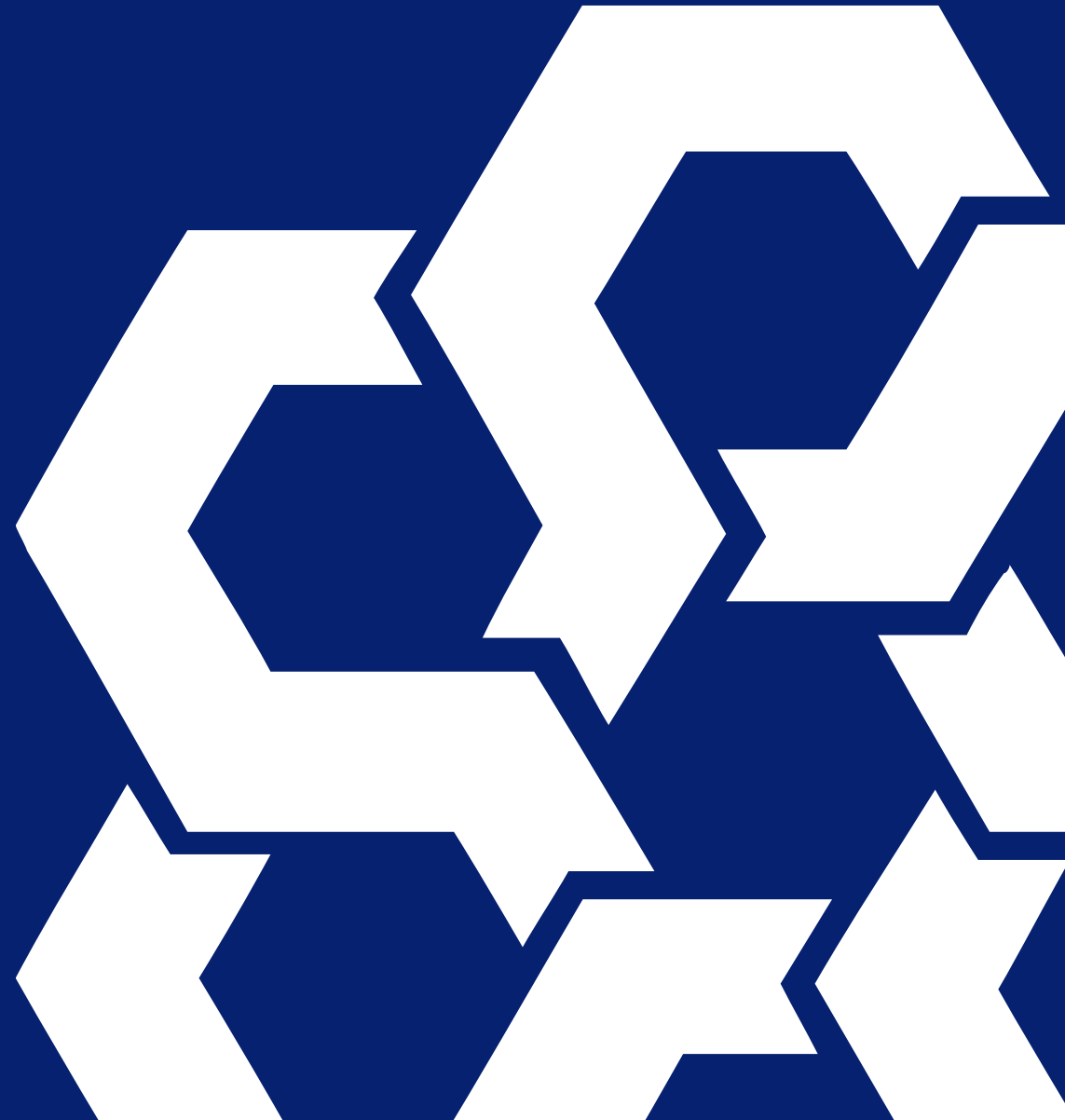
Our findings to date – newer types of intangible assets

- As explained on slide 20, the IASB is exploring application issues related to cloud computing arrangements, agile software development, AI and data resources
- Most of the identified issues relate to challenges in applying some aspects of the definition and recognition requirements (for example, determining control, unit of account or identifying development costs and distinguishing them from enhancement and maintenance costs)
- Our limited review of companies' annual reports suggested that:⁷
 - companies that obtain software and other computer resources through cloud arrangements rarely mention that in their financial statements, with only a few companies explaining whether costs related to their cloud arrangements are capitalised or expensed
 - companies generally do not disclose whether they develop software using waterfall or agile methodology and how this affects their capitalisation policy
- Many respondents to the IASB investor survey said that financial statements provide insufficient information about data (73%), while the responses about software were mixed (with 51% saying information is sufficient and 41% saying information is insufficient)⁸

⁷ The staff reviewed 24 and 23 companies' annual reports respectively to understand their disclosures about cloud computing arrangements and agile software development.

⁸ In October 2024 the IASB launched a survey for users of financial statements to obtain feedback on the information about intangibles currently provided in the financial statements and on the problem to be solved in the Intangible Assets project, the scope of the project and the approach to work (see [Agenda Paper 17C](#) for the February 2025 IASB meeting).

Appendix



May 2025 IASB decisions

Objectives

- Improve the usefulness of information companies provide about intangible items in their financial statements
- Update IAS 38, in particular to make it more suitable for newer types of intangible items and new ways of using them

Approach



Starting a comprehensive review in a targeted way



Regular reflection points to assess additional evidence

Topics the project will explore

- ✓ User information needs
- ✓ Potential changes to some aspects of the definition and recognition requirements (using test cases)

Initial streams

- ✓ Intangible assets held for investment
- ✓ Broader review of recognition
- ✓ Disclosure requirements
- ✓ Comparability of information about acquired and internally generated intangible assets

*Later streams
(subject to change)*

- Ⓢ Broader intangible items

TBC



Next milestone

Explore initial streams and decide project direction in 2026

Initial streams of work (1/2)

User information needs

Cross-cutting stream

Would contribute to all topics

-  explore user information needs in more detail particularly whether this differs by type of intangible asset
-  consider whether changes to the definition, recognition, measurement and/or disclosure requirements would be necessary to provide more useful information

What the IASB is doing



Building on the input received to date



Exploring – by sector and by type of intangible asset:

- what information about intangible assets users are trying to understand
- what users are doing with that information
- where users are getting that information today

Initial streams of work (2/2)

Potential changes to some aspects of the definition of an intangible asset, related guidance and recognition requirements

Good entry point

Explores fundamental aspects of IAS 38 and could inform other aspects of the project

- 🎯 explore underlying causes of application issues based on test cases related to newer types of intangible assets and new ways of using them
- 🎯 develop potential solutions using the *Conceptual Framework for Financial Reporting* as a starting point and consider the effects of any potential amendments on the broader population of intangible assets

Based on test cases

✓ Cloud computing and agile software development

- most commonly raised by stakeholders
- looking into the underlying causes that are expected to be relevant for a wide range of newer types of intangible assets and new ways of using intangible assets

? AI and data resources

- some concerns from stakeholders
- continuing research to understand the concerns and how widespread they are, assess the effects on financial reporting and determine whether application issues related to AI and data resources would be useful test cases

Follow us online

 ifrs.org

 @IFRSFoundation

 IFRS Foundation

 International Accounting
Standards Board