
IASB[®] meeting

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Project **Intangible Assets**
Topic **Project objectives**
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Purpose of the paper

1. This paper provides staff analysis and recommendation on the objectives of the project on Intangible Assets that the International Accounting Standards Board (IASB) should explore.

Summary of staff recommendation

2. Based on the analysis in this paper, we recommend the objectives of the project be:
 - (a) to improve the usefulness of information entities provide about intangible items in their financial statements; and
 - (b) to update IAS 38 *Intangible Assets*, in particular to make it more suitable for newer types of intangible items and new ways of using them.

Structure of the paper

3. This paper is structured as follows:
 - (a) recap of our initial thoughts;

- (b) feedback and developments since March 2025; and
- (c) staff analysis and recommendation.

Recap of our initial thoughts

4. March 2025 [Agenda Paper 17A](#) set out our analysis of stakeholder feedback and evidence from other research on the main problems and staff's initial thoughts on whether solving them should be objectives of the Intangible Assets project. We suggested that two possible objectives of the project could be:
 - (a) to modernise IAS 38 so that it copes with newer types of intangible items and new ways to use them; and
 - (b) to improve information entities provide about intangible items in their financial statements.
5. The staff's initial thoughts were that:
 - (a) having two objectives could be appropriate as these objectives are unlikely to conflict with each other—in fact, they could complement each other.
 - (b) setting the objectives in paragraph 4 would not necessarily commit the IASB to making fundamental changes to IAS 38. Overall stakeholders expressed mixed views about the extent to which there are significant problems with the requirements in IAS 38, with some stakeholders saying that IAS 38 needs fundamental changes to its principles, whereas others saying that it does not.
 - (c) narrowing the objective of improving information about intangible items as the project progresses is possible as this objective is quite broad and could be met by reviewing the requirements for recognition or disclosure (or both).
6. In our initial staff analysis, we suggested that addressing other identified problems might not be appropriate separate objectives of the project although some aspects of those problems may be addressed while achieving the objectives in paragraph 4. The

main reasons why solving those identified problems might not be appropriate separate objectives of the project were as follows:

- (a) **gap between market value and book value**—as noted in paragraph 1.7 of the *Conceptual Framework for Financial Reporting (Conceptual Framework)*, general purpose financial reports are not designed to show the value of a reporting entity. Many stakeholders, including some users of financial statements (users), suggested focusing on better information to help users understand the gap rather than on aiming to reduce the gap.
- (b) **lack of comparability of information about internally generated and acquired intangible assets**—stakeholders expressed mixed views on whether economic differences between internally generated and acquired intangible assets justify different accounting treatments. Stakeholders also expressed concerns about the feasibility of finding a solution.
- (c) **lack of recognition of internally generated intangible assets**—although some stakeholders argued that the general lack of recognition of intangible assets does not reflect the economic reality of some transactions and may create, in a few preparers' view, difficulties in obtaining financing or meeting regulatory requirements for paying dividends, other stakeholders highlighted challenges in identifying, valuing and auditing more internally generated intangible assets.
- (d) **IAS 38 is a residual standard**—although a few stakeholders expressed concern that IAS 38, as a residual standard, inadequately addresses intangible assets like cryptocurrencies and carbon credits, low demand suggests addressing this problem might not be an appropriate separate objective.
- (e) **difference between IFRS Accounting Standards and US GAAP**—as this problem was raised by only a few stakeholders, addressing this problem might not be an appropriate separate objective of the project. However, the IASB could still consider any differences between IFRS Accounting Standards and US GAAP requirements when exploring specific topics in the project.

Feedback and developments since March 2025

March 2025 IASB meeting

7. IASB members commented on the possible project objectives of modernising IAS 38 and improving information entities provide about intangible items in their financial statements. IASB members were generally supportive of the suggested objectives, including having broad objectives that can be narrowed as the project progresses.
8. IASB members also commented on:
 - (a) the importance of setting some boundaries for the project by adhering to financial statements elements;
 - (b) the feasibility of resolving issues raised by stakeholders within the confines of the *Conceptual Framework*; and
 - (c) the need to have a separate objective of modernising IAS 38 given how broad the objective of improving information about intangible items is—a few members said improving information is an overarching objective.
9. Many IASB members provided views on the wording of the potential objectives. Regarding the objective of improving information about intangible items, one IASB member suggested focusing this objective on better portraying an entity's financial performance in terms of earnings and cash flows. Another IASB member commented that the focus of improving information should be on consistency of recognition, measurement and disclosure. Regarding the objective of modernising IAS 38 for newer types of intangible items and new ways to use them, IASB members' comments included:
 - (a) the meaning of the term 'modernisation' is unclear and it could be interpreted as a fundamental overhaul of the Standard. One IASB member suggested referring to 'targeted improvements' could better reflect the IASB's intentions.

- (b) the term ‘newer’ should be clarified and linked to the digitisation of the economy and the emergence of new types of intangible assets and their uses, such as software-as-a-service arrangements.
- (c) the term ‘intangibles’ needs to be clarified.

Feedback from the March 2025 ASAF meeting

- 10. At the March 2025 Accounting Standards Advisory Forum (ASAF) meeting, we received strategic advice on the project direction (see paragraphs 29–33 of Agenda Paper 17B for further details). A few ASAF members also commented on the project objectives. This feedback was generally consistent with feedback that ASAF previously provided and which we have considered in earlier papers.
- 11. In addition, similar to comments made at the March 2025 IASB meeting, one ASAF member raised a concern about stating ‘modernisation’ as a project objective, arguing that the meaning of the term and the extent of intended changes are unclear.
- 12. A few ASAF members agreed with the IASB not addressing the gap between book value and market value, although one ASAF member expressed concern that the increasing gap can potentially reduce the relevance of information in the financial statements.

Comments from the March 2025 GPF meeting

- 13. At the March 2025 Global Preparers Forum (GPF) meeting, we provided an update on the staff’s research and outreach activities since June 2024, including staff’s initial thoughts on possible objectives.
- 14. Following the update, a few GPF members commented on problems to be solved in the Intangible Assets project. This feedback was broadly consistent with what we previously heard from GPF members and had therefore incorporated in our analysis and initial staff thoughts in March 2025. However, there was also a suggestion to consider whether differences between IFRS Accounting Standards and US GAAP

indicate potential areas to explore in the project and to avoid creating further differences between these requirements.

Staff analysis and recommendation

Staff analysis

15. In the March 2025 Agenda Paper 17A, we suggested that the objectives of the Intangible Assets project could be to:
- (a) **modernise IAS 38 so that it copes with newer types of intangible items and new ways to use them**—based on strong stakeholder support and because this objective could help meet stakeholders’ expectations of a comprehensive review that would assess whether the Standard’s requirements remain relevant; and
 - (b) **improve information entities provide about intangible items in their financial statements**—based on the evidence about financial statements providing insufficient information about intangible items and the importance of financial statements as a source of information about these items.
16. In this section, we discuss whether any changes to the initially suggested objectives are needed based on the comments and other evidence received since the March 2025 meeting.

Retaining the initially suggested objectives

17. We think that the comments and other evidence received since the March 2025 IASB meeting support maintaining the principles of our initially suggested objectives and do not indicate that solving any of the other problems discussed in paragraph 6 should be a separate objective of the project (see also paragraphs 18–21). We only suggest some refinements to the objectives in response to the feedback and IASB members’ comments which we discuss in paragraphs 22–25.

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18. The CFA Institute report, summarised in paragraphs 35–37 of Agenda Paper 17B, includes some evidence that might be relevant to the possible objectives of the project. Specifically, the report:
- (a) confirms the importance and relevance of information about intangibles to investors;
 - (b) demonstrates that investors strongly support consistency in recognition between acquired and internally generated intangibles; and
 - (c) recommends that improved disclosures and better disaggregation are needed before recognition.
19. Our objectives are aligned with the CFA’s report recommendation, particularly given the broad objective of improving information can be met by either disclosure, recognition or both.
20. In relation to the concern from one ASAF member that larger gaps between book value and market value could reduce the relevance of financial statements, we note that our objective of improving information entities provide about intangible items in their financial statements aims to enhance the usefulness and availability of this information and help users better understand the factors contributing to this gap.
21. With a view to the suggestion by a GPF member to consider whether differences between IFRS Accounting Standards and US GAAP could be explored in the project and to avoid creating further differences between these requirements, our initial view in paragraph 6(e) remains the same

Refinements to the initially suggested objectives

22. Comments from a few IASB members highlighted the importance of setting some boundaries for the project by focusing on financial statements elements. We think that referring to the financial statements in the objective of improving information anchors our work to the objective and scope of financial statements, as stated in the *Conceptual Framework* and in IFRS 18 *Presentation and Disclosure in Financial*

Statements. To better align the objective with the *Conceptual Framework*, we suggest adding a reference to the ‘*usefulness*’ of information in the broader objective. In addition, the focus on financial statements elements is further reinforced in the discussion of topics to explore in paragraph 81 of Agenda Paper 17B—there, we recommend initially not exploring the accounting for a broader range of intangible items to help keep the project manageable in the early stages and to reconsider this as the project progresses sufficiently.

23. A few IASB members said that some application issues may not be resolvable within the confines of the *Conceptual Framework*. We think it is appropriate to start with the concepts in the *Conceptual Framework* when exploring topics in the project. However, if our work on particular application issues indicates that these concepts are challenging to adhere to or are insufficient or unsuitable to provide useful information about intangible assets, we note that paragraph SP1.3 of the *Conceptual Framework* allows the IASB to specify requirements that depart from aspects of the *Conceptual Framework* when necessary to meet the objective of general purpose financial reporting. Paragraph BC0.23 of the Basis for Conclusions on the *Conceptual Framework* explains that such need might arise because conceptual thinking or the economic environment may change, and new or revised Standards might need to reflect these changes.
24. A few IASB members suggested that the objective of modernising IAS 38 is a means of achieving the broader objective of improving information about intangible items and questioned whether it should be a separate objective. We think having a separate objective related to modernising IAS 38 is helpful because it emphasises newer types of intangible items when considering the broader objective of improving the usefulness of information which applies to all intangible items. With many issues raised by stakeholders relating to newer types of intangible items and evidence of their growing importance, it is helpful to highlight our emphasis on these issues without restricting the project to newer types of intangible items alone. However, due to the broader nature of the objective of improving the usefulness of information

about intangible items, we suggest setting it out first, followed by the more focused objective of modernising IAS 38 for newer types of intangible items.

25. In response to the comments on the wording of the potential objectives, we suggest:
- (a) keeping the objective of improving the usefulness of information about intangible items linked to the financial statements, without focusing specifically on the entity's financial performance (earnings or cash flows)—because all primary financial statements are interlinked and this approach would ensure consideration of the full effect of any changes on financial reporting.
 - (b) keeping the objective of improving the usefulness of information about intangible items, without changing the wording to focus specifically on consistency of recognition, measurement and disclosure—because user information needs may not always relate to consistency. For example, some of users' requests relate to better explanations about management's judgements related to accounting for intangible assets.
 - (c) replacing 'modernise IAS 38' with 'update IAS 38'—we discussed concerns about various interpretations of 'modernise' with the communications and editorial teams and we think that 'update' is a more neutral alternative that is likely to be more easily understood by stakeholders. 'Update' also does not imply a commitment to a specific scope or size of any changes to IAS 38 which we think is important at this stage of the project. It could avoid giving the impression of a major overhaul that some associate with 'modernise', or of narrow amendments that 'targeted amendments' might imply.
 - (d) keeping the reference to 'newer' types of intangible items and not explicitly referring to digitalisation in the objective of updating IAS 38—we do not want to limit the exploration of issues to digital intangible items alone because some of the issues we have heard about did not relate to digital items. For example, issues with agile research and development can arise in sectors other than information technology.

- (e) replacing the term ‘intangibles’ we used in March 2025 papers with the term ‘intangible items’ as described in Agenda Paper 17—communications and editorial team representatives suggested the term ‘intangible items’ is less likely to be read as a shorthand for ‘intangible assets’. However, at this stage of the project we suggest that the objective of improving information continues to refer to intangible items rather than intangible assets. As discussed in paragraph 81 of Agenda Paper 17B, while initially we suggest focusing on financial statements elements, at a later stage of the project the IASB could decide to explore the accounting for a broader range of intangible items in financial statements.

Recommendation and question for the IASB

26. Based on the analysis in paragraphs 15–25, we recommend that the two objectives of the Intangible Assets project be:
- (a) to improve the usefulness of information entities provide about intangible items in their financial statements; and
 - (b) to update IAS 38, in particular to make it more suitable for newer types of intangible items and new ways of using them.

Question for the IASB

1. Does the IASB agree with the staff recommendation in paragraph 26?