IFRS® Accounting

Staff paper

Agenda reference: 2

Accounting Standards Advisory Forum meeting

Date	**October 2025**
Project	**Intangible Assets**
Topic	**Potential changes to the definition and some aspects of recognition requirements – selecting test cases and identifying principles to explore further**

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Purpose of this session

- Provide an **update on the project** since March 2025, focusing on the IASB's work on **test cases** for potential changes to the definition and some aspects of recognition requirements stream (slides 5–9).
- Seek ASAF members' advice on:
  - whether the staff have accurately identified and described the principles and topics to explore further for selected test cases—**cloud computing** (slides 11–27) and **agile software development** (slides 28–40).
  - whether there is a need to select **artificial intelligence-related data and solutions (AI)** and **data resources** as test cases, and why (slides 41–44).

Questions for ASAF members

Selected test cases—Cloud computing and agile software development

1. Do you agree with the staff's analysis of the principles and topics to explore further, as set out in slides 25–27 and 39–40? Do you think anything is missing and, if so, what?

Questions for ASAF members

Potential test cases

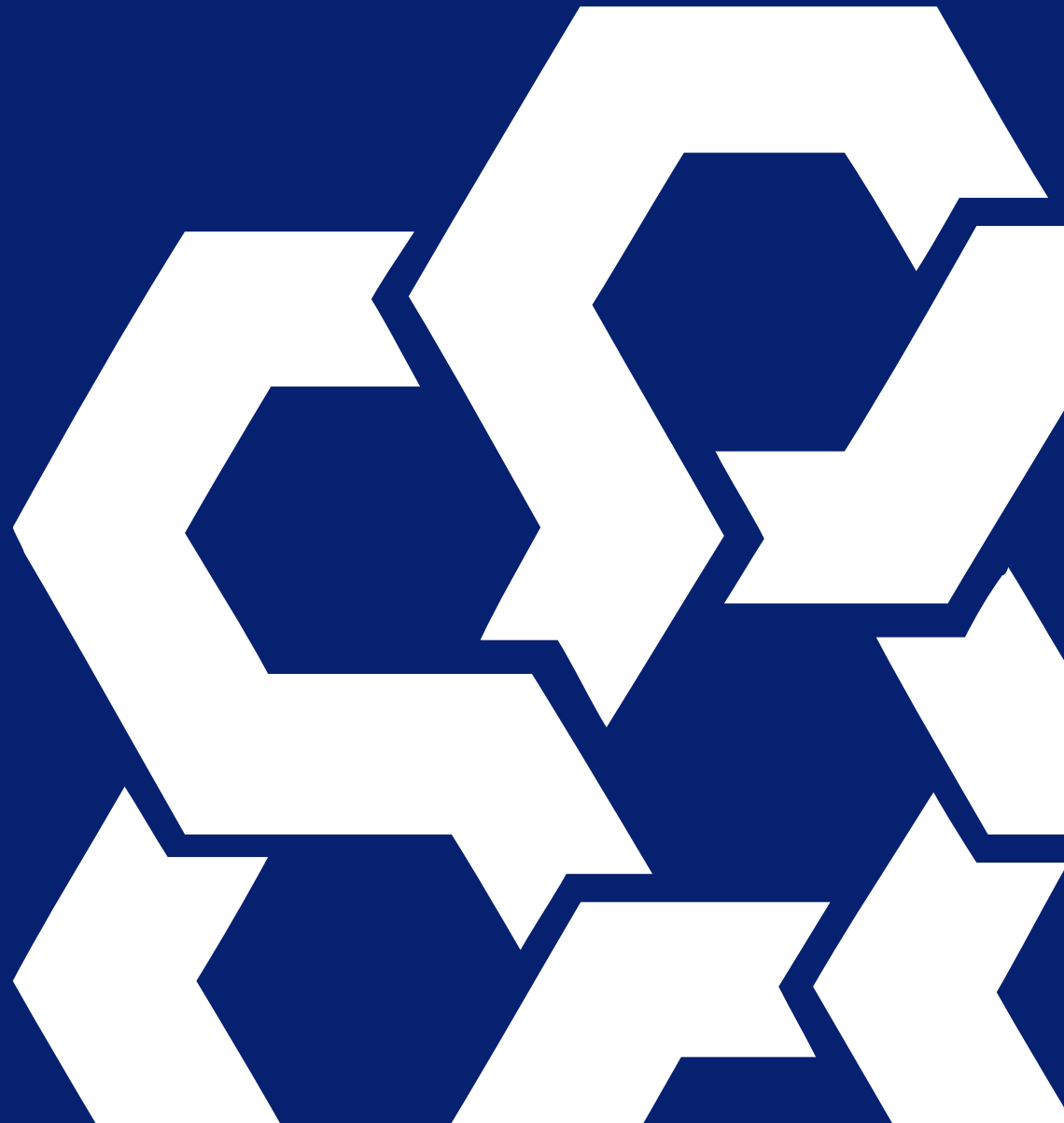
AI and data resources

2. Do you agree with the staff's initial view not to select AI or data resources as specific test cases for further exploration (slides 42–44)? If not, why? Are there any other concerns you have heard from stakeholders in your jurisdiction?

Other

3. Is there another potential test case you think the IASB should consider?

Project update



Intangible Assets

Objectives

- Improve the usefulness of information entities 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

Initial streams

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

Later streams (subject to change)

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

TBC

- ? Broader intangible items

Potential changes to the definition and some aspects of recognition requirements

Explore possible updates to the definition of an intangible asset, related guidance and some aspects of recognition requirements based on test cases

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

Selecting test cases

Cloud computing and agile software development

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

AI and data resources

- some concerns from stakeholders
- additional 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

Exploring user information needs

Explore what information about intangible assets and associated expenditure users of financial statements (users) are trying to understand, what users are doing with that information and where users are getting that information today

Cross-cutting stream—would contribute to all topics

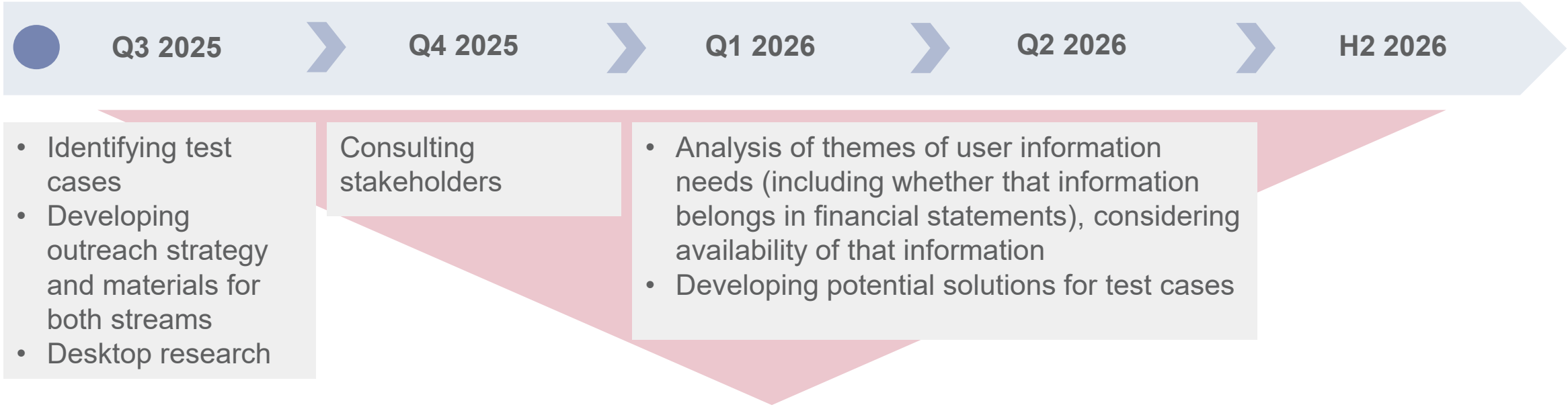
- based on the IASB's initial work and user outreach, explore user information needs in more detail, particularly whether this differs by type of intangible asset
- consider whether changes in the definition, recognition, measurement and/or disclosure requirements would be necessary to provide more useful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

Topic to be subject of December 2025 ASAF meeting

The IASB will seek ASAF members' views on the user information needs in their jurisdictions in relation to recognised and unrecognised intangible assets and expenditure associated with them. In particular, the IASB would be interested to understand:

- whether those information needs differ by type of intangible asset
- how much of this information belongs in financial statements

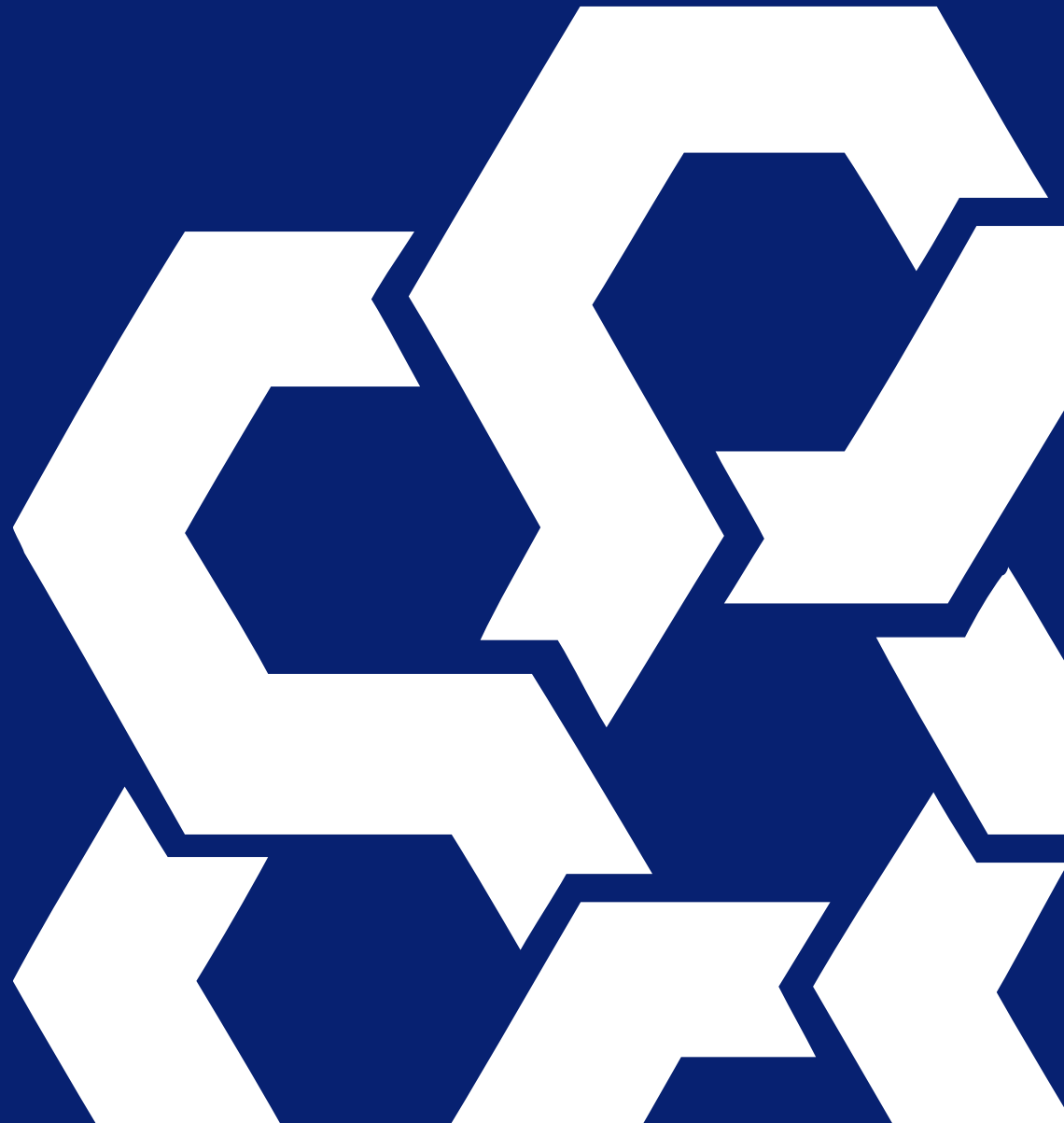
Indicative timeline for the initial streams of work



After completing work, the IASB will be able to:

- assess whether there is an opportunity to make discrete meaningful improvements to IAS 38 or whether further work is needed before the IASB could consult on any changes to IAS 38
- assess how its findings may affect other groups of topics and their prioritisation

Selected test case – Cloud computing arrangements



What are cloud computing arrangements and how are they accounted for today?

What are cloud computing arrangements?

Cloud computing arrangements involve an agreement between a customer and cloud service provider for the on-demand delivery of computing resources, including software or infrastructure, over the internet.

Other characteristics of these arrangements include:

- Customers usually pay a **recurring fee (subscription)** or a **fee based on actual usage** for access to the cloud resources
- The **supplier operates, maintains and sometimes updates the software or infrastructure** the customer has access to
- Cloud computing can be delivered through **public clouds** (shared resources), **private clouds** (dedicated resources) or a combination of both
- Software as a Service (**SaaS**), Platform as a Service (**PaaS**) and Infrastructure as a Service (**IaaS**) are common types of cloud computing arrangements

Almost all application issues raised by stakeholders commenting on cloud computing arrangements related to SaaS arrangements, therefore the staff selected them as a basis for its analysis

SaaS arrangements

In some arrangements (for example, SAP S4/HANA) the supplier, the customer or a third party may configure or customise the application software on a private cloud to the customer's specifications

Customer

Uses in accordance with service level agreement

Supplier manages or controls:

Application software

Underlying resources
- Network
- Servers
- Operating systems
- Storage
- Application capabilities

Examples:
Outlook, Gmail, Salesforce, Cisco WebEx, Dropbox, ZenDesk, MailChimp, Slack, HubSpot, DocuSign, Google Apps, Microsoft Office 365, SAP S4/HANA

Relevant IAS 38 requirements

Assuming a SaaS arrangement does not contain a software lease, these arrangements are in the scope of IAS 38 *Intangible Assets*. The relevant requirements are:

- **The definitions** of an intangible asset and an asset (paragraphs 8–17 of IAS 38), in particular **the requirement to control an asset** (paragraph 13)
- **The ability to recognise an item as an intangible asset** (paragraph 18) and **the recognition criteria** (paragraphs 21–23)
- **Recognition of an expense** relating to intangible items (paragraphs 68–70), including:
  - **expenditure incurred to provide future economic benefits but no intangible asset can be recognised** (paragraph 69)
  - **determining when services are received** (paragraph 69A)

The IFRS Interpretations Committee (Committee) published two agenda decisions related to SaaS arrangements:

- March 2019 Agenda Decision *Customer's Right to Receive Access to the Supplier's Software Hosted on the Cloud* (IAS 38) (see slide 15)
- March 2021 Agenda Decision *Configuration or Customisation Costs in a Cloud Computing Arrangement* (IAS 38) (see slide 16)

March 2019 Committee Agenda Decision

With a focus on **fees** paid or payable to a supplier in a **SaaS arrangement**

For the fact pattern described in the Agenda Decision:

Committee conclusion: A contract that conveys to the customer only the right to receive access to the supplier's application software in the future is a **service contract**. The customer receives the service—the access to the software—over the contract term. If the customer pays the supplier before it receives the service, that prepayment gives the customer a right to future service and is an asset for the customer

Committee observations:

- **A software lease?** No, because a right to receive future access to the supplier's software running on the supplier's cloud infrastructure does not in itself give the customer any decision-making rights about how and for what purpose the software is used (see IFRS 16 *Leases* for the **definition of a lease**)
- **A software intangible asset?** Not at the commencement date. A right to receive future access to the supplier's software does not, at the contract commencement date, give the customer the power to obtain the future economic benefits flowing from the software itself and restrict other's access to those benefits (see IAS 38's requirements about **control**)

March 2021 Committee Agenda Decision

✓ With a focus on **configuration and customisation costs** paid in a **SaaS arrangement**

For the fact pattern described in the Agenda Decision:

Summary of Committee observations:

- **Recognise an intangible asset?** The customer often would not recognise an intangible asset because it does not control the software being configured or customised, and those configuration or customisation activities do not create a resource controlled by the customer that is separate from the software
  - In some circumstances, the arrangement may result in, for example, additional code from which the customer has the power to obtain the future economic benefits and to restrict others' access to those benefits. In that case, in determining whether to recognise the additional code as an intangible asset, the customer assesses whether the additional code is identifiable and meets the recognition criteria in IAS 38
- **If an intangible asset is not recognised, how to account for configuration and customisation costs?** As an expense when the customer receives the configuration or customisation services
  - IAS 38 includes no requirements that deal with the identification of the services the customer receives in determining when the supplier performs those services in accordance with the contract to deliver them. IFRS 15 includes requirements that suppliers apply in identifying the promised goods or services in a contract with a customer
  - The customer applies paragraphs 69–69A of IAS 38 and determines when the supplier (for example, software supplier or third-party) performs those services in accordance with the contract

Staff findings to date

SaaS arrangements – what we heard (1/2)

General considerations	• There is a shift from software-on-premises models to cloud computing arrangements, resulting in a significant expense in the income statement, affecting EBITDA and other profitability measures communicated to users • There is some evidence of structuring SaaS arrangements to achieve a desired accounting outcome and of diversity in applying IAS 38 requirements
Definition of an intangible asset	• Stakeholders suggested, in the context of a software licence, clarifying: – the economic resource being controlled – the appropriate unit of account – what restricting others' access to benefits means • They also suggested exploring whether there is a right that is an asset that configuration and customisation costs can be attached to

SaaS arrangements – what we heard (2/2)

IFRS Interpretations Committee agenda decisions	• Stakeholders said that the 2019 and 2021 agenda decisions added clarity but had mixed views on whether their application leads to accounting outcomes reflecting the economics of the arrangements:
	  • some stakeholders agreed with the outcomes
	  • some stakeholders disagreed:
	  – they questioned why expenditure that results in the same functionality for the customer leads to different accounting outcomes depending on whether software is on-premises or in the cloud
	  – they said configuration and customisation costs enable the software to work and provide the entity with future economic benefits; accordingly, recognising a large expense upfront does not reflect the economics of the activity

Work of other standard-setters	• The FASB published specific requirements on SaaS arrangements, as set out on slide 20

US GAAP – SaaS arrangements[1]

Topic	Asset	Expense
Fees paid in a cloud computing arrangement for internal-use (**ASU 2015-05**–Intangibles—Goodwill and Other—Internal-Use Software (Subtopic 350-40)—**Customer's Accounting for Fees Paid in a Cloud Computing Arrangement**)	If the customer has the contractual right to take possession of the software at any time during the hosting period without significant penalty and it is feasible for the customer to run the software on its own hardware or contract with another party unrelated to the supplier to host the software, it is recognised as an **intangible asset**	Otherwise, usually recognised as an **expense** because the customer receives a service contract
Configuration or customisation costs (implementation costs) (**ASU 2018-15**–Intangibles—Goodwill and Other—Internal-Use Software (Subtopic 350-40)—**Customer's Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement That Is a Service Contract**)	**Based on development stage:**[2] Application development stage costs (depending on nature of the costs) are capitalised as an **asset related to the service contract (same line item as prepayment for fees of associated hosting arrangement)** then expensed over the term of the hosting arrangement	**Based on development stage:**[2] Preliminary stage and post-implementation stage costs are **expensed**

[1] US GAAP requirements are specific to Internal-Use Software

[2] The amendments in proposed ASU *Targeted Improvements to the Accounting for Internal Use Software (Subtopic 350-40)*, once finalised, will remove all references to project stages throughout Subtopic 350-40 (see slides 35–36)

Review of annual reports (1/2)

The staff reviewed a sample of 24 entities' (16 customers and 8 suppliers) annual reports to gain an understanding of disclosures on cloud computing arrangements[1]

Customers

- Most customers **did not specifically mention cloud computing arrangements in their financial statements**. A few mentioned transition to cloud in the front half of their annual reports with no further disclosure
- A few customers mentioned accounting for cloud computing arrangements in their **accounting policies note**, particularly as a key judgement regarding whether configuration and customisation costs in a SaaS arrangement are capitalised or expensed
- One customer disclosed a **measurement adjustment** in its business combinations note to derecognise cloud computing configuration costs after **acquiring a US GAAP reporter**
- A few South African entities separately broke out cloud, computer or software expenditure in the **operating expenses note**

[1] It is difficult to identify entities that have significant cloud computing arrangements directly from annual reports. The staff's limited sample included:
- entities identified as having the highest number of hits for terms 'software as a service (SaaS)', 'platform as a service (PaaS), 'cloud computing' and 'software expenses / expenditure' based on AlphaSense screening of IFRS reporters' annual reports
- preparers who specifically raised application issues related to cloud computing during the initial research phase of the project

The staff determined whether entities were customers or suppliers based on its review of the nature of cloud computing arrangements for those businesses

Review of annual reports (2/2)

Suppliers

- Some suppliers **differentiated between revenue from software licenses (right to use recognised at a point in time) and cloud computing arrangements (right to access recognised over time)** in their revenue accounting policies. For example:
  - one supplier said that a right to access arises when the supplier undertakes activities that **significantly affect** the intellectual property, the rights granted **expose the customer** to any positive or negative effects of the **supplier's activities**, and those activities do not result in the transfer of a good or service to the customer
  - another supplier said that cloud revenue arises when a customer **does not have the right to terminate the hosting contract or take possession** of the software
- Some suppliers disclosed **specific KPIs related to cloud revenues** in their investor presentations and annual reports (for example, cloud revenue, cloud backlog, subscription revenue, customer net promoter score)

Staff analysis

How the staff identified potential principles and topics to explore further

The staff reviewed:

- the **current requirements in IAS 38**
- the **March 2019 and March 2021 IFRS Interpretations Committee Agenda Decisions**, as well as the staff papers and Committee meetings relating to those Agenda Decisions
- **feedback from stakeholders** received to date
- work of **other national standard-setters**, including the FASB
- a limited sample of entities' **disclosures** on cloud computing arrangements

Principles and topics to explore further (1/3)

Definition of an intangible asset and related guidance

- **What does control mean in the context of an intellectual property (software) licence?**
  - **What rights does the customer have in a SaaS arrangement?** For example:
    - **What is the underlying item?** For example, is it the software, the code, a downloaded copy of the software, etc.?
    - **Does the customer receive:**
      - a ‘right to use the underlying item’;
      - a ‘right to receive access to the underlying item’ (rights that correspond to an obligation of another party); or
      - a ‘right to receive a right to use the underlying item’ (rights that correspond to an obligation of another party)?
    - **How does the customer distinguish between the rights set out above? What factors determine whether the customer controls those rights?**
    - **How does the customer determine the unit of account?**
  - **Does the mode of access – on-premise versus SaaS – matter when determining whether a customer has an intangible asset? Do the customer’s rights differ under these two scenarios?** For example:
    - does the right to continue using the software without the supplier’s involvement matter?
    - what does the right to restrict others’ access to the benefits mean in the context of a software licence, and is it necessary/key in determining control?
    - what is the underlying item in these two scenarios?

Principles/topics to explore further (2/3)

Definition of an intangible asset and related guidance (continued)

- **What are the differences between a tangible asset and an intangible asset that might lead the IASB to develop different requirements for intangible assets?** Is different or additional guidance necessary because of the nature of an intangible asset, for example, because it is easy to replicate copies of an intangible asset?
- **How does the *Conceptual Framework* guidance on executory contracts apply to the SaaS arrangement?** For example:
  - is there a conceptual basis for recognising configuration and customisation costs as an asset? Can the combined right to receive a service and obligation to pay the supplier over the term of the contract in an executory contract be considered to contain an asset (right) to which the configuration and customisation costs can be attached?
- **Can the IASB add guidance to help entities distinguish between an intangible asset, a lease contract and a service contract?**

Principles and topics to explore further (3/3)

Relationship with IFRS 15 *Revenue from Contracts with Customers*

- **Should IAS 38 be a mirror of IFRS 15 for licences of intellectual property?** For example, if the supplier recognises revenue at a point in time, does the customer always have an intangible asset and if the supplier recognises revenue over time does the customer always have a service contract?
- **Are there concepts in IFRS 15 that would be helpful to include in IAS 38?** For example:
  - what rights the supplier is transferring to the customer and when control of those rights transfers (a right to access the supplier's intellectual property as it exists throughout the arrangement versus a right to use the supplier's intellectual property as it exists at a point in time when the arrangement is entered into)
  - whether different rights under the same arrangement are distinct (for example, can the customer use the software independently of the supplier's hosting services, or if updates to the software after contract inception represent a distinct performance obligation)
  - whether the nature of the customer's right (use or access) depends on the supplier's ability to change the software

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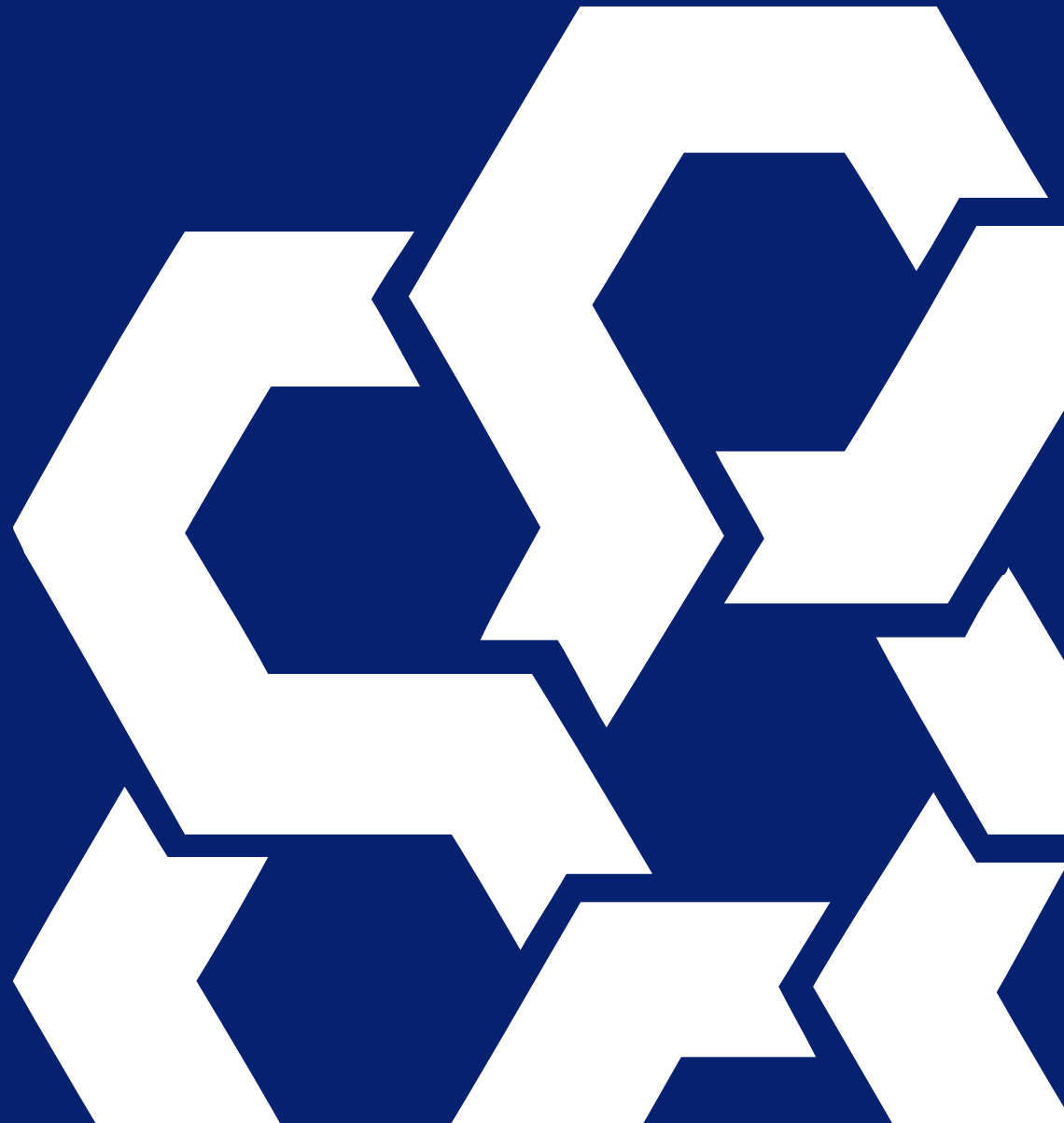
Selected test case – Agile software development



What is agile software development and how is it accounted for today?

What is agile software development?

Agile software development is a methodology focused on iterative and incremental progress, allowing an entity to deliver software to customers or stakeholders more quickly. This approach emphasises delivering small, incremental changes to a product rather than delivering a complete product at the end of a development cycle

Key characteristics of agile software development include:

- Software is built and improved through **repeated cycles** (iterations), rather than all at once at the end of a long or a milestone-driven development cycle
- The process results in **quicker delivery** of software that aligns with customer or stakeholder needs. Working software is delivered in **small increments**, allowing for continuous feedback and improvements
- The approach is highly **flexible and adaptable**. It embraces change, even late in development, to ensure the product remains relevant and valuable
- Agile software development emphasises close **collaboration with customers and stakeholders** throughout the development process to ensure the product meets their needs and expectations

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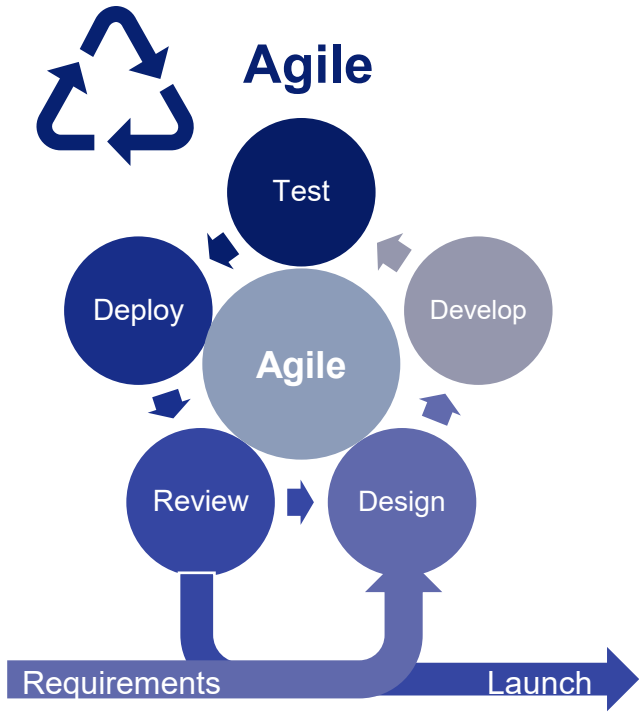
Agile software development



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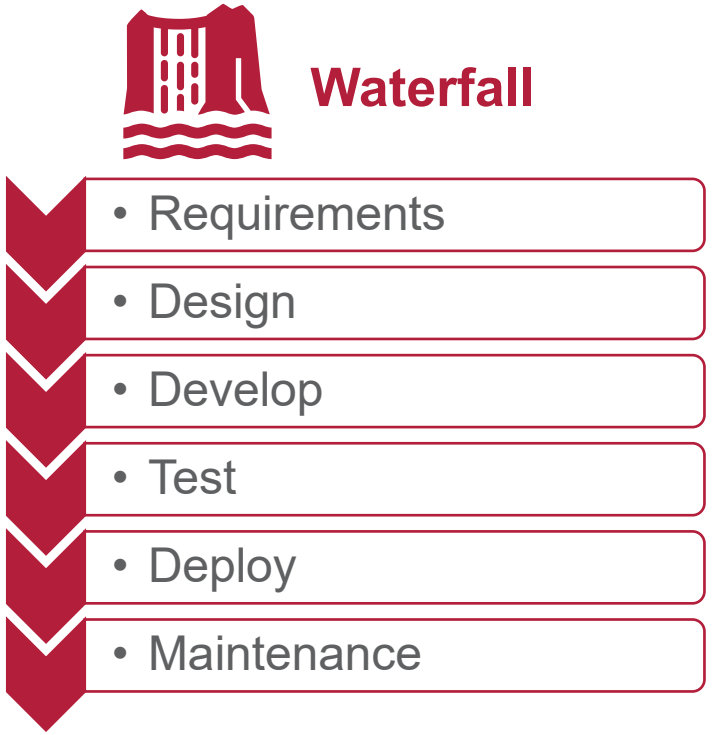

Iterative and incremental	**Development approach**	Linear and sequential
Frequent release of working software	**Delivery**	One final delivery at the end
Continuous collaboration and feedback	**Customer involvement**	Limited to initial and final phases
Highly adaptable to change	**Flexibility**	Rigid once requirements are set

Relevant IAS 38 requirements

- IAS 38 requires an entity to classify the generation of an internally generated intangible asset into separate phases to assess whether the asset meets the criteria for recognition (paragraph 52 of IAS 38):
  - **in the research phase** expenditure is recognised as **an expense** when it is incurred (paragraph 54)
  - **in the development phase** expenditure is recognised **as an asset only when certain criteria are met** (paragraph 57)
- **If an entity cannot distinguish the research phase from the development phase** of an internal project to create an intangible asset, the entity **treats the expenditure** on that project **as if it were incurred in the research phase** only (paragraph 53)
- The cost of an internally generated intangible asset is the sum of expenditure incurred **from the date when** the intangible asset **first meets the recognition criteria** (paragraph 65)
- The cost of an internally generated intangible asset **comprises all directly attributable costs** necessary to create, produce, and prepare the asset to **be capable of operating** in the manner intended by management (paragraph 66)
- **Identified inefficiencies** and initial operating losses incurred before the asset achieves planned performance are **not components of the cost** of an internally generated intangible asset (paragraph 67(b))
- **Amortisation begins when** the asset is **available for use** (paragraph 97)

Staff findings to date

Agile software development – what we heard

General considerations	• Stakeholders mentioned that entities now often use an agile or iterative method to develop software, rather than the waterfall method, to reduce risks and obtain flexibility • The boundary between the research phase and the development phase is becoming increasingly blurred in agile software development practices
Recognition of an intangible asset	• The existing recognition requirements in IAS 38, which apply two distinct phases, do not reflect current software development practices • The current two-phase approach is still appropriate in one-off R&D projects, such as drug development in the pharmaceutical industry—therefore the IASB needs to be careful of unintended consequences • Determining the unit of account and componentisation is challenging: – when an entity updates its software in an agile manner, it can be difficult to determine which costs should be impaired and which should be recognised
Measurement of costs	• It may be difficult to identify costs related to research, those related to development and those related to maintenance • It is difficult to determine when an asset is ‘complete’ and when amortisation should start

US GAAP – proposed ASU *Targeted Improvements to the Accounting for Internal Use Software (Subtopic 350-40)* (1/2)

Background

- Preparer and practitioner stakeholders say **the current guidance is outdated and lacks relevance** given the evolution of software development:
  - many software entities have **shifted** from using a prescriptive and sequential development method **to using an incremental and iterative development** method
  - current internal-use software accounting requirements **do not** specifically **address software developed using an incremental and iterative method**
  - there are challenges in applying the current internal-use software guidance, which has led to **diversity in practice** in determining **when to begin capitalising** software costs
- Exposure Draft issued 29 October 2024
- Comment letter period closed 27 January 2025
- Based on the feedback received, in May 2025 the FASB affirmed the proposed amendments as set out on slide 36

US GAAP – proposed ASU *Targeted Improvements to the Accounting for Internal Use Software (Subtopic 350-40)* (2/2)

Proposed amendments

- **remove all references to project stages** throughout *Intangibles—Goodwill and Other—Internal-Use Software (Subtopic 350-40)*[1]
- **clarify** that if there is **significant uncertainty** associated with the development activities of the software (**significant development uncertainty**), the **probable-to-complete recognition threshold is not considered to be met** until the uncertainty has been resolved
- **include two factors** that indicate that **significant development uncertainty** exists:
  - **novel or unproven software** – the software being developed has technological innovations or novel, unique, unproven functions or features
  - **significant performance requirements** – the significant performance requirements of the computer software have not been identified, or the significant performance requirements continue to be substantially revised

[1] An entity would be required to start capitalising software costs when both of the following occur:
(a) management has authorised and committed to funding the software project; and
(b) it is probable that the project will be completed, and the software will be used to perform the function intended ('probable-to-complete recognition threshold').

Review of annual reports

The staff reviewed a sample of 23 entities' annual reports to gain an understanding of disclosures on agile software development[1]

- A few entities mentioned the **trend** toward AI and cloud-driven software development in the first half of their annual reports, but they did **not highlight** any features of **agile software development,** such as iterative processes
- Some entities disclosed **general capitalisation accounting policies** related to internally developed assets in their accounting policy notes. Most of them referred to the requirements in paragraph 57 of IAS 38 (**development phase criteria**)
- None of the entities **disclosed specific accounting policies** related to **agile software development,** such as how to determine a development phase in the agile software development process, or when the amortisation of agile software development-related assets begins

[1] It is difficult to identify entities that use agile software development methods directly from annual reports. The staff's limited sample included:
- entities identified as having the highest number of hits for the term 'agile software development'
- preparers who specifically raised application issues related to agile software development during the initial research phase of the project

Staff analysis

Principles and topics to explore further (1/2)

Definition and related guidance

- **What is the unit of account for software development costs?** For example, is it appropriate to provide additional guidance to help an entity decide a suitable unit of account (for example, code vs. software vs. project) in an agile development environment? Can an intangible asset be ‘componentised’?

Recognition

- **Are the current recognition requirements suitable for capitalising costs incurred in agile development?** For example:
  - would it be appropriate to have different recognition requirements based on the method of development (for example, waterfall or linear vs. agile)?
  - should the IASB explore developing new recognition requirements or updating parts of existing requirements (for example, technical feasibility, probability of generating future economic benefits) for recognising assets in agile development? Is it appropriate to remove the distinction between the research and development phases?
  - would other notions in the expected revision of US GAAP (see slides 35–36) be helpful when developing new requirements for agile development (for example, probable-to-complete recognition threshold or novel or unproven functions)?
  - how do entities distinguish between maintenance and costs that can be recognised as an asset, and if additional costs can be recognised could this lead to impairing previously recognised development costs?

Principles and topics to explore further (2/2)

Measurement

- **Is additional guidance needed on ceasing capitalisation and the resulting impact on amortisation and impairment?** For example:
  - when to cease capitalisation and begin amortisation of an intangible asset taking into account the iterative features of agile software development?
  - what are the implications of decisions on unit of account for impairment and amortisation of development costs during an agile development process? Is additional guidance on impairment and amortisation required?
- **How can an entity reliably measure costs?** For example:
  - should the IASB explore developing additional guidance on identifying costs directly attributable to a particular intangible asset in an agile development environment?
  - should the concept of abnormal (and therefore ‘normal’) costs incurred in self-developing an asset from IAS 16 *Property, Plant and Equipment* be incorporated into IAS 38 (potentially updating or clarifying paragraph 67(b) of IAS 38)?

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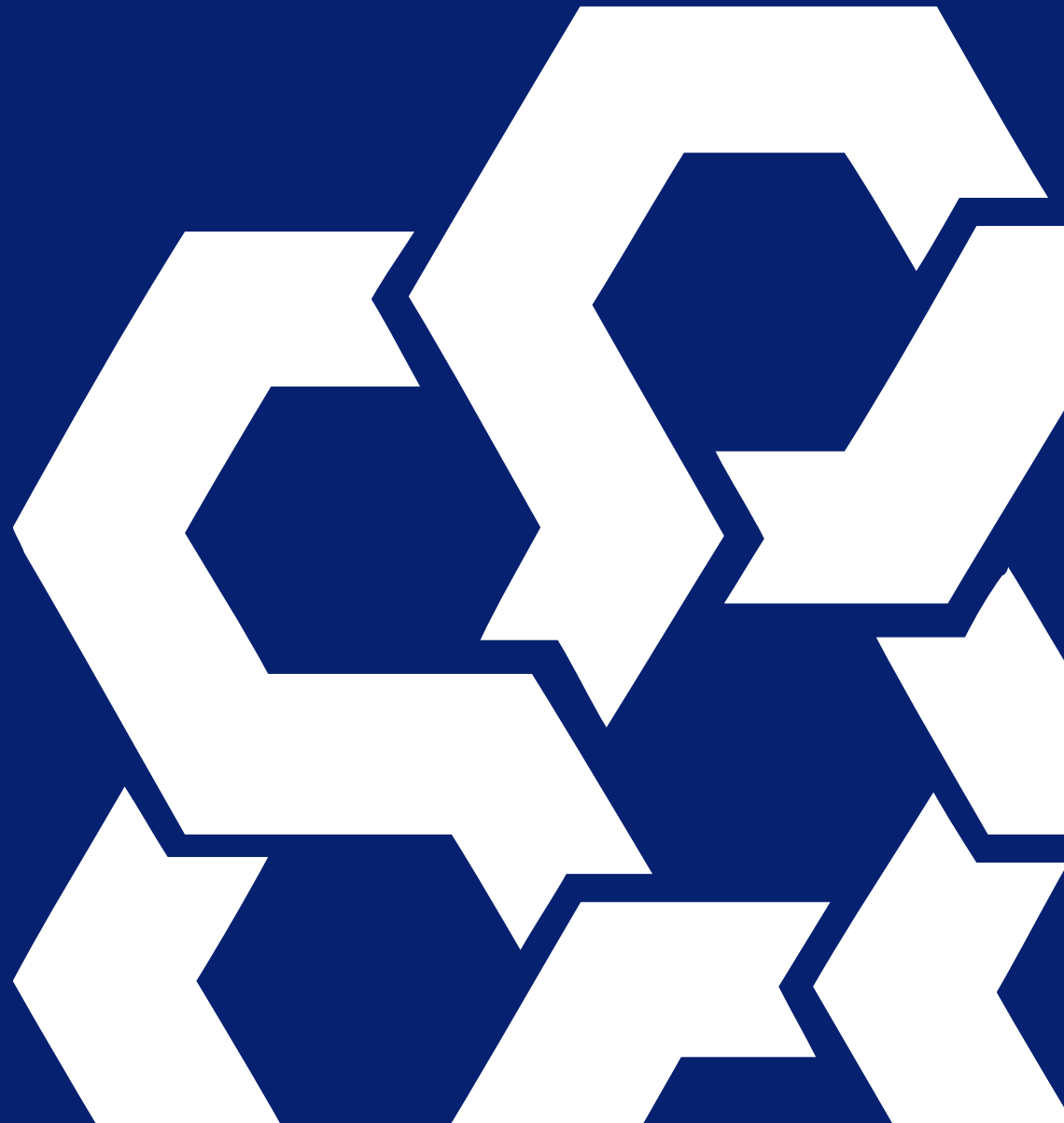
AI and data resources



AI and data resources – what we heard (1/2)

Stakeholders said AI and data resources are becoming an **important driver of entity value and entities are investing increasingly in these resources.** However, they say that IAS 38 provides insufficient guidance for accounting for these resources

AI

- Preparers suggested clarifying how the **definition of an intangible asset applies to a 'library' of pieces of software and code** that, individually, have limited functionality and value but could be put together to make up other software and AI models that would have value
- There were similar questions to those raised on agile software development regarding **unit of account** and **amortisation and impairment**. In addition, what activities are development, enhancement or maintenance when AI models are frequently updated to improve output and AI itself is continually learning?
- Stakeholders also questioned whether the prohibition on recognition of **training costs** would apply in the case of training an AI model
- **Amortisation** of these assets may be challenging as it is difficult to determine when an asset is 'complete' and when amortisation should start. Stakeholders also highlighted the **relatively short useful lives** of AI models as they are constantly updated

AI and data resources – what we heard (2/2)

Data resources

- Many respondents to the IASB surveys[1] said that **financial statements** provide **insufficient information** about data
- Stakeholders suggested clarifying how the **definition of an intangible asset**, including the related guidance on the **unit of account**, applies to different pieces of data making up a large dataset. It is also sometimes unclear who has the **rights over the data**, particularly in situations where data is publicly available
- It can be difficult to determine which data acquisition costs should be impaired and which should be recognised as assets when datasets are continually updated (**unit of account and componentisation**).
- **Amortisation** of data assets may be challenging, particularly the **assessment of useful lives** as data sets are continually updated and can have multiple use cases (for example, questions about whether data resources have an indefinite or finite useful life)
- **The Chinese Ministry of Finance has issued guidance** on when and how to recognise data resources as an asset and what to disclose about them based on existing Chinese Accounting Standards (which are substantially converged with IFRS Accounting Standards)

[1] In October 2024 the IASB launched two surveys—for users of financial statements and for other stakeholders—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 and Agenda Paper 17D for the February 2025 IASB meeting)

AI and data resources – initial staff views

The staff think that the application issues related to AI and data resources are **very similar in nature to the application issues related to cloud computing and agile software development**—most of the issues relate to determining unit of account, identifying development costs and distinguishing them from enhancement or maintenance costs

Therefore, the staff think that many of the issues that were raised by stakeholders in the context of AI and data resources will be addressed in exploring those other test cases (see slides 25–27 and 39–40). **As a result, the staff do not think it is necessary to designate AI or data resources as separate test cases**

However, the staff think that AI and data resources may provide some **useful examples** that the IASB could use when exploring similar principles or topics associated with cloud computing and agile software development test cases, and to **test potential solutions**. For example:

- issues related to unit of account for different pieces of code and data could help explore and test solutions when thinking about broader unit of account issues

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