Staff paper

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IASB® Meeting

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Project	**Intangible Assets**
Topic	**Other potential test cases, including data resources and artificial intelligence-related data and solutions (AI)**
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Purpose of the paper

1. This paper provides staff analysis on whether there is a need to select:

   (a) data resources and artificial intelligence-related data and solutions (AI) as distinct test cases; and

   (b) another test case for the International Accounting Standards Board (IASB) to consider in the work stream exploring potential changes to some aspects of the definition of an intangible asset and recognition requirements.

2. This paper does not ask the IASB to make any decisions. However, we welcome IASB members' comments, questions or suggestions.

Structure of the paper

3. This paper is structured as follows:

   (a) background information;

   (b) staff research and stakeholder feedback;

   (c) staff analysis;

(d) question for IASB members; and

(e) Appendix A—Overview of Chinese Ministry of Finance's *Interim Provisions on Accounting Treatment of Data Resources*.

Background information

4. During the initial stage of the project (between April 2024 and May 2025), the IASB heard some concerns about accounting for data resources and AI. In particular:

   (a) a few preparers were concerned about accounting for data resources because investments in them are growing and becoming an important driver of entity value. These preparers said that there is insufficient guidance for accounting for such resources.

   (b) a few preparers were concerned about accounting for AI. They highlighted the need to future-proof IAS 38 *Intangible Assets* when considering its application to new types of intangible assets.

   (c) most respondents to the user survey (73%) and many respondents to the general survey (53%) said that financial statements provide insufficient information on data—with a few stakeholders giving the example of insufficient descriptions of significant unrecognised data assets and how they are expected to be monetised.[1] A few users of financial statements (users) in follow-up meetings said that new types of intangible assets, such as data, are becoming increasingly significant for businesses.

Staff research and stakeholder feedback

5. We used a combination of desktop research and outreach to explore application issues related to data resources and AI and determine whether they would be useful test

[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).

cases in the work stream exploring potential changes to some aspects of the definition and recognition requirements. Paragraphs 5–12 of Agenda Paper 17A for this meeting explain how we did our research and consulted stakeholders.

6. This section summarises:

(a) the findings of our desktop research and conversations with stakeholders. The findings focus on:

(i) the typical characteristics of data resources and AI (paragraphs 7–12); and

(ii) stakeholders' views on the current accounting treatment of data resources and AI and whether any challenges differ from those challenges related to the cloud computing and agile software development test cases (paragraphs 13–22);

(b) feedback from the IASB's consultative groups on initial staff conclusions of whether it is necessary to designate data resources or AI as distinct test cases (paragraphs 23–25);

(c) feedback from users on whether there are any significant deficiencies in information provided by entities about data resources and AI, and what the IASB could do to improve the usefulness of information (paragraphs 26–29);

(d) the results of our review of the Chinese Ministry of Finance's *Interim Provisions on Accounting Treatment of Enterprise Data Resources* (see Appendix A) and two studies setting out how listed entities in China have implemented the Interim Provisions in the 2024 financial year (paragraphs 30–32); and

(e) feedback from stakeholders on whether there are any other test cases they suggest the IASB should explore (paragraph 33).

Characteristics of data resources and AI

Data resources

7. Data resources are 'observations that have been converted into a digital form that can be stored, transmitted or processed and from which knowledge can be drawn'.[2] Examples of such data resources include customer data, process and operational data and historical transaction data. Data resources can be:

   (a) internally generated by entities (often with minimal cost) as part of its operations or obtained from external sources;

   (b) public or private; and

   (c) structured (having been cleansed and thus in a predefined format, making it easier to search and analyse) or unstructured (lacking a fixed format, requiring advanced tools like AI and machine learning for insights).

8. Entities can generate economic benefits from data resources by, for example, using data to inform management's decision-making, to provide services to customers, to sell data products directly or to train a generative AI application.

AI

9. AI refers to a set of technologies that empowers computer systems to perform tasks normally requiring human intelligence, such as learning, problem-solving and decision-making. When talking about AI, most of our stakeholders were referring to generative AI. Generative AI is a subset of AI whereby a machine can take in inputs (such as text or images), learn the underlying patterns and structures of its training data and generate outputs in various formats.

10. Generative AI applications are underpinned by a foundation model (akin to a traditional software operating system)—for example, a large language model (LLM).

[2] Veldkamp, L, 'Valuing Data as an Asset', *Review of Finance*, vol 27, no 5, September 2023, 10.1093/rfac073

Foundation models use neural networks to learn patterns from huge amounts of data and to predict outcomes. Foundation models are powered by large-scale data centres using specialised chips, which require a lot of electricity for processing and water for cooling. As the development of foundation models is labour- and resource-intensive, these models are mainly developed by large US- or China-based technology companies such as OpenAI, Google, Anthropic, Meta and DeepSeek. However, a few preparers that we spoke to said that they develop, or are considering developing, a private foundation model that is trained only on entity-specific data.

11. Other entities, including most stakeholders we spoke to, leverage existing foundation models—either as open-source software or through a cloud computing arrangement—to create their own AI applications. One preparer said that they have no control over the foundation model and would lose access to it if their contract with the supplier ends (although they would retain control of their entity-specific data). In developing AI applications, entities train foundation models using fine-tuning, prompt engineering and adversarial training. Preparers said costs incurred can include:

    (a) accessing the foundation model through a cloud computing arrangement;

    (b) acquisition of data—most stakeholders said that AI applications are trained on data held internally, however, a few stakeholders that build AI applications for their customers said they train those applications on customer data;

    (c) data cleansing, preparation and migration; and

    (d) software development costs, such as labour and acquiring or accessing computing, storage and electricity resources.

12. Entities use AI in various ways—for example, some preparers told us that they use AI to optimise their own internal processes, whereas others are using it to produce functionality or products for their customers. Many preparers said that, while their entity's investment in AI is not significant at present, they do have plans to increase their investment in AI. However, desktop research and recent press articles indicate that a few entities are abandoning AI pilot projects as they had difficulties with integration, data quality and unmet returns.

Views on the current accounting treatment of data resources and AI

Data resources

13. Many stakeholders said that it can be difficult to recognise as an asset and measure expenditure related to data resources. These stakeholders said that:

    (a) a data resource asset may be difficult to recognise and initially measure reliably, particularly if the data resource is internally generated at little or no cost. One stakeholder questioned whether it would be useful to measure data resources at fair value to reflect the economic benefits an entity may receive as a result of holding the resources.

    (b) subsequent measurement of data resource assets may be challenging, particularly the assessment of useful lives, because datasets are often continually updated and can have multiple use cases. For example, this can lead to questions about whether data resources have an indefinite or finite useful life. A few stakeholders said that data resources may initially be assessed to have an indefinite useful life, only for this to prove different over time.

    (c) it can be difficult to determine how to account for costs related to subsequent updates to data resources—for example, whether those costs should be expensed or recognised as separate assets, and what to do with previously recognised data assets (unit of account and componentisation questions).

14. Some accountancy firms said that issues around recognition and measurement of data assets are similar in nature to agile software development.

15. Stakeholders from China and a few preparers from Europe said that it is sometimes unclear who has property rights over the data—particularly in situations where data is publicly available—making it difficult to determine who controls the rights to use or access that data.

16. A few preparers and accountancy firms suggested clarifying how the definition of an intangible asset, including the related requirements on identifiability, applies to different pieces of data making up a large dataset and how to select a unit of account. A few preparers were also unclear on how to account for data when it is used as an input into something else, such as an AI application.

17. Although many stakeholders said that application issues relating to data resources are similar in nature to those for agile software development, a few stakeholders, mainly from China, said that data resources would be a good separate test case. These stakeholders said that additional guidance on the accounting for data resources would encourage investment in data resources and would be helpful because all entities have data resources.

AI

18. Many stakeholders, including accountancy firms and preparers, said that it can be difficult to recognise as an asset and measure the costs of developing an AI application. These stakeholders said that:

    (a) AI applications may be difficult to recognise as an asset. For example, it can be difficult to determine:

        (i) whether and how the AI application will generate probable future economic benefits until it is in use; and

        (ii) what activities are research, development, enhancement or maintenance when AI applications are continually updated to improve output and AI itself is continually learning.

    (b) initial and subsequent measurement of AI application assets may be challenging, as it is difficult to determine when an asset is in the location and condition necessary for it to be capable of operating in the manner intended by management and, therefore, when amortisation should start. Stakeholders also highlighted challenges in determining the useful life of an AI application.

Some stakeholders suggested that entities may set relatively short useful lives for AI applications because they are constantly updated.

19. Some stakeholders, including some accountancy firms and a few preparers, said that these issues are similar in nature to those related to agile software development. However, a few preparers pointed out that the self-learning capabilities of AI applications are a key difference from other software developed using an agile method.

20. Some accountancy firms and preparers said that, in practice, costs incurred to develop an AI application are typically expensed because the entity can only demonstrate the technical feasibility of completing the AI application and how the AI application will generate probable future economic benefits (paragraph 57 of IAS 38) at a late stage in the development project. Stakeholders typically said these costs are not material to their entity currently but are growing. A few preparers said that management is satisfied with expensing costs related to AI at present but may wish to capitalise these costs as spending on AI increases and is seen as a long-term investment.

21. Some stakeholders raised questions about how the definition of an intangible asset and related requirements in paragraphs 8–17 of IAS 38 apply to AI applications. For example:

    (a) some accountancy firms and a few preparers said the IASB should explore issues related to the nature of the asset and the unit of account—including:

        (i) whether the underlying item is the AI application itself, its underlying training data, or a combination of both;

        (ii) whether the nature of an AI intangible asset would be the process that generates outputs or the AI software itself; and

        (iii) how the definition of an intangible asset applies to individual pieces of software code that have limited functionality and value but could be combined to produce software and AI applications that would have value.

(b) a few preparers and accountancy firms said that it is difficult to determine who controls the AI application, its underlying data and the outputs associated with it. For example:

(i) a technology entity that develops AI applications for use by a customer using the customer's data asked whether it is the technology entity or the customer who controls the AI application and its underlying data.

(ii) in the initial phase of the Intangible Assets project, a pharmaceutical entity said that they use a third-party AI application to generate chemical compounds during the drug development process—they were questioning who owns the knowledge generated by the AI application and if the cost of generating that output could be capitalised during the development stage.

22. A few stakeholders asked the IASB to clarify whether the prohibition on recognition of expenditure on training activities as an intangible asset in paragraph 69(b) of IAS 38 would apply in the case of training an AI application, noting that these training costs result in future economic benefits.

Feedback from consultative groups

23. Many Accounting Standards Advisory Forum (ASAF), Emerging Economies Group (EEG) and Global Preparers Forum (GPF) members agreed with the staff's initial view not to select data resources and AI as separate test cases. These stakeholders said that the two test cases of cloud computing and agile software development are appropriate for starting the research without overcomplicating the initial phase. One GPF member said that it is too early to consider AI because it is an evolving area that involves a complex mix of diverse activities and costs, and there is a lack of a common understanding of AI's characteristics among stakeholders.

24. A few ASAF and EEG members emphasised the importance of considering data resources and AI when working on the cloud computing and agile software development test cases, saying that:

(a) it would be important to monitor developments related to data resources and AI when working on selected test cases to ensure that future guidance remains up to date;

(b) it would be helpful to consider the unique aspects of data resources and AI when testing the suitability of potential solutions; and

(c) the IASB should ensure that it communicates to stakeholders that data resources and AI will be part of future work, especially given that AI is often integral in developing software solutions.

25. In contrast, some ASAF and GPF members and one EEG member, mainly from Asia-Oceania, suggested using AI and data resources as distinct test cases because:

(a) for data resources, entities can struggle with additional challenges related to control judgements because of the blurred boundary between public and private data when data partly originates in the public domain or because of the lack of contractual rights over data.

(b) for AI, its unique characteristics, such as self-learning and autonomous optimisation capabilities, result in much faster upgrades and create challenges unlike those in cloud computing arrangements and agile software development—such as determining when an asset is ready for use. One GPF member said that AI may increase in value over time rather than being a depreciating asset.

Feedback from users

26. Users generally did not identify challenges specific to data resources and AI but spoke more broadly about newer types of intangible assets. Many ASAF members (reporting user views in their jurisdictions), technology sector analysts and some participants in user workshops organised by the European Financial Reporting Advisory Group (EFRAG) said that:

(a) they are generally not supportive of increased recognition on the balance sheet (although one user did support more recognition); and

(b) they would like to see more useful information about newer types of intangible assets, particularly AI-related assets and data resources, disclosed in the financial statements, as their related amounts are growing in significance.

27. They said that useful information could include:

(a) better information about how entities use newer types of intangible assets and how these assets contribute to value creation (this theme was also common to other intangible assets);

(b) an entity's spend on such assets and sources of funding for this spend;

(c) information to help users understand the level of control over assets, especially data;

(d) information on judgements made in capitalisation decisions and determining the useful life of newer types of intangible assets—for example, how initial value and useful life are determined; and

(e) risks related to these assets, including information about data and AI governance (privacy, usage policies and risk and compliance processes).

28. However, some users acknowledged that some of the information listed in paragraph 27 may not be able to be disclosed due to commercial sensitivity.

29. Users from EFRAG's insurance accounting working group said that entities talk about their AI initiatives in their narrative reporting, but spending on these initiatives is not separately disaggregated from other expenditure. A few Capital Markets Advisory Committee (CMAC) members said it is challenging to assess whether newer types of intangible assets will generate future economic benefits.

Desktop research

30. Some stakeholders from China told us that the Chinese Ministry of Finance has issued guidance (see Appendix A) on when and how to recognise data resources as an asset and what to disclose about them. The guidance is based on existing Chinese Accounting Standards, which are substantially converged with IFRS Accounting Standards. The purpose of this guidance was to help preparers provide users with more information about how data resources generate value and to encourage investment in data assets. A GPF member from China said that following the issuance of this guidance, entities had demonstrated that capitalisation of data resources is technically feasible.

31. Following the issuance of this guidance, studies[3,4] have found that approximately 100 listed entities (out of a total of 5,400 listed entities) recognised data resource assets on the balance sheet in 2024. Data resource assets accounted for an average of 1–2% of the entity's total assets and were primarily self-generated data resource assets. Additionally, approximately 30 listed entities presented or disclosed separately data resource development expenditure. Of those entities that did recognise data resource intangible assets in 2024, approximately a quarter subsequently altered the amount of data resources recognised.

32. The studies gave a few examples of how entities voluntarily disclosed information in the notes to the financial statements or in other parts of the annual report about data resources. Disclosures included detailed information about the origination, ownership and identification of data resources; how data resources are processed, maintained and managed (including risk management and protection of personal information); and how data resources are expected to generate future economic benefits.

[3] Pan, Y., 2025. 'List of 100 Listed Companies with Balance Sheet Data', Houxue Research.

[4] Grant Thornton, 2025. 'Examples of data resource entry and information disclosure of listed companies in 2024'.

Feedback on the need for additional test cases

33. Generally, stakeholders did not suggest that the IASB explore any additional test cases other than cloud computing, agile software development, data resources or AI. A few GPF members suggested the IASB add another test case or replace one or both of the selected test cases with known application issues related to more traditional intangible assets. One GPF member argued that the selected test cases are too complex. A few ASAF members suggested broadening the scope of research to make it more comprehensive and to develop future-proof principles.

Staff analysis

Data resources and AI

34. We think that most of the application issues related to data resources and AI, and the underlying reasons for those issues, are very similar in nature to the application issues related to cloud computing and agile software development. In particular:

    (a) issues related to the definition of an intangible asset—including how to determine the underlying item (paragraphs 15–16 and 21(a)), componentisation (paragraph 21(a)(iii)) and who controls the rights over that underlying item (paragraph 21(b))—are similar to those raised about cloud computing arrangements (see paragraphs 37–49 of Agenda Paper 17B for this meeting) and agile software development (see paragraph 35–37 of Agenda Paper 17C for this meeting).

    (b) many of the issues around asset recognition and measurement of data resources and AI (see paragraphs 13 and 18) are similar to those raised in relation to the agile software development test case. Paragraphs 38–51 of Agenda Paper 17C for this meeting suggest exploring those issues, including:

        (i) distinguishing between research, development, enhancement or maintenance costs;

(ii) reliably measuring costs; and

(iii) making amortisation judgements.

35. Therefore, if the IASB does not object to exploring the principles and topics suggested in Agenda Papers 17B and 17C for this meeting, many of the issues that stakeholders raised in the context of data resources and AI will be considered in exploring the cloud computing and agile software development test cases.

36. We think additional issues raised by stakeholders and related to specific data and AI characteristics do not warrant data resources and AI being designated as distinct test cases, because:

(a) the self-learning capabilities of AI may improve the asset quicker, but in substance could be considered to be similar to continual improvements in agile software development;

(b) feedback on expenditure on AI training activities in paragraph 22 can be addressed as part of the broader review of recognition stream;

(c) many of the 'control' issues related to data resources seem to relate to legal aspects of data ownership and data privacy laws that are outside of the IASB's remit; and

(d) disclosure-related issues can be addressed when the IASB commences its disclosure requirements work stream.

37. We also agree with the view raised by a few stakeholders that data resources and AI are a developing area, and it may be difficult to establish a common fact pattern for exploration if they are selected as test cases.

38. Instead, we think it would be more beneficial for the IASB to monitor developments and use data resources and AI as examples when exploring similar principles or topics associated with the cloud computing and agile software development test cases, and when testing potential solutions. For example, the IASB may use:

(a) different pieces of code or data as an example to explore and test solutions when considering broader definition issues, such as identifying the underlying item, determining who controls the rights over that item and determining the unit of account (see paragraphs 42–45 of Agenda Paper 17B for this meeting).

(b) the development of an AI application as an example when considering the principles and topics around recognition and measurement in the agile software development test case (see paragraphs 38–51 of Agenda Paper 17C for this meeting), including how any potential solutions would apply to an AI application's self-learning capabilities.

Additional test cases

39. We did not hear any clear calls for additional test cases for the IASB to explore, except for exploring known issues related to more traditional intangible assets. However, when deciding to start work on this work stream by exploring test cases, the IASB chose to focus on newer types of intangible assets to respond to calls to modernise IAS 38. The IASB will then use the results of this work to test any potential solutions across a broader range of intangible assets, including more traditional intangible assets. Therefore, we do not think the IASB needs to designate further application issues as test cases.

40. The suggested approach to exploring test cases is intended to be principles-based so that any identified solutions are applicable to a broader range of intangible assets, not just to selected application issues (see paragraph 18 of Agenda Paper 17A for this meeting).

Question for IASB members

Question for IASB members
1. Do you have any questions or comments on the staff analysis presented in this paper?

Appendix A—Overview of Chinese Ministry of Finance's *Interim Provisions on Accounting Treatment of Enterprise Data Resources*

A1. On 1 August 2023, the Chinese Ministry of Finance issued the *Interim Provisions on Accounting Treatment of Enterprise Data Resources* (Interim Provisions), with an effective date of 1 January 2024. These Interim Provisions clarify how existing Chinese Accounting Standards (CAS)—substantially converged with IFRS Accounting Standards—apply to data resources. The guidance addresses recognition, measurement and disclosure requirements. This Appendix provides an overview of the Interim Provisions.

Recognition and measurement

A2. Data resources intended for sale in the ordinary course of business that meet the definition and recognition criteria of CAS 1 *Inventories* should be recognised as inventories. Data resources used by an entity that meet the definition and recognition criteria of CAS 6 *Intangible Assets* should be recognised as intangible assets.[5]

A3. No data resource intangible asset arising from research is recognised. Expenditure on research is recognised as an expense when incurred. A data resource intangible asset arising from development (or from the development phase of an internal project) is recognised if, and only if, an entity can demonstrate all of the following:

(a) the technical feasibility of completing the data resource so that it will be available for use or sale.

(b) its intention to complete the data resource and use or sell it.

(c) how the data resource will generate probable future economic benefits. Among other things, the entity can demonstrate the existence of a market for the output of the data resource or the data resource itself or, if it is to be used internally, the usefulness of the data resource.

[5] The definition and recognition criteria are substantially converged with IAS 38 *Intangible Assets*.

(d) the availability of adequate technical, financial and other resources to complete the development and to use or sell the data resource.

(e) its ability to measure reliably the expenditure attributable to the data resource during its development.

A4. For a purchased data resource, the cost is initially measured as the purchase price, related taxes and expenses directly attributable to making the data resource ready for its intended use—for example, data desensitisation, cleaning, labelling, integration, analysis, visualisation and other processing and verification costs.

Disclosure

A5. For data resources recognised as intangible assets on the balance sheet, entities must disclose:

(a) disaggregation between purchased and self-developed data resources;

(b) initial cost, amortisation, useful life, impairment and other relevant financial information; and

(c) research and development expenditures recognised as intangible assets and expensed in the current period.

A6. Entities may voluntarily disclose additional information for both recognised and unrecognised data resources, such as:

(a) application scenarios or business models;

(b) type, scale, source, ownership and quality of the original data;

(c) processing, maintenance and security measures;

(d) pricing, transaction methods and service billing;

(e) risk and impacts of major transactions involving data resources;

(f) reasons for invalidation of data rights and related accounting treatment;

(g) legal or geographical restrictions on transfer or use; and

(h) other relevant information considered necessary.