
IASB[®] meeting

Date	July 2026
Project	Intangible Assets
Topic	Definition of intangible asset and supporting requirements (SaaS test case)
Contacts	Deborah Bailey (dbailey@ifrs.org) Joan Brown (jbrown@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 International Accounting Standards Board (IASB). This paper does not represent the views of the 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*.

Purpose of the paper

1. One of the initial work streams of the Intangible Assets project is exploring whether to update some aspects of requirements in IAS 38 *Intangible Assets* relating to the definition of an intangible asset and the recognition of intangible assets to make them easier to apply, particularly to newer types of intangible assets. In this paper, we introduce the model for customer accounting for intellectual property licensing contracts that we have developed so far based on one of the selected test cases—cloud-based software delivery contracts (commonly known as software as a service ‘SaaS’ arrangements).
2. Our model includes suggestions for:
 - (a) identifying the item over which the seller and customer each have rights (the underlying item);
 - (b) identifying the rights obtained by the customer; and
 - (c) determining whether those rights represent an asset.

3. This paper outlines the model we have developed so far and our plans for developing the model further.
4. This paper asks members of the IASB for their comments and questions on the model and on our next steps. It does not ask the IASB to make any decisions.

Structure of the paper

5. This paper includes:
 - (a) a recap of the IASB's previous discussions (paragraphs 6–10);
 - (b) an explanation of our approach to developing our suggested model (paragraphs 11–14);
 - (c) an outline of:
 - (i) the model we have developed so far (paragraphs 15–77); and
 - (ii) our planned next steps for developing the model further (paragraphs 78–80);
 - (d) questions for IASB members (following paragraph 80); and
 - (e) basic fact patterns explored in this paper (Appendix).

Recap of the IASB's previous discussions

6. In [May 2025](#), the IASB decided to begin work on the Intangible Assets project by exploring two initial work streams in parallel, namely:
 - (a) assessing needs of users of financial statements (users) for information about recognised and unrecognised intangible assets and expenditure associated with them; and
 - (b) considering whether to update some aspects of requirements in IAS 38 relating to:
 - (i) the definition of an intangible asset; and

-
- (ii) the recognition of intangible assets.
7. The IASB decided that the work stream exploring potential amendments to some aspects of the definition and recognition requirements would initially use, as test cases, application issues related to newer types of intangible assets and new ways of using them. It will then consider the effects of any potential amendments on the broader population of intangible assets.
8. In [January 2026](#), after considering the findings of staff research and outreach, SaaS contracts and agile software development were selected as test cases, and the IASB discussed principles and topics to explore for each of the test cases.
9. Stakeholder concerns about how to apply IAS 38 to SaaS contracts centre on whether a customer recognises an asset, or when it recognises expenses, for costs related to the contracts—with many stakeholders arguing that the accounting for some newer types of intangible assets might not reflect the economics of the transaction. These concerns were particularly strong for configuration and customisation costs. In applying the requirements of IAS 38 to SaaS contracts, stakeholders commonly referred to application issues on:
- (a) determining the underlying item;
 - (b) identifying the rights obtained in a SaaS arrangement; and
 - (c) determining who controls those rights when multiple parties have rights to the same underlying item.
10. In response to the concerns, the IASB discussed exploring whether, by applying the updated definition of an asset and the supporting concepts in the *Conceptual Framework for Financial Reporting (Conceptual Framework)*, it could improve the requirements in IAS 38 by providing a better basis for preparers' judgements, resulting in more useful information, about SaaS contracts and other intangible assets. IASB members also discussed the helpfulness of drawing on:
- (a) concepts relating to executory contracts in the *Conceptual Framework*; and

- (b) requirements in IFRS 15 *Revenue from Contracts with Customers*—because IFRS 15 requirements reflect recent thinking on the identification, nature and control of rights in an intellectual property licensing contract from the perspective of a supplier.

Approach to developing the suggested model

11. To help us develop our suggested model, we have identified two basic fact patterns (see Appendix):
 - (a) fact pattern 1 describes a traditional software licensing arrangement whereby a customer downloads and runs the software on its own infrastructure; and
 - (b) fact pattern 2 describes a basic SaaS arrangement.
12. We have included both fact patterns to allow us to test whether suggested improvements could work for both a traditional software licensing arrangement and a SaaS arrangement.
13. Our approach is to:
 - (a) use the questions posed by the fact patterns in the Appendix to identify gaps in:
 - (i) requirements supporting the definition of an intangible asset; and
 - (ii) some aspects of the recognition criteria in IAS 38.
 - (b) analyse the fact patterns using principles in the *Conceptual Framework* and IFRS 15 to help identify possible improvements to IAS 38 to fill the gaps.
 - (c) test the suggested improvements against more complex variations of a SaaS arrangement (see paragraph 78) and consider whether other transactions may provide suitable fact patterns to test against, for example:

-
- (i) agile software development¹;
 - (ii) data resources; and
 - (iii) artificial intelligence-related data and solutions (AI).
- (d) consider whether and how to integrate suggested improvements into IAS 38 and what the implications of these suggested improvements are for more traditional intangible assets. In doing so, we will seek consultative groups' views, particularly in relation to unintended consequences.
14. Developing the suggested model is intended to be iterative rather than sequential. For example, testing suggested improvements against other fact patterns as described in paragraph 13(c) might reveal gaps in the model that require revisiting the analysis in paragraphs 13(a)–13(b).

Suggested model so far

Focus of the suggested model and how the model could benefit IAS 38

15. Access to intellectual property is increasingly delivered via cloud-based and other digital licensing contracts, whereby many parties have the right to derive economic benefits from an item of intellectual property at one time. The nature of intellectual property often allows it to be replicated at little to no cost, a characteristic that sets it apart from tangible assets.
16. IFRS 15 was issued in May 2014 and provides a framework for a licensor (supplier) to recognise revenue from intellectual property licensing contracts, with a focus on when rights over an underlying item are transferred from the supplier to a customer.
17. This focus on rights over underlying items is also captured by the *Conceptual Framework* revised in March 2018, which:

¹ Agile software development is a test case in its own right and, accordingly, we will explore issues related to this test case at a future IASB meeting.

-
- (a) defines an asset as a ‘present economic resource controlled by the entity as a result of past events’;
 - (b) defines an economic resource as a ‘right that has the potential to produce economic benefits’; and
 - (c) emphasises that an asset is the right, or set of rights, an entity holds over an underlying item, not the underlying item itself.²
18. However, there is no equivalent framework in IAS 38. IAS 38 was first issued in September 1998, before digital access to intellectual property became the norm and before the IASB had developed the rights-based concepts that now underpin IFRS 15 and the *Conceptual Framework*. Without such a framework, it may be difficult to apply the requirements in IAS 38 to these transactions.
19. The SaaS test case illustrates how the delivery of access to intellectual property has changed in the digital age. Under a SaaS contract, a supplier grants multiple customers access to its intellectual property (the software) via the cloud, rather than via each customer’s own dedicated copy of the software. The accounting issues associated with SaaS contracts reflect concerns about whether costs associated with accessing intellectual property digitally give rise to assets or expenses for the customer. Although SaaS arrangements were the subject of two recent Agenda Decisions in [March 2019](#)³ and [March 2021](#)⁴, feedback on these Agenda Decisions was mixed, with some stakeholders suggesting that the Agenda Decisions could lead to outcomes that do not reflect the economics of these arrangements.
20. We have therefore used the SaaS test case to develop a rights-based model that a customer could apply in accounting for intellectual property licensing contracts in general. In doing so, we have first analysed how the model would apply to a more traditional software licensing contract, in which the customer obtains a software

² See paragraphs 4.2 and 4.12 of the *Conceptual Framework*.

³ March 2019 Agenda Decision *Customer’s Right to Receive Access to the Supplier’s Software Hosted on the Cloud* (IAS 38).

⁴ March 2021 Agenda Decision *Configuration or Customisation Costs in a Cloud Computing Arrangement* (IAS 38).

licence and installs and runs the software on its own servers (see paragraph A1 of the Appendix). We then discuss how this model applies to a basic SaaS arrangement (see paragraphs A2–A4 of the Appendix).

21. Our suggested model focuses on identifying the underlying item, identifying the rights a customer has over the underlying item and determining whether those rights represent an asset. Improvements based on a model with this focus could:
- (a) provide clarity for entities applying IAS 38 requirements to the different ways intellectual property is accessed today, particularly as cloud-based software and AI solutions become more common; and
 - (b) help align IAS 38 with the updated thinking in the *Conceptual Framework* and IFRS 15.

Overview of the suggested model so far

22. So far, we have developed suggestions on:
- (a) [the nature of the underlying item](#);
 - (b) [the nature of the rights a customer obtains over that underlying item](#);
 - (c) [whether these rights constitute an asset for the customer](#), including whether:
 - (i) the rights meet the definition of an economic resource—they have the potential to produce economic benefits; and
 - (ii) the customer controls that economic resource; and
 - (d) [when the customer obtains control of its rights, and when it consumes them—which may help determine what type of asset the customer has](#).
23. At future meetings, we will consider:
- (a) what accounting treatment would best represent the economic substance of the contract and provide the most useful information to users (including whether to recognise that asset, presentation and disclosure);

- (b) whether (and if so, how) any service embedded in the contract could affect the accounting outcome; and
- (c) how the suggested model applies to more complex variations of the basic SaaS test case (see paragraph 78(c)).

Underlying item

Stakeholder challenges

- 24. Stakeholders had questions on identifying the underlying item (which they sometimes referred to as the ‘unit of account’) in a SaaS contract. They asked:
 - (a) whether the underlying item is the intellectual property itself or a copy of the intellectual property; and
 - (b) what the underlying item is when a contract contains multiple deliverables.
- 25. We think it would be helpful to consider what the underlying item or items are, and how to identify them, when exploring potential improvements to the requirements on identifying an economic resource in a transaction. This approach may help entities apply IAS 38 requirements to digital transactions.

Our suggested responses

Whether the underlying item is the intellectual property or a copy of the intellectual property

- 26. Our initial view is that the underlying item in an intellectual property licensing contract is the intellectual property itself, not a copy of the intellectual property. This is because:
 - (a) the functionality and value of the intellectual property, which underlie the entity’s ability to generate future economic benefits from that intellectual property, are embodied in the underlying intellectual creation itself (for example, in the software code, product design or proprietary invention). The

mode of access to the intellectual property—a physical copy, a downloaded copy or access via the cloud—does not affect how the intellectual property functions or the customer’s ability to derive economic benefits from it. Any differences in the customer’s rights between these different modes of access arise from the mode of access rather than from the underlying item itself.

- (b) the ability to copy the intellectual property at little or no cost, and the ability of many parties to access and use the intellectual property at the same time, are characteristics of the intellectual property itself rather than a distinct item in its own right.

Identifying the underlying item when there are multiple deliverables in a contract

- 27. Intellectual property licensing contracts, such as SaaS arrangements, can have multiple deliverables (for example, access to the software, utilisation of infrastructure, data storage, software updates and configuration and customisation activities). Access to intellectual property can also be delivered in different ways (for example, via the cloud or a physical or downloadable copy).
- 28. Paragraphs 22–30 of IFRS 15 set out principles for identifying performance obligations and determining whether they are distinct from the perspective of a supplier of goods or services. We think the same principles could be applied in identifying deliverables and determining whether each of them forms a distinct underlying item from the perspective of a customer.
- 29. Drawing on paragraphs 24–25 of IFRS 15, we think the customer could identify the deliverables in a contract by considering the goods or services explicitly promised in the contract and those implied by the supplier’s customary business practices, published policies or specific statements.
- 30. Drawing on paragraphs 27–29 of IFRS 15, we think that a deliverable (a good or a service) in a multi-deliverable contract forms a distinct underlying item from the perspective of the customer if, for example:

-
- (a) the customer can benefit from the good or service either on its own or together with other resources that are readily available to the customer (the good or service is capable of being distinct); and
- (b) the supplier's promise to transfer the good or service to the customer is separately identifiable from other promises in the contract (the promise to transfer the good or service is distinct within the context of the contract).
- Factors indicating that goods or services are not separately identifiable include, but are not limited to, the following:
- (i) the supplier provides a significant service of integrating the goods or services with other goods or services promised in the contract into a bundle of goods or services that represent the combined output(s) for which the customer has contracted.
 - (ii) one or more of the goods or services significantly modifies or customises, or are significantly modified or customised by, one or more of the other goods or services promised in the contract.
 - (iii) the goods or services are highly interdependent or highly interrelated.
31. If a promised good or service is not distinct, the customer could then be required to combine that good or service with other promised goods or services until it identifies a bundle of goods or services that is distinct.

Application to fact pattern

32. Paragraphs 33–38 consider the deliverables and underlying items that might be identified if the factors described in paragraphs 26–31 were applied to the fact patterns described in the Appendix.

Fact pattern 1

33. Applying the factors to fact pattern 1, the customer might conclude that the deliverable and the only underlying item is the supplier's intellectual property—the software.

Fact pattern 2

34. Applying the factors to fact pattern 2, the customer might conclude that the deliverables are:
- (a) the supplier's intellectual property—the software—including the functionality of that software as maintained and updated by the supplier. Maintenance and updates are included in this deliverable as the customer contracts to obtain access to the latest version of the supplier's software at any one time during the contract, and therefore the supplier integrates the maintenance and updates with the software to provide that latest version of the software (see paragraph 30(b)).
 - (b) utilisation of the supplier's infrastructure, for example, servers, computer processing power and data storage, to the extent necessary for the customer to access and utilise the software as intended.
35. The customer obtains economic benefits from the functionality embodied in the software, irrespective of whether access is provided via a physical copy, a download or the cloud. A portal, web browser or application interface used in cloud arrangements are the mode of access to the software—equivalent to the website for a downloaded copy or the disk for physical delivery of intellectual property—and do not change the software that the customer obtains.
36. The customer would then assess whether the software is distinct from the utilisation of the supplier's infrastructure by applying the factors in paragraph 30. In fact pattern 2, the customer cannot benefit from either deliverable separately because the supplier does not deliver the software other than through the cloud and the supplier does not provide utilisation of its infrastructure as a separate product. In the context of the contract, the customer can only benefit from the two deliverables together. The customer is not contracting for the infrastructure in itself. Rather, the customer seeks to obtain the functionality of the software, which can be obtained only through a SaaS arrangement. The supplier provides a significant integration of the software, platform, infrastructure and storage into the combined output for which the customer has

contracted. Therefore, the software access and utilisation of infrastructure are highly interdependent and highly interrelated.

37. The customer could therefore be required to combine these deliverables until it identifies a distinct bundle. In this fact pattern, that bundle is a single underlying item: the supplier's intellectual property (the software), with maintenance, updates and utilisation of computing processing power and data storage forming an integrated set of activities that enable, but do not alter, the nature of that underlying item.
38. Unless stated otherwise, the remaining analysis for fact pattern 2 in this paper focuses on the intellectual property aspect of the bundle, which is what the customer is seeking to obtain in such an arrangement. This focus enables us to consider whether a customer's right related to licensed intellectual property could potentially be an intangible asset. At a future meeting, we will consider whether (and if so, how) any service embedded in the contract could affect the accounting outcome.

What the customer obtains

Stakeholder challenges

39. Stakeholders had mixed views about the nature of the rights obtained and controlled by a customer in a cloud computing arrangement.
40. When exploring potential improvements to the requirements on identifying an economic resource in a transaction, we think it would be helpful to consider how a customer would identify the nature of the rights it obtains over the intellectual property. Once a customer identifies the nature of its rights over the intellectual property, it can then determine how the concept of control applies to those rights.

Our suggested responses

41. The characteristics of intellectual property (including its lack of physical substance and ease of replication) mean that many parties can obtain economic benefits from the

same item of intellectual property at the same time. These characteristics can make it difficult to apply the concept of control in IAS 38 to intellectual property, particularly when assessing whether an entity can restrict others' access to the economic benefits related to it. For example, in an intellectual property licensing contract, the supplier usually retains the ownership rights over the intellectual property and may grant rights to other customers. It is therefore important to identify the precise rights a customer has in intellectual property licensing contracts, because describing those rights precisely might help explain how the concepts in IAS 38, including the concept of control, apply to rights obtained under intellectual property licensing contracts.

42. As a result of intellectual property licensing contracts, the supplier and many of its customers could all have rights over the same item of intellectual property. However, the customers' rights will differ from those of the supplier (paragraphs 4.6–4.8 of the *Conceptual Framework*). We think that, in a licensing contract:
- (a) the supplier retains the right to direct the use of the intellectual property, having obtained that right either through ownership or a lease (see paragraphs 45–46)⁵; and
 - (b) the supplier could either:
 - (i) grant its customers rights to access the intellectual property, either over time or at a point in time (paragraphs 47–50); or
 - (ii) use the underlying item to provide a service to the customer (paragraphs 51–52).
43. Therefore, under an intellectual property licensing contract, we think that a customer could obtain either:
- (a) a right to access the intellectual property; or
 - (b) a right to receive a service.

⁵ The supplier's right to direct the use may include a right to use, sell, pledge or grant access to the underlying item (paragraph 4.11 of the *Conceptual Framework*).

44. Figure 1 summarises how the rights described in paragraphs 41–43 relate to and differ from one another.



Figure 1: Rights in an intellectual property licensing contract

Right to direct the use

45. Drawing on paragraphs B24–B30 of IFRS 16 *Leases*, we think that an entity has a right to direct the use of intellectual property when it can:
- (a) obtain substantially all of the economic benefits from use of the intellectual property throughout the period of use (paragraphs B21–B23 of IFRS 16); and
 - (b) decide how the intellectual property is used, for example by (paragraphs B24–B30 of IFRS 16):
 - (i) deploying the intellectual property in its activities;
 - (ii) allowing other parties to deploy the intellectual property in their activities (by granting rights to access);
 - (iii) preventing other parties from directing the use of the intellectual property and from obtaining the economic benefits from it; and
 - (iv) determining in which location the intellectual property is used.

-
46. Drawing on concepts in paragraphs 4.7 and 4.20 of the *Conceptual Framework*, we further note that:
- (a) only one entity can have the ability to direct the use of an economic resource. Accordingly, if the supplier retains the ability to direct the use of intellectual property, customers do not obtain that ability.
 - (b) the right to direct the use can be established by contract, legislation or similar means—for example, from owning a registered patent. However, the supplier might also obtain the right to direct the use in other ways, such as by acquiring or creating know-how that is not in the public domain.

Right to access

47. We think that an intellectual property licensing contract conveys a right to access intellectual property to a customer. This right to access sits somewhere between a right to receive a service and a right to direct the use of an underlying item, with the exact position depending on the extent of the rights conveyed. Unlike when it receives a service, the customer directly interacts with the underlying item to obtain economic benefits. For example, in the case of a payroll software, the customer accesses the supplier's payroll software directly and runs its own payroll using that software.
48. A right to access intellectual property permits the customer to utilise the intellectual property only in contractually specified ways. The customer controls its right to access when it can:
- (a) obtain economic benefits from accessing the underlying item in accordance with the contract; and
 - (b) decide how to utilise its right to access, provided that utilisation is in accordance with the contract. For example, the customer can decide how and when it utilises the intellectual property to generate economic benefits, such as generating revenue or controlling costs. The customer can also control its right to access and prevent others from utilising that right via usernames and passwords.

-
49. Although other entities might also have rights to access the same intellectual property, those rights arise from their own contracts. Each customer controls its own right to access the software (which is contractually distinct from other rights to access) and only the customer can derive economic benefits from its own right to access.
50. We refer to this right as a right to access because the customer's economic benefits arise from a contractual right to access an underlying resource rather than from a right to direct the use of that resource. IFRS 15 and IFRIC 12 *Service Concession Arrangements* also use the term 'access' in this way. In IFRS 15, the term 'right to access' is used to describe rights conveyed to a customer under an intellectual property licence, while the supplier continues to direct the use of the intellectual property.⁶ Similarly, in IFRIC 12, the term 'access' is used to describe a service concession operator's contractual right over the public service infrastructure it utilises to provide services to the public, while the grantor continues to direct the use of that infrastructure.

Right to receive a service

51. We think that a customer obtains a right to receive a service when the supplier undertakes to use its intellectual property to do something for the customer. The customer has no access to, or decision-making rights over, the intellectual property and relies on the supplier's interaction with the intellectual property to perform the service. The customer obtains the output of the supplier's interaction with the intellectual property, not access to the intellectual property itself.
52. For example, suppose a supplier develops a payroll software and enters into an agreement whereby it provides outsourced payroll services to a customer. The customer does not have direct access to the software used to provide the payroll services and is reliant on the supplier's delivery of the outsourced payroll services.

⁶ IFRS 15 *Revenue from Contracts with Customers* distinguishes between a right to use (at a point in time) and a right to access (over time) an entity's intellectual property in a licence (paragraph B56 of IFRS 15). We see both of these rights as a right to access (obtained either at a point in time or over time) because the customer has the right to access the intellectual property under the terms of a contract or a licensing agreement, whereas the supplier retains the right to direct the use of the intellectual property.

*Application to fact pattern****Right to direct the use of the intellectual property***

53. In both fact patterns, the customer does not obtain a right to direct the use of the software. This is because:
- (a) the supplier retains all intellectual property and ownership rights and all risks and rewards associated with ownership of the intellectual property. Under either arrangement, the supplier transfers no rights other than a right to access.
 - (b) the supplier retains the ability to direct the use of its software and obtain the economic benefits that may flow from it. It has the right to deploy the software in its activities for any purpose and to direct how the software can be used and by whom. The customer will typically agree not to attempt to discover, copy or distribute the software code and can utilise the software only for the purposes and duration set out in the contract.

Right to access the intellectual property

54. In both fact patterns, the customer obtains a right to access the software for specified purposes only over a specified period. That right is non-transferable, non-sub-licensable, non-exclusive and revocable. The customer controls that right to access because:
- (a) the customer can access and utilise the software, in accordance with the terms of its licensing agreement or SaaS contract, to generate future economic benefits. This means the customer can decide how and when to access and utilise the software to generate economic benefits in the course of its operating activities, provided that the software is utilised for its contractually permitted purpose during the term specified in the contract (1 January 20X7 to 31 December 20X9); and
 - (b) the customer can control who accesses and utilises the software by authorising up to 250 end users through usernames and passwords. The customer can add,

edit, keep, activate or deactivate an end user as required, and can prevent other entities from utilising its right to access the software.

Right to receive a service

55. In both fact patterns, the customer does not obtain a right to receive a service for the intellectual property (software) element of the underlying item. Instead, the customer obtains a right to access the software. This is because the customer directly interacts with the software to generate its own economic benefits through its right to access. Other than its activities to provide access to the software, the supplier does not interact with the software to generate economic benefits for the customer.
56. In fact pattern 2, we identified the utilisation of the supplier's infrastructure as a deliverable (see paragraph 34(b)). This utilisation of the supplier's infrastructure is a right to receive a service. This is because the supplier directly interacts with its infrastructure (servers, computer processing power and data storage) to enable the customer to access and utilise the software as intended, and the customer itself does not have direct access to this infrastructure. We will consider whether (and how) any service embedded in the contract could change the accounting outcome (see paragraph 38).

Conclusion

57. For the reasons set out in paragraphs 53–56, we conclude that in both fact patterns the supplier retains the right to direct the use of the intellectual property (software) and does not transfer this right to the customer. Because only one party can have the right to direct the use of the software, it follows that the customer does not have this right.
58. We conclude that the customer instead obtains a right to access the software in exchange for consideration.⁷ The customer obtains from the supplier, through a

⁷ At the inception of the contract, an intellectual property licensing contract is an executory contract because it is equally unperformed (paragraph 4.56 of the *Conceptual Framework*). If the supplier performs first in the contract, the customer has an obligation to transfer consideration for the delivered portion of the contract. However, if the customer performs first in the contract (transfers consideration to the supplier), the supplier has an obligation to deliver something to a customer.

contract, a limited set of rights to access the software. The customer can directly interact with the software to obtain economic benefits and does not rely on the supplier's interaction with the software package. Therefore, the customer is not obtaining a right to receive a service.

59. We conclude that the customer controls its right to access because it can:
- (a) obtain economic benefits from accessing the software in accordance with the contract—utilising the software in its operations to generate revenue or control costs.
 - (b) decide when and how to utilise its right to access in accordance with the contract and prevent others from utilising its right to access by using usernames and passwords. Although other entities might also have rights to access the same software, those rights arise from their own contracts, and each customer controls only its own right to access the software.
60. The customer is not receiving a right to receive a service because the supplier is not interacting with the software itself to do something for the customer. Instead, the customer utilises its right to access to generate future economic benefits.

Whether a right to access is an asset

Stakeholder challenges

61. Many stakeholders raised concerns that the accounting for SaaS arrangements might not reflect the economics of the transaction. In their view, at least some SaaS arrangements should result in an intangible asset for the customer, but the requirements in IAS 38 make it difficult to recognise an asset.

Our suggested responses

62. For a right to access obtained in an intellectual property licensing contract, we considered:

- (a) whether the right to access is an asset (paragraphs 63–64); and
- (b) if so, based on the pattern of delivery of the right to access, what type of asset it represents (paragraphs 65–73).

Whether a right to access is an asset

63. Paragraphs 4.3–4.4 of the *Conceptual Framework* state that:
- (a) an asset is a present economic resource controlled by the entity as a result of past events.
 - (b) an economic resource is a right that has the potential to produce economic benefits.
64. As set out in paragraph 48, we think that a right to access has the potential to produce economic benefits, and therefore the customer has an economic resource. Because the customer controls the economic resource (paragraph 48), it has an asset.

If an asset, what type of asset does a right to access represent

65. We think that the type of asset a right to access represents could depend on the pattern of delivery of the right to access from the supplier to the customer, because that pattern reflects how potential economic benefits are delivered to the customer. We considered the requirements in IFRS 15 when thinking about the pattern of the delivery of rights in an intellectual property licensing contract. IFRS 15 differentiates between rights delivered over time and rights delivered at a point in time.
66. Drawing on paragraphs B58–B60 in IFRS 15 relating to licences of intellectual property, we think that the customer obtains and controls a right to access *over time* if:
- (a) the contract requires, or the customer reasonably expects, that the supplier will undertake activities that significantly:
 - (i) change the form or functionality of the underlying item; or
 - (ii) affect the customer’s ability to obtain benefits from the underlying item;

-
- (b) the customer is directly exposed to any positive or negative effects of those activities; and
 - (c) the activities do not result in the delivery of a good or service to the customer when they occur.
67. Otherwise, a customer obtains and controls a right to access at *a point in time*.
68. If the right to access is obtained at a point in time, all economic benefits associated with that right to access are delivered upfront. Under the current definition of an intangible asset in IAS 38, a right to access obtained at a point in time could meet the definition of an intangible asset as it is an identifiable (through a contract), non-monetary asset without physical substance.
69. If rights to access are obtained over time—that is, a series of momentary rights to access are obtained and immediately consumed over the period of the contract—those rights have traditionally been viewed as a service and accounted for as such. Based on current IFRS Accounting Standards, this was the thinking adopted by the IFRS Interpretations Committee in its March 2019 Agenda Decision on SaaS contracts.
70. However, the fact that rights are obtained over time, and consumed as soon as they are received, does not stop them meeting the definition of an asset. In explaining the definition of an asset, paragraph 4.8 of the *Conceptual Framework* states that:
- Some goods or services—for example, employee services—are received and immediately consumed. An entity's right to obtain the economic benefits produced by such goods or services exists momentarily until the entity obtains the goods or services.
71. On this basis—and on the basis that rights of the same type (in this case, rights to access intellectual property) will be classified as the same type of asset—we conclude that, if rights to access obtained at a point in time (and consumed gradually) meet the definition of an intangible asset, so too do rights to access obtained over time (and consumed immediately).

-
72. This conclusion does not pre-determine the accounting treatment of rights to access that are consumed immediately. The IASB could separately categorise these rights from other intangible assets and specify an accounting treatment for them that differs from the accounting treatment specified for the other intangible assets. It could do so on the grounds that there could be more cost-effective ways of providing useful information about intangible assets that are consumed immediately than by requiring entities to recognise them and then immediately derecognise them.
73. The IASB could discuss what accounting treatment would best represent the economic substance of the contract and provide the most useful information to users (including whether to recognise that asset, presentation and disclosure). This will be discussed at a future meeting (see paragraph 78).

Application to fact patterns

74. In both fact patterns described in the Appendix, the customer has obtained a right to access the software. The customer can use this right to access to generate economic benefits by using the software to carry out its operations, in accordance with the terms and conditions in the contract. We have also concluded that the customer controls the economic resource. Therefore, the customer has an asset.
75. For fact pattern 1, we think the customer obtains its right to access the software at a point in time (1 January 20X7). This is because all economic benefits associated with the software are delivered on this date, and the supplier is not expected to undertake any further activities in relation to the software. In this case, the customer recognises an intangible asset of CU1,440,000 and amortises the software over its three-year licence period.
76. For fact pattern 2, we think that the right to access the software is obtained over time. This is because the supplier is expected to:
- (a) maintain and update the software and cloud infrastructure. These activities could significantly change the form or functionality of the software and could result in positive or negative effects on the customer, such as improved

functionality from updates or decreased functionality from withdrawn features or incorrect bug fixes.

- (b) provide continuous access to the software in accordance with agreed service levels and uptime in the service level agreement. Failure to do so might affect the customer's ability to obtain benefits from the software and result in negative effects on the customer.

77. Therefore, the customer is receiving and immediately consuming the rights to access over the duration of the contract. As explained in paragraph 78, we will consider the accounting for this intangible asset at a future meeting.

Next steps for developing the suggested model further

78. In future meetings, we will discuss:

- (a) what accounting treatment would best represent the economic substance of the contract and provide the most useful information to users (including whether to recognise the asset, presentation and disclosure).
- (b) whether (and if so, how) any service embedded in the contract could affect the accounting outcome.
- (c) how the suggested model would apply to more complex variations of the basic SaaS test case, for example:
 - (i) arrangements including configuration and customisation activities. For example, we might consider whether configuration and customisation costs form part of the directly attributable cost of preparing a right to access asset for its intended use (paragraph 27(b) of IAS 38).
 - (ii) situations in which a customer enters into multiple contracts to obtain the software—for example, if hosting activities (for example, utilisation of infrastructure) are provided by a party other than the supplier—and what those situations mean for the determination of the underlying item.

- (iii) situations in which a customer prepays for a right to access software over time and how the prepayment affects the rights a customer obtains.

79. We will then consider how the suggested improvements apply to other types of intangible assets, how the improvements could be integrated into IAS 38 and the implications of the improvements for more traditional intangible assets (see paragraph 13(c)–13(d)).
80. We expect to discuss these topics with the IASB (as well as set out our suggestions based on the agile software development test case) during H2 2026. In that period, we also plan to introduce our suggestions and test the wider implications of related potential amendments to IAS 38 with the IASB’s consultative groups. We expect the IASB to make decisions on the improvements to IAS 38 resulting from the test cases in early 2027.

Questions for IASB members

Questions for IASB members

1. Do you have any questions or comments on the suggested model so far, as set out in paragraphs 15–77 of this paper?
2. Do you have any questions or comments on the staff’s suggested next steps, as set out in paragraphs 78–80?

Appendix—Basic fact patterns explored in this paper

Fact pattern 1—Software downloaded and run on customer's own infrastructure

- A1. A customer contracts to pay for a licence to utilise a supplier's software for a three-year period from 1 January 20X7 to 31 December 20X9. The licence allows the customer to allocate 250 end users for the duration of the licence. The customer installs and runs the software on its own servers and all the customer's data associated with the software is stored on those servers. The customer pays the supplier CU1,440,000 for the software licence. The supplier retains the intellectual property rights over the software and grants the customer only the contractual right to utilise the software during the licence period.

Fact pattern 2—Software obtained via a SaaS arrangement

- A2. A customer contracts to pay for access to a supplier's software via the cloud for a three-year period from 1 January 20X7 to 31 December 20X9. The contract permits access for 250 users at CU160 per user per month. The SaaS arrangement renews automatically for successive 12-month terms unless terminated within 30 days' written notice. The supplier offers only cloud-based software delivery activities and the software is not available for digital download or via a physical copy such as a compact disk.
- A3. The customer accesses the software through a web browser and application interface and does not manage or control the underlying infrastructure (networks, servers or storage), operating system or software code. For the software to run as intended, the customer's data associated with the software will be stored on a public cloud on the supplier's infrastructure. At the end of the arrangement, the customer will lose access to the software but retain ownership of, and the ability to extract, its data.

- A4. The software runs on cloud infrastructure managed and controlled by the supplier. The supplier performs regular maintenance and updates to the software and cloud infrastructure. The supplier retains the intellectual property rights over the software and merely grants the customer access to the software during the term of the arrangement.