
Capital Markets Advisory Committee

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Project	Intangible Assets
Topic	Project update and definition of intangible asset and supporting requirements (SaaS test case)
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This paper has been prepared for discussion at a public meeting of the Capital Markets Advisory Committee (CMAC). This paper does not represent the views of the International Accounting Standards Board (IASB) or any individual IASB member. Any comments in the paper do not purport to set out what would be an acceptable or unacceptable application of IFRS[®] Accounting Standards. The IASB's technical decisions are made in public and are reported in the IASB[®] *Update*.

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Purpose of this session

The purpose of this session is:

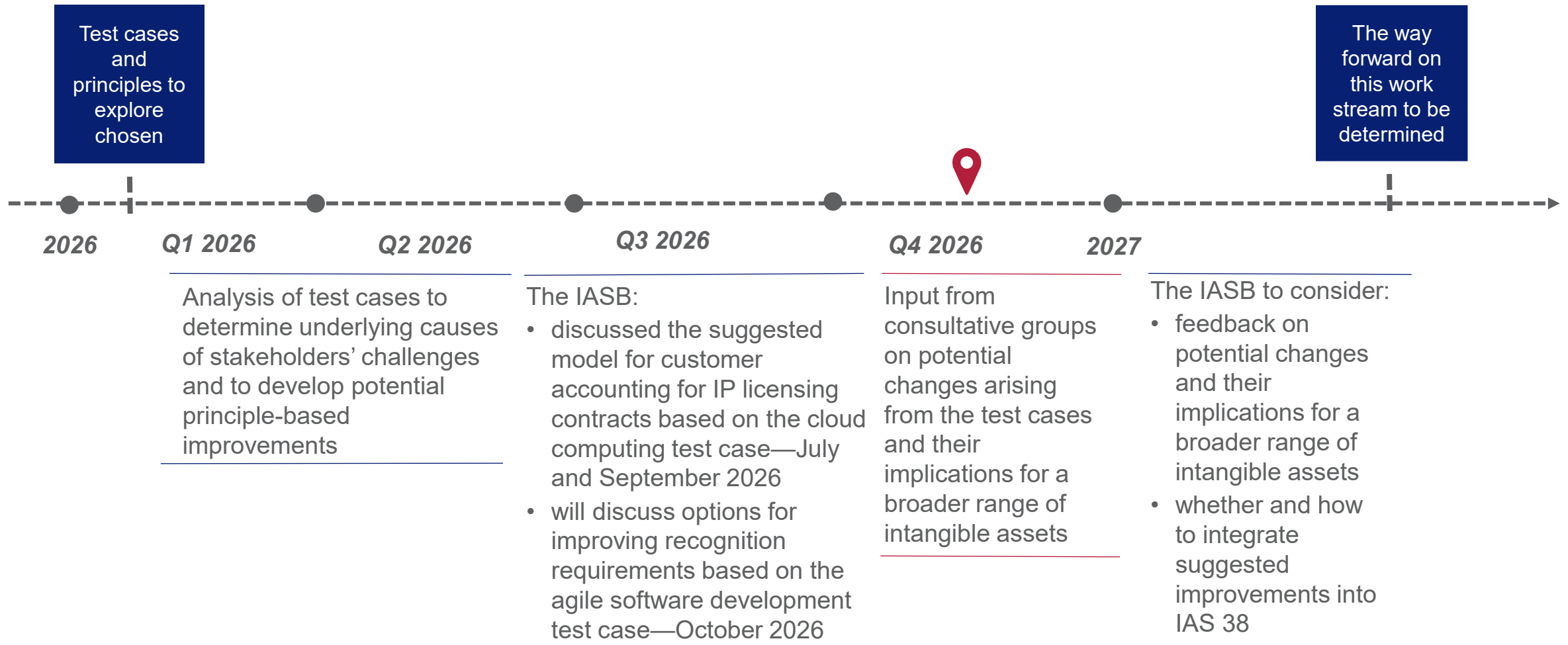


- to **provide an update on the project**, including the IASB's suggestions for potential changes to some aspects of the definition of an intangible asset, related guidance and recognition requirements developed based on test cases:
 - this slide deck covers suggestions for customer accounting for intellectual property (IP) licensing contracts based on cloud computing arrangements
 - Agenda Paper 2B covers options for improving IAS 38 *Intangible Assets* recognition requirements based on agile software development



- to **seek CMAC members' views** on those potential changes and the usefulness of resulting information to users of financial statements.

How we plan to use your input



Why the IASB is developing the model for IP licensing contracts

What our stakeholders said

For cloud computing arrangements, including SaaS contracts, stakeholders said **IAS 38 can be difficult to apply** when deciding whether a customer recognises an asset or expenses related costs—with many arguing that the accounting for some newer types of intangible assets **might not reflect the economics of the transaction**. These concerns were especially strong for upfront expensing of configuration and customisation costs. In analysing these arrangements, questions arise over the underlying item, the customer's rights, control and the unit of account.

Some stakeholders, including regulators and national standard-setters, reported **diversity in accounting**, especially for configuration and customisation costs, and said information in the financial statements can be insufficient to understand the differences arising from this diversity.

Concerns raised by stakeholders point to wider inconsistency in how licences of IP are accounted for and disclosed—particularly as **new ways of accessing IP, such as cloud-based software and AI solutions, become more widespread and related amounts increase**.

Why this matters to users

This work stream is primarily focused on delivering more clarity for preparers and meeting the objective of updating IAS 38 to make it more suitable for newer types of intangible items and new ways of using them and, therefore, does not specifically target user information needs.

However, we still think that this work stream could provide some benefit for users. For example, providing a better basis for preparers analysing such contracts could result in **more consistent information** and provide a **better basis for improving disclosure requirements** related to intangible assets.



To achieve this objective (i.e. to ensure consistency and provide better disclosures), we would like feedback on potential unintended effects of the model.

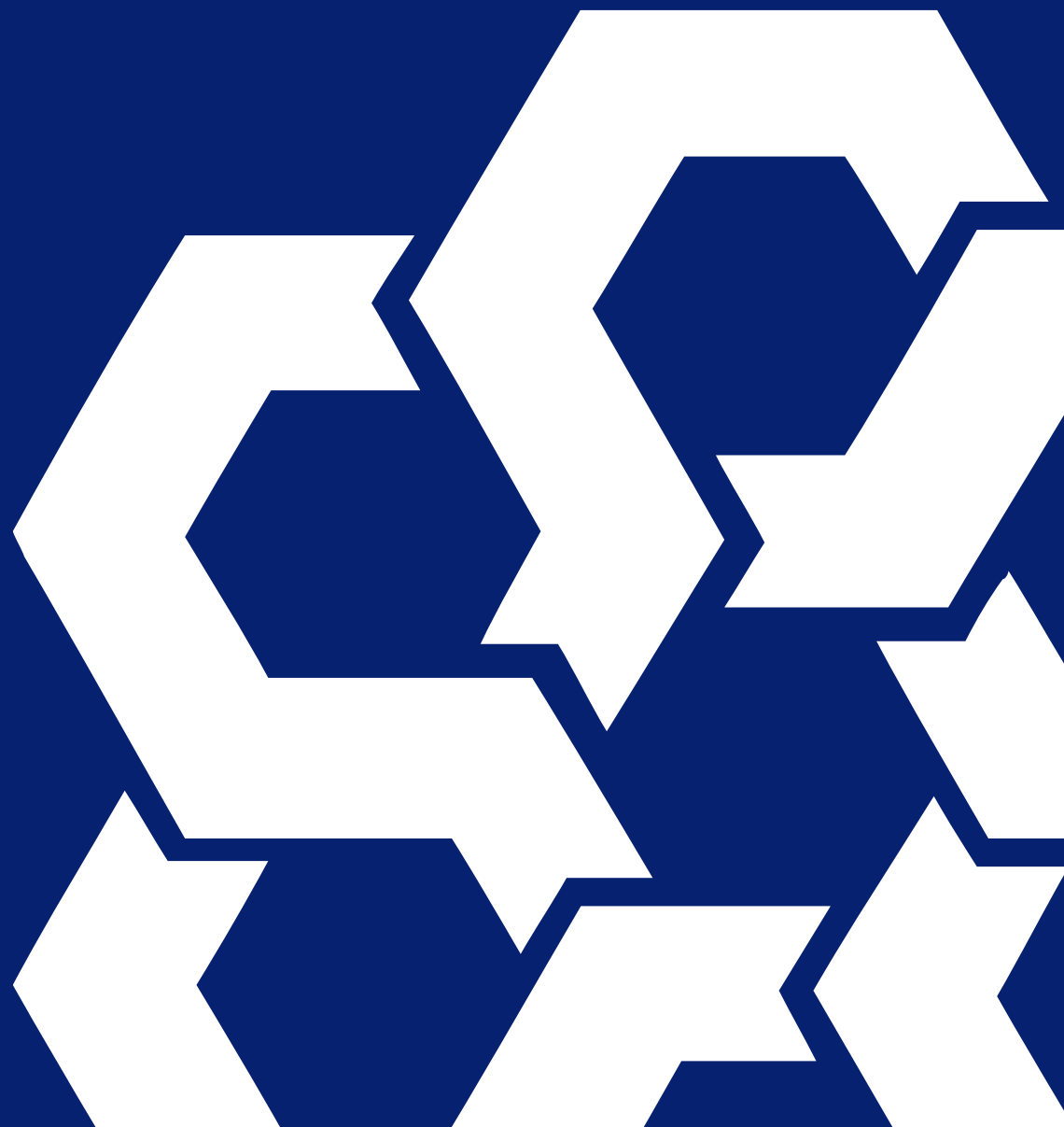
Questions for CMAC members

In July and September 2026, the IASB discussed a model it is developing for customer accounting for IP licensing contracts, using a cloud-based software delivery contract in a ‘software as a service’ (SaaS) arrangement as a test case. Slides 11–20 provide an overview of the model and its effects on the information you receive, Appendix A provides more detailed information about our suggested model and Appendix B provides relevant fact patterns.

Implications of the suggested model on your analysis

1. Would information about IP licences resulting from applying the suggested model (slides 15–19) result in useful information for your analysis, including for a traditional software licence as illustrated in fact pattern 1, a simple SaaS arrangement as illustrated by fact patterns 2 and a SaaS arrangement with configuration and customisation as illustrated by fact pattern 3?
 2. In thinking about your response to question 1, do you see the distinction between a right to direct the use of IP, a right to access IP and a right to receive a service in respect of IP as meaningful (slide 23)? Do your information needs in respect of these different types of rights differ and, if so, how?
-

Project update



May 2025 IASB decisions

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

- | | |
|--|--|
| ☒ User information needs | } <i>In progress</i> |
| ☒ Potential changes to aspects of the definition and recognition requirements (using test cases) | |
| ☒ Intangible assets held for investment | } <i>Later streams (subject to change)</i> |
| ☒ Broader review of recognition | |
| ☒ Disclosure requirements | |
| ☒ Comparability of information about acquired and internally generated intangible assets | |
| ☐ Broader intangible items | <i>TBC</i> |

Exploring user information needs

Cross-cutting stream—would contribute to all topics

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

Main findings

- Users primarily treat intangible activities as drivers of future cash flows and economic performance, rather than seek to value individual recognised or unrecognised intangible assets
- Identified **areas of improvement** included:
 - linking spend on intangible activities to outcomes
 - linking information about intangible activities from various sources to amounts in the financial statements
 - comparability across entities
 - insufficient information about recognised intangible assets



Decision on whether and, if so, how the findings change the project direction is expected in Q4 2026

Potential changes to aspects of definition and recognition

Good entry point—explores fundamental aspects of IAS 38 and could inform other aspects of the project



explore potential changes to IAS 38 to improve some of the requirements in the Standard and its applicability to newer types of intangibles assets and new ways of using them



ensure that the requirements are grounded in the most up to date thinking

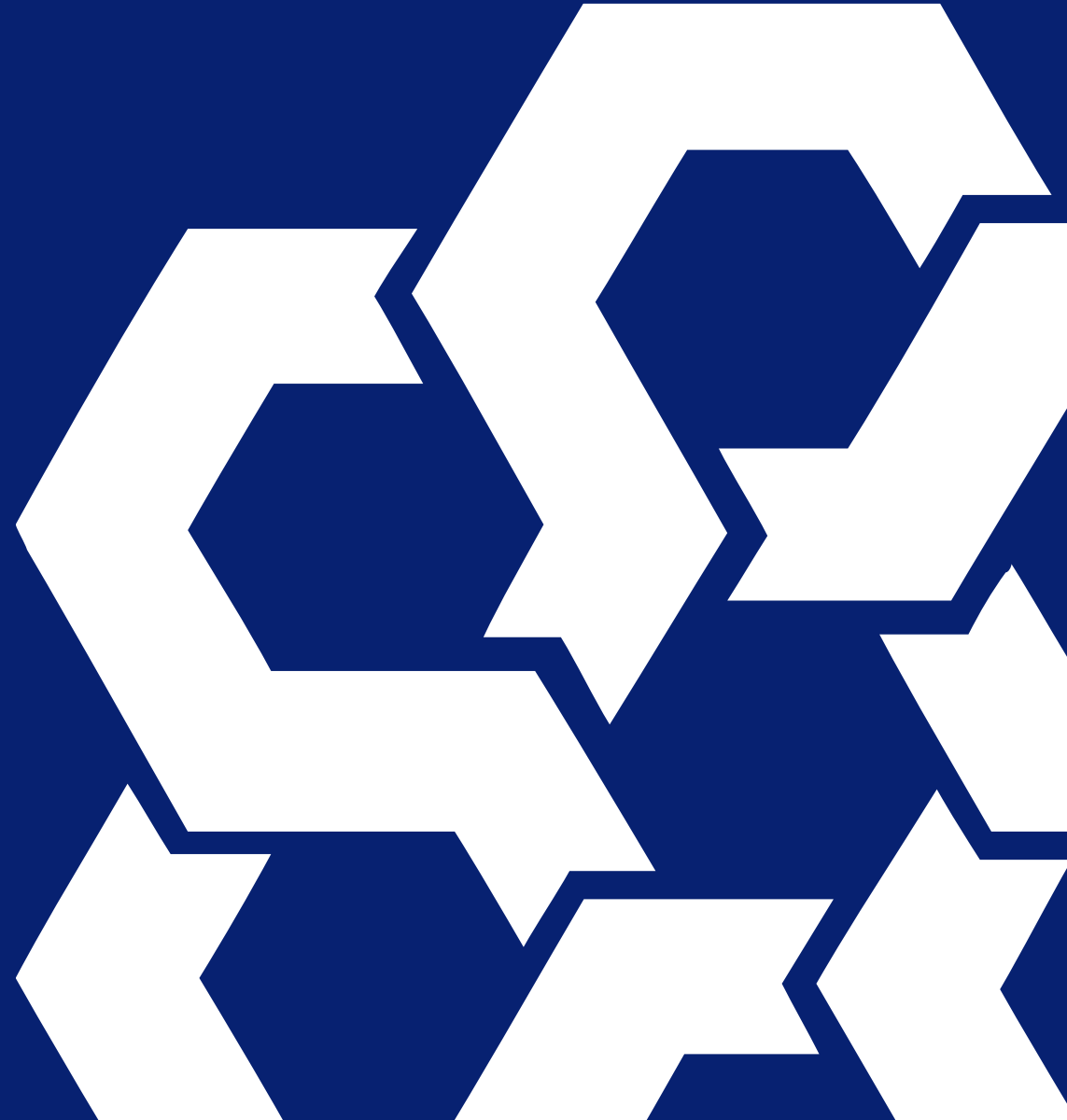
Approach

- Based on **test cases** (cloud computing arrangements and agile software development):
 - intended to make the work more manageable—used to **identify principles and topics** that may need improvement and to develop potential solutions
 - **not intended to solve specific application issues** related to selected newer types of intangible assets
- Any potential solutions will be tested on a broader range of intangible assets to avoid unintended consequences



The IASB intends to determine the way forward on this work stream in early 2027.

Customer accounting for IP licensing contracts— Overview of the model



Summary of our suggested model (1/3)

Our suggested model focuses on the analysis of **rights and obligations in a contract** (as required by other more recent IFRS Accounting Standards). In developing the model, we used typical fact patterns set out in Appendix B. Further details of our rationale and the principles we used can be found in Appendix A (see slide references).

What is the underlying item? (slide 22)

The underlying item is the **IP itself**—the functionality and value of the IP is embodied in the IP itself, and the ability to copy at little to no cost and of many parties to access and utilise the IP at the same time reflects its inherently scalable nature.

What rights over the underlying item does the customer obtain? (slides 23–24)

The supplier typically continues to hold the right to direct the use of the IP. A customer in an IP licensing contract **obtains and controls a right to access the supplier's IP** (not a right to receive a service). This is because the customer can access and utilise the software itself to generate its own economic benefits (in accordance with the terms of the licence). A right to access IP is a new concept.

Is the right to access IP an asset? (slide 25)

That right meets the definition of **an intangible asset**—it is an economic resource controlled by the customer that is identifiable, non-monetary and without physical substance.

Summary of our suggested model (2/3)

What accounting treatment would provide the most useful information about the right to access IP? (slides 26–27)

If that right is **obtained at a point in time**—like a traditional software licence—it is **recognised as an intangible asset and amortised over its useful life**, as today.

If that right is **obtained over time**—like a SaaS-type arrangement—the customer obtains a series of short-lived intangible assets that are consumed as they are obtained. We think that the related cost is **best recognised as an operating expense** over the contract term. This is because each right exists only momentarily, is consumed during an entity's normal operating cycle and recognising and immediately amortising rights to access IP may not result in useful information for users.

We think that the cash flows associated with rights to access IP obtained over time are best characterised as **operating cash flows** because no intangible asset is recognised. In the future (as part of this work stream or as part of the broader disclosure work stream) the **IASB could consider whether specific disclosure requirements** for rights to access IP are needed.

Summary of our suggested model (3/3)

How to account for advance payments (including configuration and customisation costs paid for in advance) (slide 31)

We think an advance payment is best characterised as a **working capital asset** because it relates to the right to receive rights to access IP in the future. As and when the customer obtains the rights to access IP over time, the **relevant portion of this advance payment becomes a right to access IP** that is immediately consumed and recognised as an operating expense.

How to consider multiple deliverables in the contract (including configuration and customisation)? (slides 28–29 and slide 32)

A customer could **treat rights** related to these deliverables **as a single unit of account** if such treatment provides **useful information**. This would be the case if the rights are used together and not expected to expire in different patterns, the customer cannot benefit from those rights separately and the customer's primary objective is to obtain access to a combined output.

For example, we think that, in fact pattern 3, rights to access IP, rights relating to the supplier's infrastructure and rights over software code resulting from customisation activities would typically be treated as a single unit of account. Therefore, the **cost of configuration and customisation would form part of the cost of the series of intangible assets** that the customer would obtain and consume over the contract period and **would be recognised as operating expenses over the contract period**.

What the model means for the information you receive (1/5)

	Fact pattern 1— traditional software licence*	Fact pattern 2—SaaS arrangement*	Fact pattern 3—SaaS arrangement with configuration and customisation*
How the software is obtained	Downloaded and run on the customer's own servers.	Accessed through the cloud. The supplier hosts, maintains and updates the software and controls the underlying infrastructure.	As fact pattern 2, plus the supplier configures and customises the software before go-live.
Term and fees	Three years, 100 users. CU360,000 for the licence.	Three years, 100 users at CU100 per user per month (CU120,000 a year).	As fact pattern 2, plus CU60,000 of implementation fees: • configuration CU10,000; • customisation CU50,000.

* Appendix B provides further details of the fact patterns.

What the model means for the information you receive (2/5)

	Fact pattern 1—traditional software licence	Fact pattern 2—SaaS arrangement	Fact pattern 3—SaaS arrangement with configuration and customisation
Balance sheet 	An intangible asset is recognised at cost and amortised over its useful life. A declining asset balance is visible until the licence is fully amortised.	No intangible asset is recognised.	No intangible asset is recognised. A working capital asset is recognised in respect of the configuration and customisation activities and is gradually reduced as related operating expenses are recognised.
Income statement 	Amortisation of the intangible asset—presented as amortisation of intangible assets or allocated to the function the software supports.	An operating expense as the rights to access IP are obtained and consumed—within the function the software supports (eg cost of sales, IT or administrative expenses).	An operating expense as the rights to access IP are obtained and consumed—within the function the software supports (eg cost of sales, IT or administrative expenses). Included in this operating expense is the relevant portion of the working capital asset for customisation and configuration.

What the model means for the information you receive (3/5)

	Fact pattern 1— traditional software licence	Fact pattern 2—SaaS arrangement	Fact pattern 3—SaaS arrangement with configuration and customisation
Profitability measures 	The amortisation charge sits below EBITDA, so operating profit before depreciation and amortisation is unaffected. The software asset is included in the asset base, which affects return on assets and return on capital employed.	The charge sits within EBITDA, so operating profit before depreciation and amortisation is affected. There is no software asset included in the asset base, which affects returns on assets and capital employed.	The charge sits within EBITDA, so operating profit before depreciation and amortisation is affected. Only a working capital asset is included in the asset base that affects returns on assets and capital employed.
Other analysis points 	Spend appears in investing cash flows. The asset balance and amortisation profile make past software investment and its remaining benefit period visible.	Spend runs through operating cash flows. There is no asset base or amortisation profile, so the expense itself is the main signal of software spending.	Spend runs through operating cash flows. There is a smaller asset base and no amortisation profile, so the expense itself is the main signal of software spending.

The IASB could consider requiring **additional disclosure** on expenditure and on the nature, extent and timing of the entity's commitments associated with rights to access IP. The IASB will also **consider how the proposed model affects the accounting for a broader range of intangible assets**—for example, broadcasting rights, published works, patents and AI-related applications or data.

What the model means for the information you receive (4/5)

Extract from the balance sheet as of end of year 1

	Fact pattern 1	Fact pattern 2	Fact pattern 3
Non-current assets			
• Intangible asset	240,000	-	-
• Non-current portion of working capital asset	-	-	20,000
Current assets			
• Current portion of working capital asset	-	-	20,000

Extract from the income statement for year 1

	Fact pattern 1	Fact pattern 2	Fact pattern 3
Amortisation expense	120,000	-	-
Other operating expenses	-	120,000	140,000*

* Comprises CU120,000 in subscription fees as per fact pattern 2 + CU20,000 expense recognition for configuration and customisation costs previously capitalised into working capital.

What the model means for the information you receive (5/5)

Extract from the statement of cash flows for year 1 (using the indirect method)

	Fact pattern 1	Fact pattern 2	Fact pattern 3
Cash flows from operating activities			
Profit for the period	(120,000)	(120,000)	(140,000)
Adjustments for:			
- Amortisation	120,000	-	-
Changes in:			
- Working capital assets	-	-	20,000*
Net cash generated from operating activities	-	(120,000)	(120,000)
Cash flows from investing activities			
- Acquisition of intangible asset	(360,000)	-	-
Net cash generated from investing activities	(360,000)	-	-

* The year 0 payment of CU60,000 preceded the start of the SaaS contract. For that year, the statement of cash flows would have shown (CU60,000) within the cash flows from operating activities section upon recognition of working capital asset. Year 1 shows a reduction in the working capital asset recognised in respect of configuration and customisation costs as the operating expense is recognised.

Expected changes to accounting for SaaS arrangements

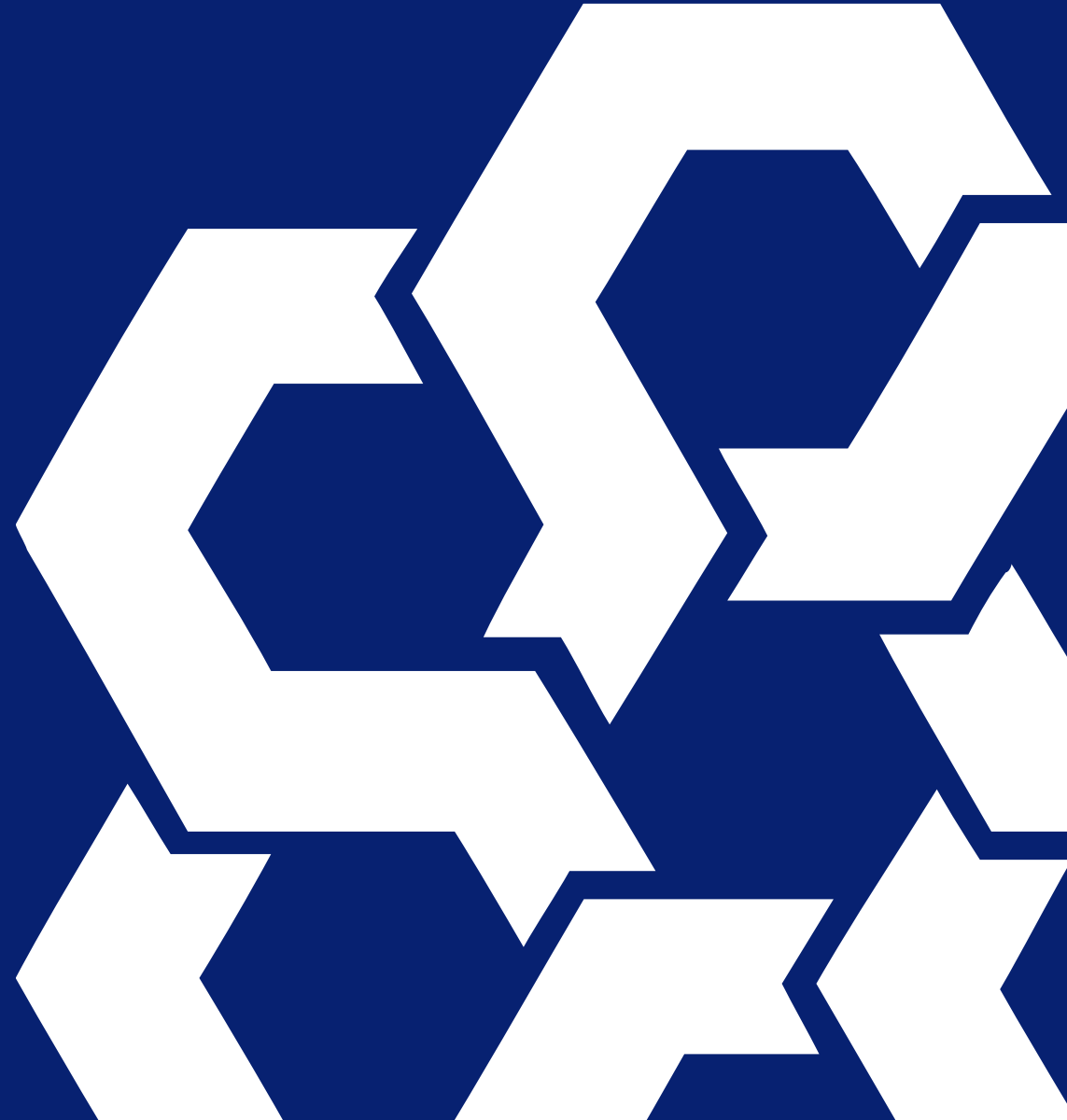
What are companies doing today?

- Although there is evidence of some diversity in practice, **most customers we spoke to said they accounted for SaaS arrangements as a service contract**, recognising expenditure related to SaaS arrangements as an **operating expense when incurred**. For some customers, large **upfront implementation costs have led to large one-off expenses in the income statement**, affecting EBITDA and other profitability measures.

What could change because of the proposed model?

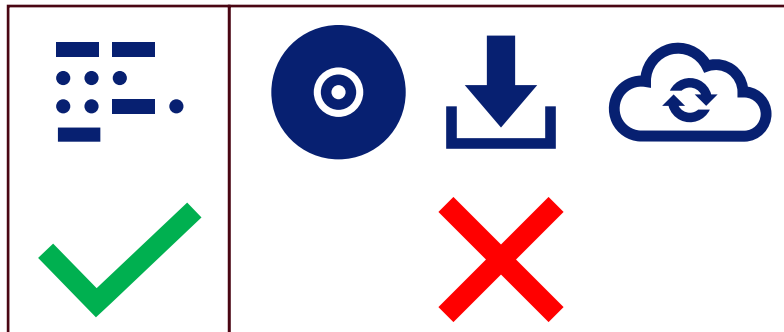
- The effect of our suggested model on the financial statements is that **SaaS spend stays in operating expense and operating cash flow**, broadly as most preparers report it today—but as rights to access IP are seen as assets that are consumed as obtained, this provides a conceptual basis for spreading **configuration and customisation costs** over the term of the SaaS arrangement.

Appendix A—Customer accounting for IP licensing contracts—Detailed explanations



1. What is the underlying item?

The customer first identifies the underlying item which it is obtaining rights over



We think in an IP licensing contract, **the IP itself** (and not a copy of the IP) would be at least one of the underlying items to which the customer obtains rights. This is because:

- **functionality and value** of the IP is embodied in the **IP itself**, not in its mode of access (physical copy, downloaded copy or cloud)
- **ability to copy** at little to no cost and of **many parties to access and utilise** the IP at the same time are characteristics of the **IP itself** rather than a distinct underlying item in its own right

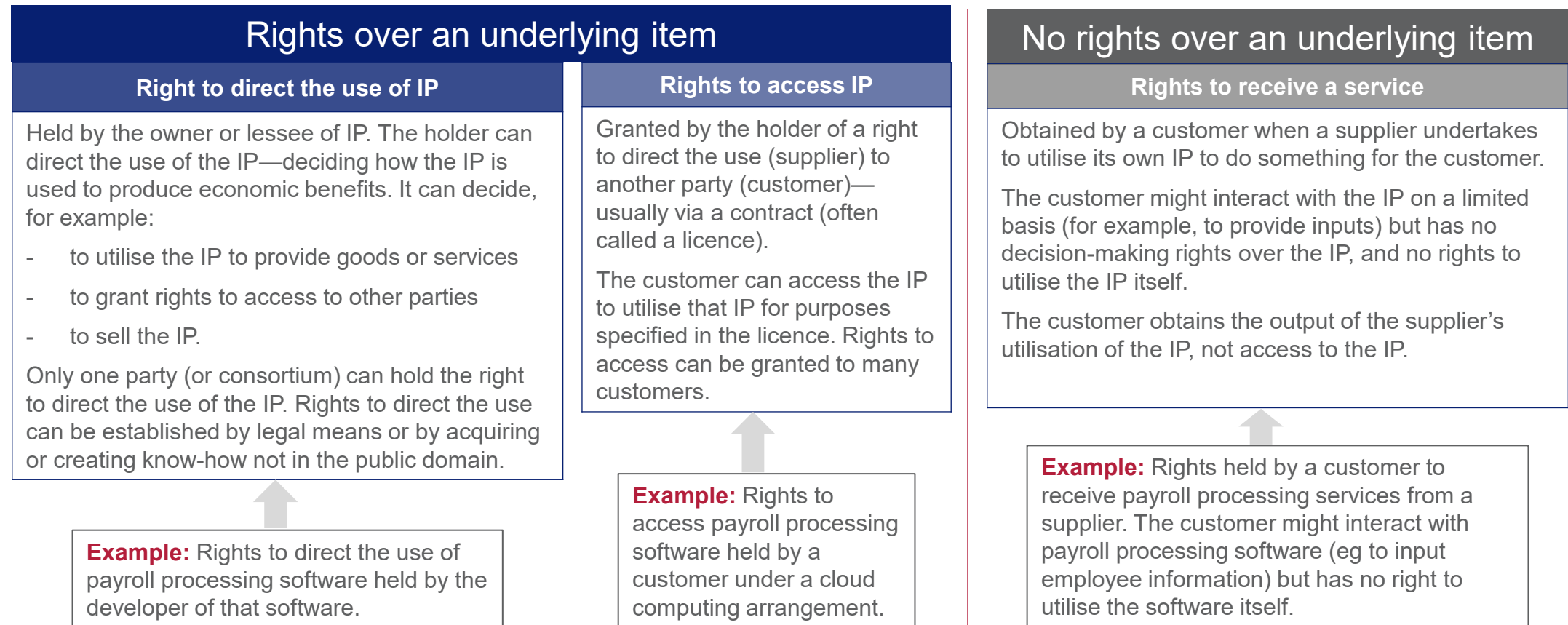
IP can be either dynamic or static in nature

IP is dynamic if:

- the supplier is expected to **significantly change the form or functionality of the IP** to which the customer has access (for example, if the supplier is expected to update the software to which the customer has access); and
- the customer is **directly affected by those activities** (such as improved functionality from updates or decreased functionality from withdrawn features).

2. What rights over the underlying item does the customer obtain? (1/2)

The customer then identifies what rights it obtains over the underlying item (the IP)



2. What rights over the underlying item does the customer obtain? (2/2)

In fact patterns 1–3 (i.e. for both a traditional software licence and for a SaaS arrangement), we think that, in respect of the IP element of the contract:

- the **supplier retains the right to direct the use** of the IP (software);
- the **customer obtains a right to access** the IP; and
- the **customer does not obtain a right to receive a service** because the supplier is not utilising the software to do something for the customer. Instead, the customer utilises its right to access to generate future economic benefits.

→ A right to access IP is a new concept in customer accounting for intangible-related rights. Therefore, on slides 25–27, we focused on this element of the contract and considered what accounting would provide the most useful information about it.

3. Is the right to access IP an asset?

The right to access IP is an asset

It has the **potential to produce economic benefits**, so it is an economic resource.

The customer **controls that resource** because, within the terms of the contract, it can use the software to generate economic benefits, decide when and how to use it, and prevent others from using its access.



As a reminder, the customer determines whether it has control of the right it obtains over the IP (software), and not whether it has control of the IP itself

The right to access IP is an intangible asset

It is identifiable, non-monetary and has no physical substance.

4. What accounting treatment would provide the most useful information about the right to access IP? (1/2)

The most appropriate accounting for the right to access IP would depend on whether it is static or dynamic

Static right to access IP—
right to access IP obtained at a point in time

Well-established accounting for traditional software IP licences—recognised as an intangible asset and subsequently amortised over its useful life

Dynamic right to access IP—
series of rights to access IP obtained over time

Traditionally viewed as a service. Recognising each intangible asset as it is obtained and then immediately amortising it in full may not be the most appropriate accounting.

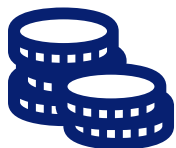
We think rights to access IP obtained over time are a **separate type of intangible asset** and that expenses associated with them should be recognised as **operating expenses when they are obtained and consumed:**

The pattern of consumption differs from other intangible assets—each right exists momentarily

Rights to access IP obtained over time are **current assets** (consumed during an entity's normal operating cycle)

Recognising and immediately amortising rights to access IP may **not result in useful information**—users did not favour increased capitalisation and were concerned about the effects on profitability measures.

4. What accounting treatment would provide the most useful information about the right to access IP (2/2)



Cash payments for rights to access obtained over time may be best classified as **operating cash flows in the statement of cash flows** because no intangible asset is recognised and such classification aligns with the classification in the income statement.

↳ The practical consequence is that, as entities move from on-premise licences to SaaS arrangements, expenditure an entity may consider capital in nature is reported within operating cash flows, potentially affecting the calculation of free cash flows and other metrics.



In the future (as part of this work stream or as part of the broader disclosure work stream) the IASB could consider whether specific disclosure requirements for rights to access IP are needed. Based on user feedback, useful information about rights to access IP obtained over time could include:

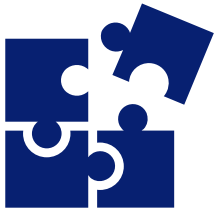
- **separately disclosing (disaggregating) expenditure** related to rights to access IP from other expenditure. Implementing the disaggregation requirements in IFRS 18 might require disclosure of some of this information.
- **disclosure of the nature, extent and timing of the entity's commitments** associated with rights to access IP obtained over time (for example, long-term SaaS contracts)—balanced with a preparer's need to maintain **commercial sensitivity**.

By providing a better basis for preparers' judgements and for improving disclosure requirements, our model could deliver more **clarity for preparers and more consistent information for users**.

5. How to consider multiple deliverables in a contract (1/2)

In an IP licensing contract, a customer could obtain **a right to access IP** and other **rights**. For example, in a SaaS contract a customer may obtain:

- a **right to access the supplier's IP**; and
- **other rights**—for example, rights to access the **supplier's infrastructure**, rights related to **customisation activities** or rights to receive **other services**.



The customer would need to determine whether to treat these rights as a single unit of account for recognition and measurement purposes.

The purpose of combining rights into a single unit of account is to **provide useful information**—information that is **relevant** and that **faithfully represents** the substance of the IP licensing contract. For example, more useful information may result from combining the rights if:

- they **are used together** and are **not expected to expire in different patterns**
- the customer **cannot benefit from those rights separately**
- the customer's **primary objective is to obtain access to a combined output** (functioning software) and the deliverables are highly interdependent and highly interrelated. Fact pattern 2 demonstrates this on slide 37.

5. How to consider multiple deliverables in a contract (2/2)

Pattern of delivery

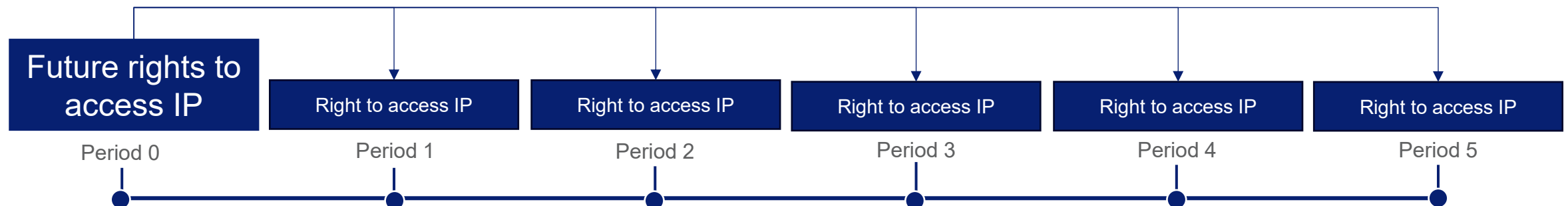
If the right to access the supplier's IP and other rights are treated as **a single unit of account**, whether the IP is static or dynamic does not, in itself, determine when the customer receives those rights.

Other criteria may help determine that the customer receives the unit of account over time, including that the customer **obtains and consumes the rights making up that unit of account as the supplier delivers them**. On that basis, the customer obtains control of the unit of account over time, not on day one. This holds even if the software is static, because the supplier **keeps hosting and delivering it throughout the contract**.

6. How to apply the model to common variations of SaaS contracts?

6a. Advance payments

- SaaS contracts often require or offer customers to **pay in advance for subscription or usage-based fees**.
- We think that this payment is best characterised as an advanced payment for future rights to access IP—a **working capital asset**, because it relates to the right to receive rights to access IP in the future.
- As and when the customer obtains the rights to access IP over time, the **relevant portion of this advance payment** becomes a right to access IP that is immediately consumed and recognised as an **operating expense** under our model.



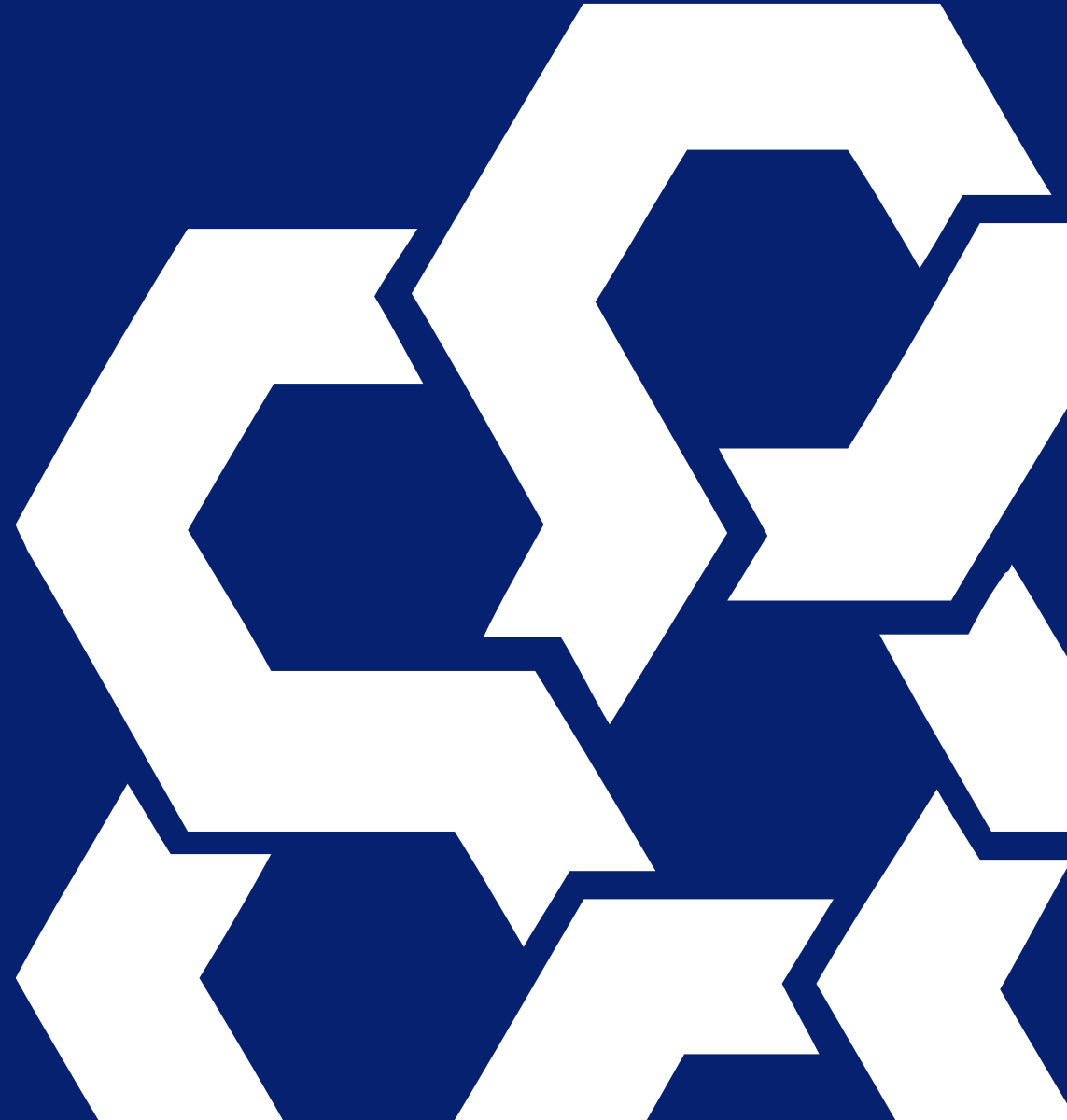
6b. Configuration and customisation

Upon entering into a SaaS contract, many customers **incur configuration and customisation costs** to enable the software to meet the customer's specifications. These activities typically take place and are paid for prior to the customer's utilisation of the software.

Applying our suggested model to a SaaS contract including configuration and customisation activities:

- the customer would first need to **identify the underlying item(s)** (slide 22) and the **rights it obtains over the underlying item** (slides 23–24).
- the customer would then determine the **unit of account** (slide 28).
- if the customer's identified **unit of account includes configuration and customisation** (see slide 29), the cost of configuration and customisation would **form part of the cost of a series of intangible assets** that the customer would obtain and consume over the contract period. Therefore, that cost could be **recognised as operating expenses over the contract period**.

Appendix B—Fact patterns explored in developing the model



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

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 100 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 CU360,000 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.

Application of suggested model to fact pattern 1

The customer might conclude that the **underlying item** is:

The supplier's IP—the software, which is static in nature as the supplier is not expected to undertake any further activities that significantly change the form or functionality of the software to which the customer has access.

The **right** the customer obtains in this contract would be:

A **right to access the supplier's IP** obtained at a point in time.

Recognised as an intangible asset and subsequently amortised
over its useful life

Fact pattern 2—Software obtained via a SaaS arrangement

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 100 users at CU100 per user per month. The SaaS arrangement renews automatically for successive 12-month terms unless terminated with 30 days' written notice.

The supplier provides only cloud-based software delivery activities, and the software is not available for digital download or via a physical copy such as a compact disc.

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.

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 code and merely grants the customer access to the software during the term of the arrangement.

Application of suggested model to fact pattern 2

The customer might conclude that the **underlying items** are:

The supplier's IP—the software—in the form in which it exists at any given moment, as maintained and updated by the supplier (the nature of this IP is dynamic)

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.

The **rights** the customer obtains in this contract would be:

A **right to access the supplier's IP** (the software in the form in which it exists at any given moment)

Depending on the terms of the contract, a right to access the **supplier's infrastructure** or a right to receive a service in relation to the supplier's infrastructure

Would be treated **as a single unit of account** because:

- it could provide **more relevant information**—the customer obtains and can benefit from these rights only during the period in which it has access to the IP, and the **rights are not expected to expire in different patterns**.
- the **customer cannot benefit from either deliverable separately**. The supplier provides access to the software only through the cloud and the deliverables relating to the infrastructure are not available as a separate product.
- the customer's objective is to obtain a combined output—a functioning software in the form in which it exists at any given moment. The supplier **integrates software code and infrastructure** so the deliverables are **highly interdependent and highly interrelated**. Treating them as a single unit of account would **faithfully represent the substance of the transaction**.

The group of rights is obtained over time

→ related costs are recognised as operating expense as rights are obtained and consumed

Fact pattern 3—Configuration and customisation costs

Assume the same facts as in fact pattern 2 but, in addition, the supplier agrees to provide configuration and customisation activities for deployment of the software. The work is expected to begin on 31 March 20X6 and take nine months, so that the software is ready for go-live on 1 January 20X7. Total fees for these services are expected to be CU60,000 and are billable on completion, comprising:

- configuration services (fixed fee): CU10,000—work to set up and deploy the standard software, including changing the default settings of the standard software to function in a particular way—for example, setting various ‘flags’ or ‘switches’ within the software or defining certain values or parameters to implement a particular set-up of the software’s existing functionality.
- customisation services: CU50,000—work to modify the supplier’s existing software code or writing new code to change or create additional functionality in accordance with the customer’s requests.

The supplier retains the IP rights to the software and to any configuration, customisation code and integration components developed under the contract.

Application of suggested model to fact pattern 3

The **rights** the customer obtains in this contract would be:

1. A **right to access the supplier's IP** (the software in the form in which it exists at any given moment) as configured, maintained and updated by the supplier

2. Depending on the terms of the contract, a right to access the **supplier's infrastructure** or a right to receive a service in relation to the supplier's infrastructure

3. A **right to access the additional IP** (software code resulting from customisation activities)

Rights 1–3 would be treated **as a single unit of account** because:

- it may provide **more relevant information** because the customer obtains these rights and can benefit from them only during the period in which it has access to the IP and the **rights are not expected to expire in different patterns**.
- the **customer cannot benefit from either deliverable separately**. The supplier does not provide access to the software other than through the cloud and the customer does not obtain the rights in relation to the supplier's infrastructure or customisation code as separate products.
- the customer's objective is to obtain a combined output—a functioning software in the form in which it exists at any given moment—and the supplier **integrates software code, customisation code and infrastructure** so that the software is in the condition necessary for it to be capable of operating in the manner intended by the customer. The rights to access software code and the rights relating to the supplier's infrastructure are therefore highly **interdependent and highly interrelated**—treating them as a single unit of account would **faithfully represent the substance of the transaction**.

Based on the criteria on slide 29, the group of rights is obtained over time → related costs are recognised as operating expense as rights are obtained and consumed. The advance payment for configuration and customisation costs would be accounted for as per slide 31.

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