
Emerging Economies Group meeting

Date	November 2026
Project	Intangible Assets
Topic	Project update and definition of intangible asset and supporting requirements (SaaS test case)
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Purpose of this session

The purpose of this session is:



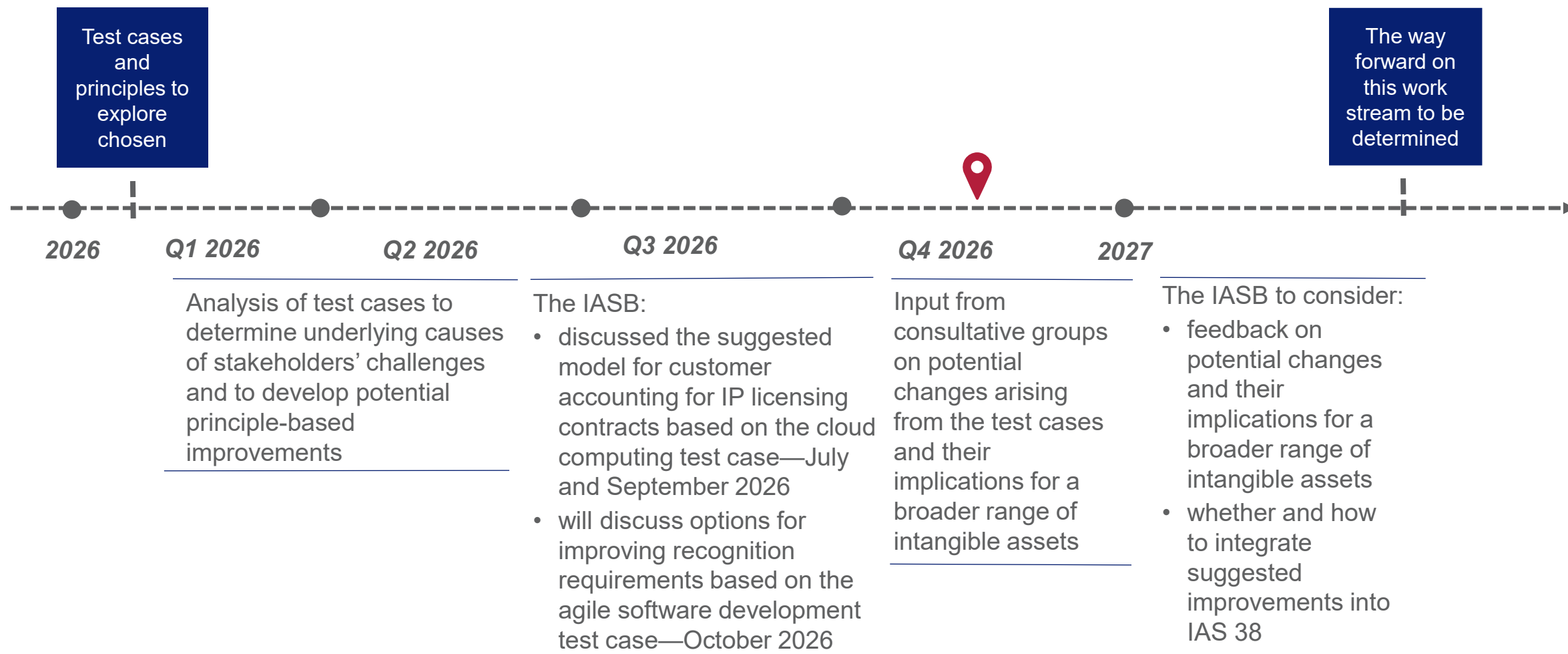
to **provide an update on the project**, including the IASB's suggestions for potential changes to some aspects of the definition of an intangible asset, related guidance and recognition requirements developed based on test cases:

- this slide deck covers suggestions for customer accounting for IP licensing contracts based on the cloud computing arrangements test case
- Agenda Paper 2B covers options for improving IAS 38 recognition requirements based on the agile software development test case



to **seek EEG members' views** on those potential changes and their implications for a broader population of intangible assets.

How we plan to use your input



Questions for EEG members

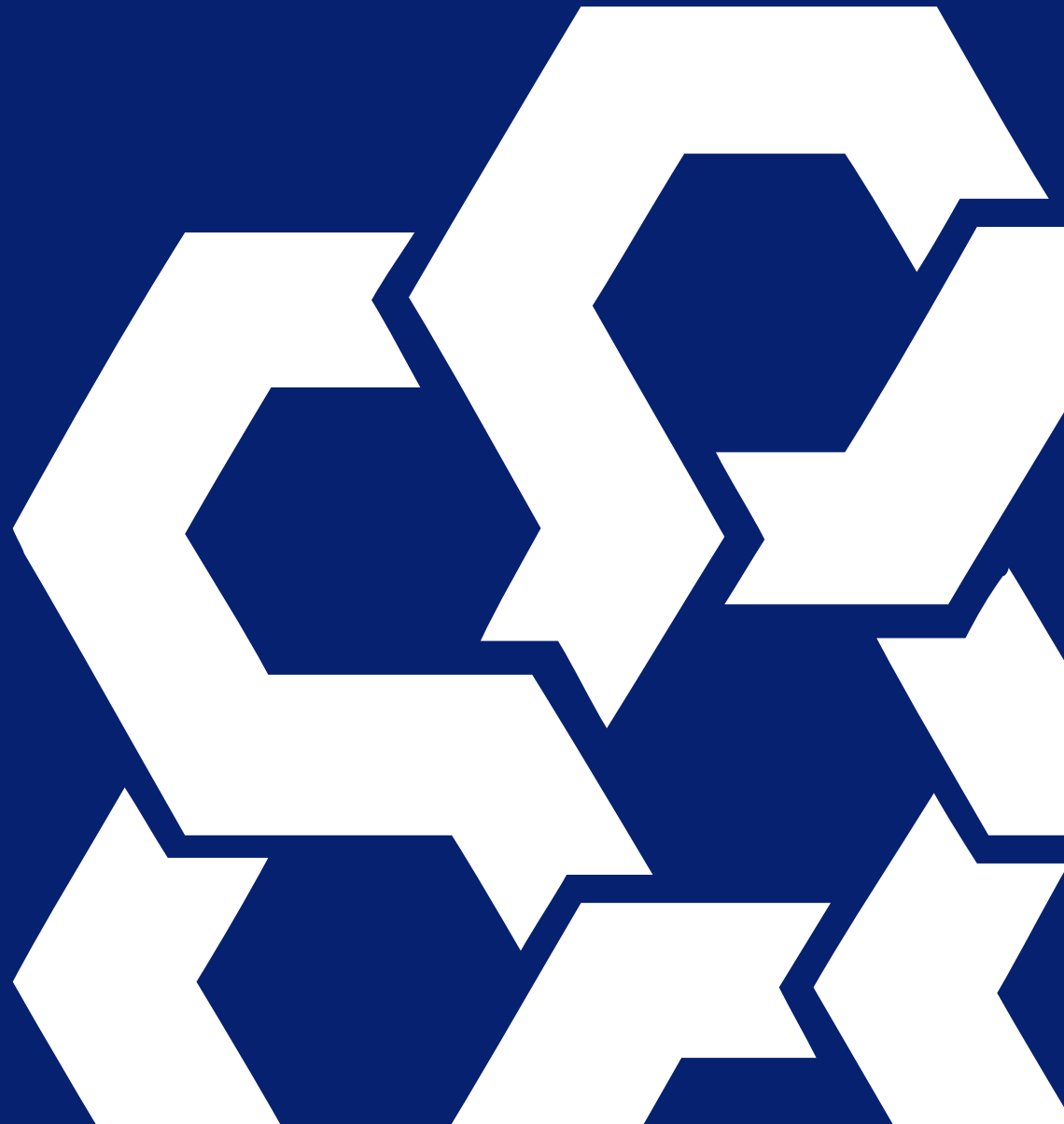
Model for customer accounting for IP licensing contracts

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 10–29 provide an overview and detailed explanations of the model, and the Appendix provides relevant fact patterns.¹

1. Do you have any questions or comments on the model the IASB is developing for customer accounting for IP licensing contracts, as set out on slides 10–29?
2. Do you have any initial reactions about the implications of the model for a broader range of IP licensing contracts, including contracts that relate to:
 - a. traditional IP, such as broadcasting rights, published works or patents; and
 - b. newer types of IP or new ways of accessing or using them, such as AI-related applications or data?

¹ The Agenda Papers of the [July 2026](#) and [September 2026](#) IASB meetings provide further information about the model the IASB is developing for customer accounting for IP licensing contracts.

Project update



May 2025 IASB decisions

Objectives

- Improve the usefulness of information entities provide about intangible items in their financial statements
- Update IAS 38 *Intangible Assets*, 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

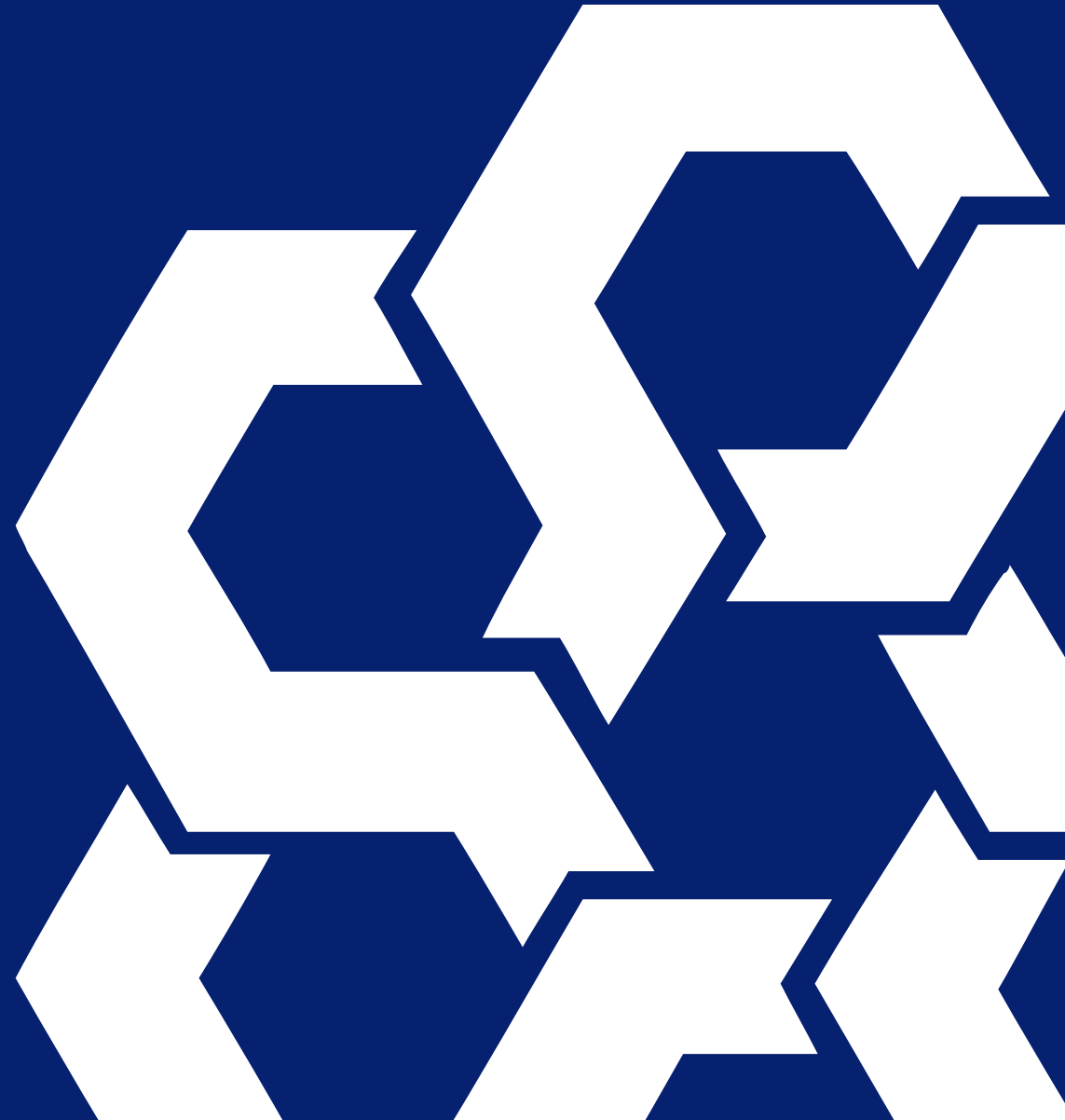
Test cases discussed in July and September IASB 2026 meetings, discussions to continue in October 2026.



In Q4 2026 the IASB will seek views from consultative groups on potential changes arising from the test cases and their implications for a broader range of intangible assets.

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



Why the IASB is developing the model

For cloud computing arrangements (including SaaS contracts)—where the customer does not acquire IP outright—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.

Some stakeholders 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.

Stakeholders highlighted questions about:

- **identifying the underlying item**, including whether the underlying item is the IP itself or a copy of the IP and what the unit of account is when a contract contains multiple deliverables.
- **the nature of the rights obtained by a customer** in a cloud computing arrangement, including whether the customer obtains an intangible asset, or enters into a service or a lease contract.
- **how the concept of control applies to the rights a customer obtains** in a cloud computing arrangement, particularly where multiple parties share rights to the same item and what the right to restrict others' access to benefits means in this context.



Providing principles for entities to apply in considering those questions could help improve consistency in application and usefulness of resulting information not just for SaaS contracts, but also for a broader population of IP licensing contracts, including newer types of IP such as AI-related applications and data.

Approach to developing the suggested model

Current work

- **Step 1:** Use questions posed by common fact patterns (starting from basic to more complex) to identify gaps in (a) requirements supporting the definition of an intangible asset and (b) some aspects of the recognition criteria in IAS 38.
- **Step 2:** Analyse the fact patterns using principles in the *Conceptual Framework for Financial Reporting (Conceptual Framework)* and IFRS 15 *Revenue from Contracts with Customers* to help identify possible improvements to IAS 38 to fill the gaps.

Future work

- **Step 3:** Consider what the implications of these suggested improvements are for a broader range of intangible assets, including both traditional and newer types of intangible assets.
- **Step 4:** Consider whether and how to integrate suggested improvements into IAS 38.



Note: Developing the suggested model is intended to be **iterative rather than sequential** – for example, testing suggested improvements against other fact patterns as described in Step 3 may reveal gaps in the model that require revisiting in Steps 1-2.

What we explored in the model

- The model is based on **analysing the rights and obligations** in an IP licensing contract
- We drew on:
 - the concepts in the *Conceptual Framework*, including the revised definition of an asset as a ‘present economic resource controlled by the entity as a result of past events’
 - IFRS 15, which provides a framework for supplier accounting of IP licensing contracts, focusing on when rights are transferred from a supplier to a customer

Questions we considered

1	What is the underlying item?	slide 16
2	What rights over the underlying item does the customer obtain?	slide 17
3	Is the right to access IP an asset?	slide 18
4	What accounting treatment would provide the most useful information about the right to access IP?	slides 19–20
5	How to consider multiple deliverables in the contract?	slides 21–22
6	How to apply the model to most common variations of SaaS contracts?	slides 25–29

Summary of our suggested model

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 the Appendix.

An IP licensing contract—with **IP as an underlying item**—gives different rights over the IP to a supplier and a customer. **The supplier typically continues to hold the right to direct the use of the IP.**

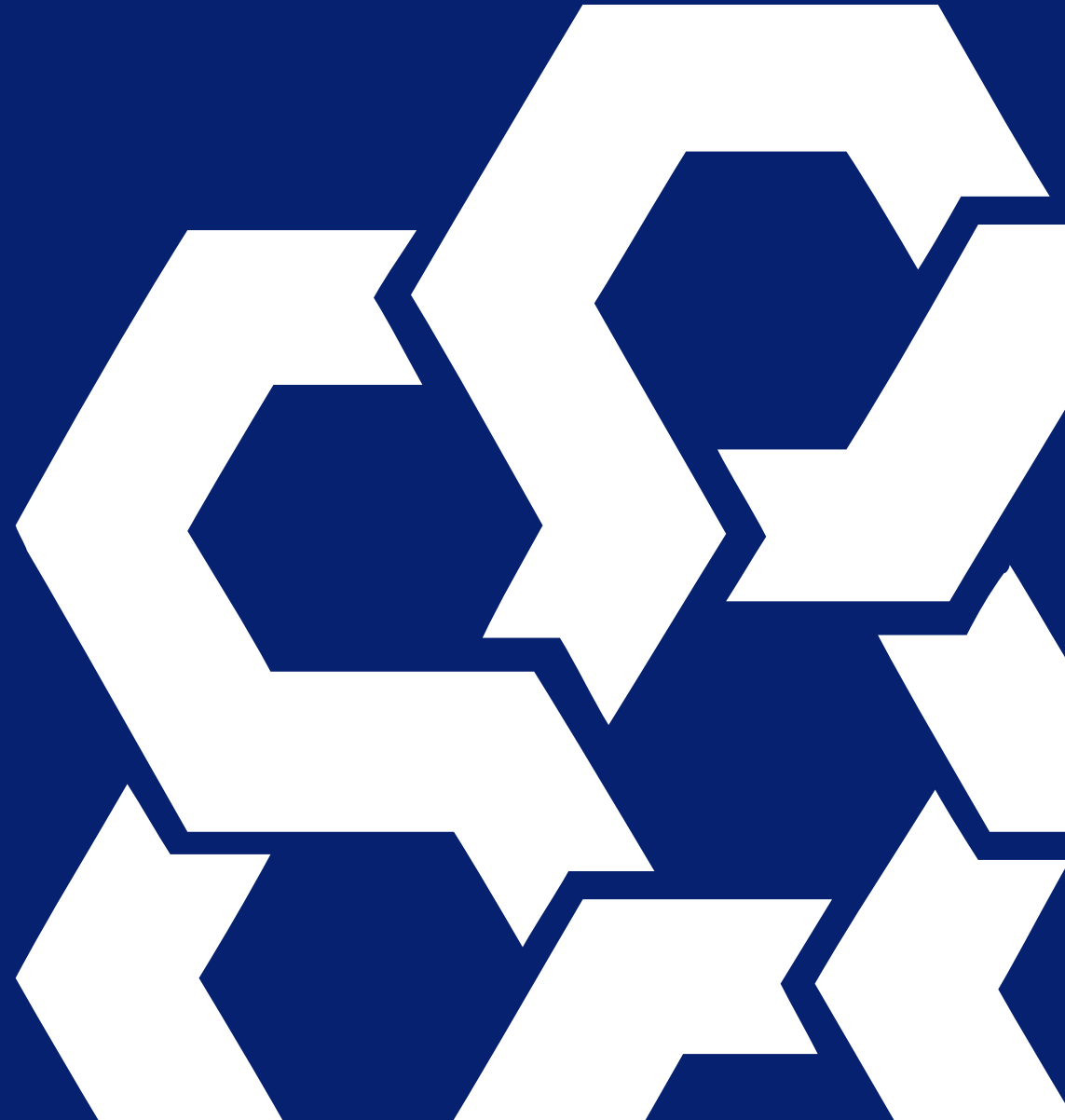
A customer in an IP licensing contract typically **obtains and controls a right to access the supplier's IP** (not a right to receive a service). That right meets the definition of **an intangible asset**.

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—over the contract term the customer obtains a series of short-lived intangible assets that are consumed as they are obtained. The related cost, including configuration and customisation, is **recognised as an operating expense** over the contract term, and the **cash flows are classified as operating**.

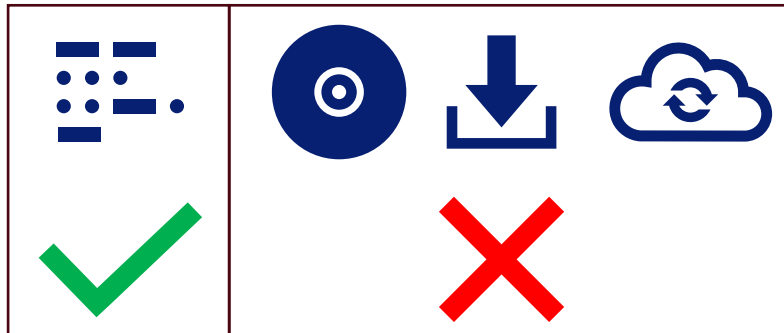
The effect on the financial statements is that **SaaS spend stays in operating expense and operating cash flow**, broadly as most preparers report it today—but as rights to access IP are seen as assets that are consumed as obtained, this provides a conceptual basis for spreading **configuration and customisation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

Customer accounting for IP licensing contracts—Detailed explanations



1. What is the underlying item?

Is it IP or the copy of IP?



We think it is **the IP itself** 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

What is the nature of IP?

- Is the supplier required or expected to undertake **activities that significantly change the form or functionality of the IP** (e.g. updates)?
- Is the customer **directly exposed to any positive or negative effects** of the supplier's activities?
- Do the activities result in no transfer of a deliverable to the customer as those activities occur?

IFRS 15.B58

Yes

No

The nature of the IP is **dynamic**

The nature of the IP is **static**

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

Rights over an underlying item

Rights to direct the use of IP

Held by the owner or lessee of IP. The holder can direct the use of the IP—deciding how the IP is used to produce economic benefits. It can decide, for example:

- to utilise the IP to provide goods or services
- to grant rights to access to other parties
- to sell the IP.

Only one party (or consortium) can hold the right to direct the use of the IP. In a typical IP licensing contract, **we expect the supplier to hold this right.**

Rights to direct the use can be established by legal means or by acquiring or creating know-how not in the public domain.

Example: Rights to direct the use of payroll processing software held by the developer of that software.

Rights to access IP

Granted by the holder of a right to direct the use (supplier) to another party (customer)—usually via a contract (often called a licence).

The customer can access the IP to utilise that IP for purposes specified in the licence.

Rights to access can be granted to many customers.

Example: Rights to access payroll processing software held by a customer under a cloud computing arrangement.

No rights over an underlying item

Rights to receive a service

Obtained by a customer when a supplier undertakes to utilise its own IP to do something for the customer.

The customer might interact with the IP on a limited basis (for example, to provide inputs) but has no decision-making rights over the IP, and no rights to utilise the IP itself.

The customer obtains the output of the supplier's utilisation of the IP, not access to the IP.

Example: Rights held by a customer to receive payroll processing services from a supplier. The customer might interact with payroll processing software (eg to input employee information) but has no right to utilise the software itself.

In a typical SaaS contract we expect **the customer** would obtain **a right to access IP** in exchange for an obligation to pay consideration

3. Is the right to access IP an asset?

- **An asset** is a present economic resource controlled by the entity as a result of past events.
- **An economic resource** is a right that has the potential to produce economic benefits.

CF4.6–4.25

Considered in isolation, we think **the right to access IP is an asset** because:

- the right to access IP **has the potential to produce economic benefits** and therefore the customer has an economic resource.
- the customer controls the economic resource. A **customer controls its right to access** because it can:
 - obtain economic benefits from accessing the software in accordance with the contract—utilising the software in its operations to generate revenue or control costs.
 - decide when and how to utilise its right to access in accordance with the contract and prevent others from utilising its rights to access via 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.

CF4.6–4.25

- ! The customer determines whether it has control of the right over the underlying item, and not the underlying item itself. Although the underlying item has been determined to be the IP, the customer is not assessing whether they control the IP itself but rather assesses whether they control the right to access that IP

The right to access IP asset meets the definition of an **intangible asset** because it is an **identifiable, non-monetary** asset without **physical substance**.

IAS 38.8

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

Depends on the nature of the right to access IP and the pattern of delivery to the customer (see slide 16)

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.

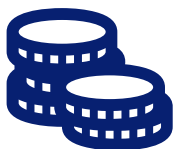
We think rights to access IP obtained over time are a **separate type of intangible asset** and that expenses associated with them should be recognised as **operating expenses when they are obtained and consumed**:

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**:

- existing requirements in IAS 7 *Statement of Cash Flows* state that, if no asset is recognised, cash flows arising cannot be investing.
- classifying these cash flows as operating also aligns with the expenditure for rights to access IP obtained over time being treated as operating expenses.



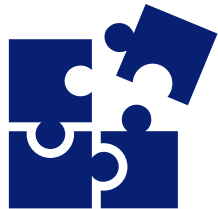
In the future (as part of this work stream or as part of the broader disclosure work stream) the IASB could consider whether specific disclosures requirements for rights to access IP are needed. Based on user feedback, useful information about rights to access IP obtained over time could include:

- **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**.

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 additional **rights**. For example, in a SaaS contract a customer may obtain:

- a right to access the supplier's IP; and
- other rights—for example, depending on the terms of the contract, 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—a right, or group of rights to which recognition criteria and measurement concepts are applied. Our suggested model draws on the principles in the *Conceptual Framework* and IFRS 15 to help a customer determine the appropriate unit of account.

CF4.48–4.55
IFRS 15.22-30

The customer would consider whether treating a group of rights as a single unit of account would provide **useful information**—that is, provide more **relevant information and faithfully represent the substance of the transaction**.

The **requirements on identifying distinct performance obligations** in paragraphs 22–30 of IFRS 15, adapted for the customer's perspective, could be helpful in determining whether treating a group of rights as a single unit of account could provide useful information. These principles are illustrated on slide 24 as they are applied to fact pattern 2.

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

When a unit of account includes rights beyond the right to access IP, we think the IFRS 15 requirements on determining the nature of IP (that we drew on in slide 16) would not, on their own, provide an appropriate basis for determining the pattern of delivery.

In our view, principles similar to those in paragraph 35 of IFRS 15—in particular, the indicator that the customer **simultaneously receives and consumes the benefits** of the supplier's performance as the supplier performs—could help the customer conclude that it obtains control of the rights treated as a single unit of account **over time**.



It follows that a SaaS arrangement with a static underlying IP would have an over time pattern of delivery: because the supplier hosts the IP continuously, the rights of access are delivered to the customer over time rather than at a point in time.

The customer would then consider whether the **right to access the IP is the primary or dominant component** of the unit of account, and the other rights in that unit of account are linked to the delivery of that right.

If so, **subsequent accounting would be based on the accounting for the right to access IP**, which is delivered over time. The customer would therefore apply the suggestions for accounting for a right to access IP obtained over time set out on slide 19.

Application of suggested model to fact pattern 1

- The customer might conclude that **the only underlying item is the supplier's IP**—the software.
- The nature of this IP is **static** because there is no obligation or expectation that the supplier will undertake activities that change the form or functionality of the software.
- The **only right, and therefore the appropriate unit of account, is the right to access the supplier's software.**

The customer would apply the criteria on slide 16 and, as the nature of the IP is static, the customer could conclude that it obtains its right to access the software at **a point in time**. This right to access IP would **be recognised as an intangible asset** and **subsequently amortised over its useful life** in accordance with the requirements in IAS 38.

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:

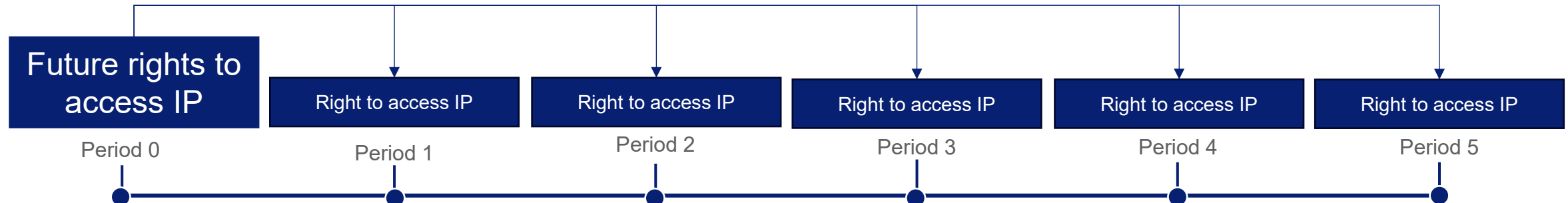
- it may provide **more relevant information** because the customer obtains these rights and can benefit from them only during the period in which it has access to the IP and the **rights are not expected to expire in different patterns**.
- the **customer cannot benefit from either deliverable separately**. 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 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—and the supplier **integrates software 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 22, the group of rights is obtained over time
→ related costs are recognised as operating expense as rights are obtained and consumed

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 does not relate to the right to access IP but to the right to receive those rights to access in the future. This advance payment is analogous to a contract asset or contract liability under IFRS 15, which reflects the state of performance under a contract rather than the promised good or service.
- 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 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 16) and the **rights it obtains over the underlying item** (slide 17).
- the customer would then determine the **unit of account** (slide 21).
- if the customer obtains a group of rights treated as a single unit of account that includes rights to access IP (as configured) and customisation IP over time (see slide 22), this group of rights are a **series of intangible assets obtained over time**.

→ The **cost of those assets—including** the costs of the **configuration and customisation** activities—would be allocated to the assets as they are **obtained and consumed** during the contract period and **recognised as operating expenses**.

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 22, 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 26.

6c. Multiple contracts

To obtain the desired functionality of the software, a customer may **obtain access to IP and other deliverables (for example, configuration or customisation activities, or access to computing infrastructure) from various suppliers**



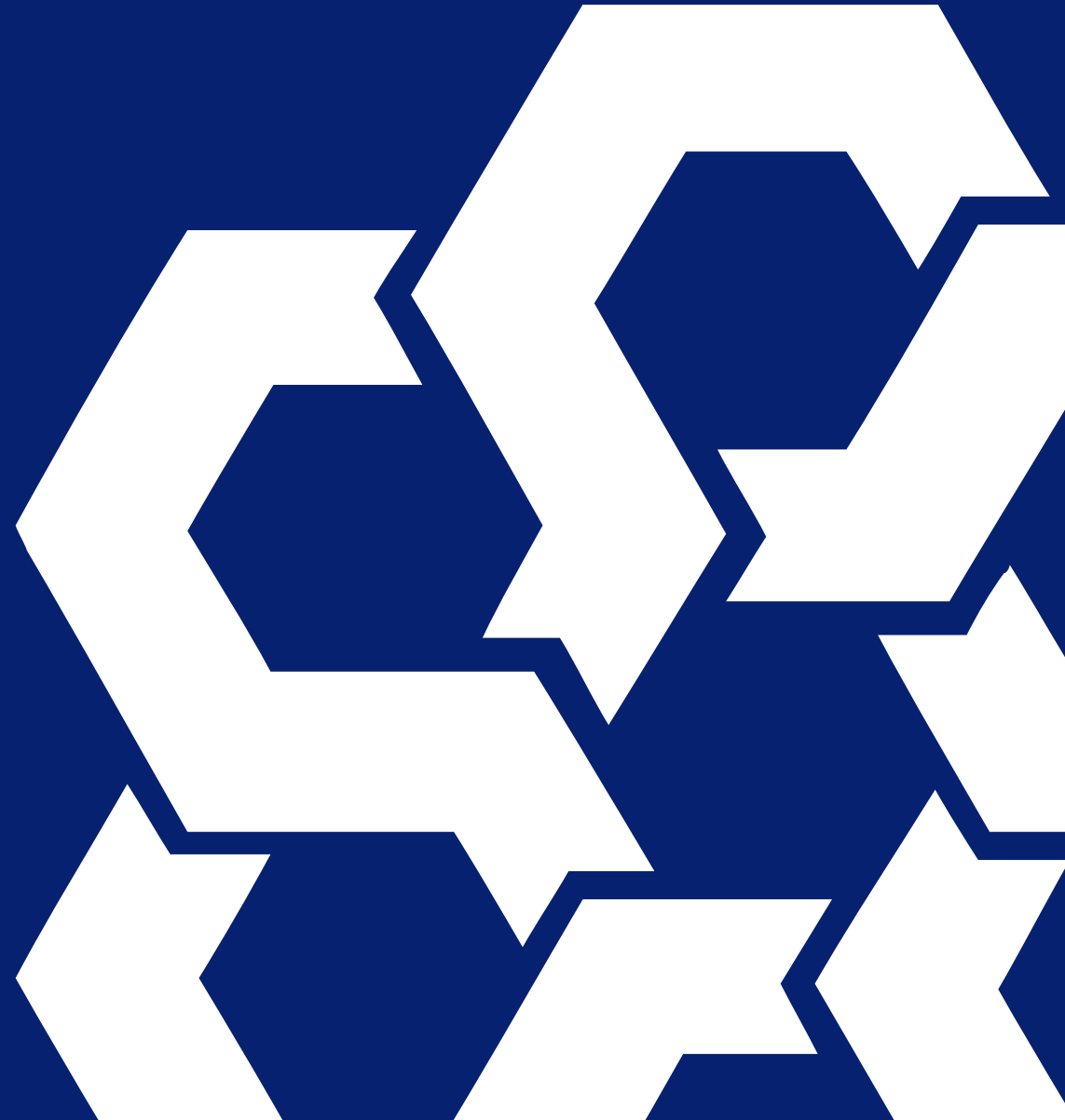
An entity might acquire different component parts of a single tangible asset from different suppliers. If these component parts are necessary to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by management, treating the rights over these components as a single unit of account could provide useful information.



We think a similar principle could apply to IP licencing contracts – rights obtained from different suppliers should form part of the unit of account containing the right to access IP if doing so would:

- **provide more relevant information** (for example, the rights are used together and are not expected to expire in different patterns).
- **faithfully represent the substance of the transaction** (for example, because the customer's objective is to obtain a combined output to which these rights are inputs).

Appendix—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 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

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 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.

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 CU1,570,000 and are billable on completion, comprising:

- configuration services (fixed fee): CU420,000—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: CU1,150,000—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.

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