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Staff paper

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Global Preparers Forum

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Topic	**Recognition of an intangible asset (agile software development test case)**
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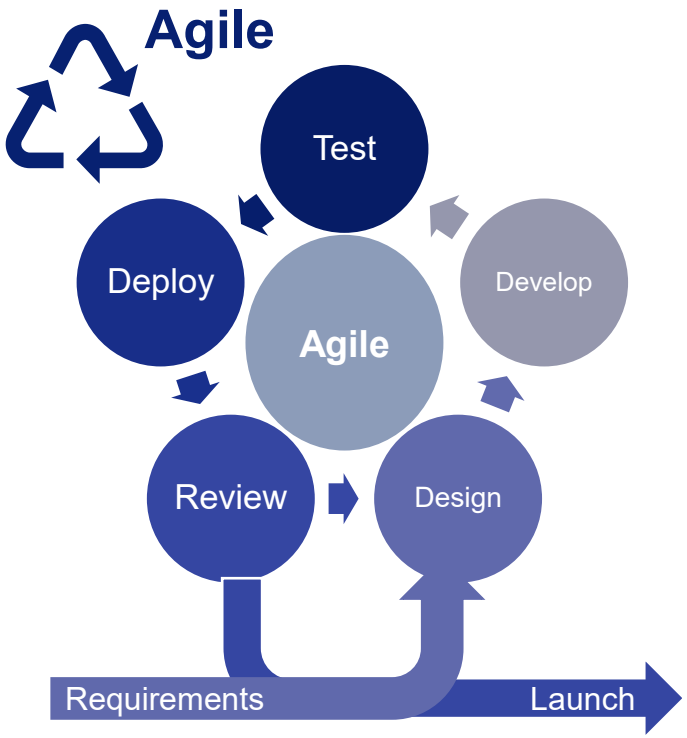
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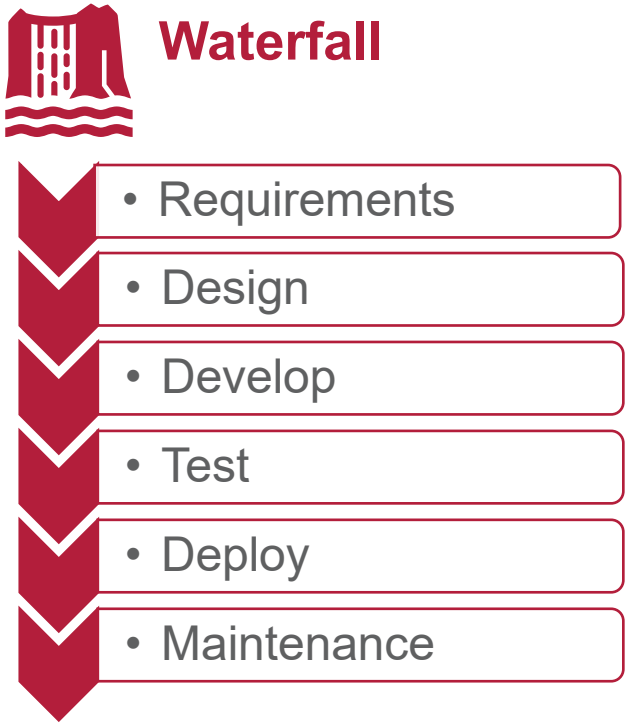
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Agile software development

Agile software development is characterised by **iterative and incremental development**, accelerated delivery and evolving requirements. Unlike traditional development methods, software is developed and enhanced throughout the development process, with **functionality delivered in small increments**.



VS



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

Why the IASB is exploring agile software development

Stakeholders said the characteristics of agile software development (slide 3) can make **applying the recognition requirements in IAS 38 challenging** and highlighted concerns about:

- **Unit of account**: determining whether software developed through repeated iterations and delivered in small increments should be considered separately or together and, consequently, at what level the unit of account should be identified.
- **Research and development:** distinguishing between the research and development phases when activities that could relate to research or development arise throughout the development process and do not necessarily occur in a clear sequential order.
- **Six recognition criteria**: applying the six recognition criteria for internally generated intangible assets, particularly when assessing technical feasibility and demonstrating probable future economic benefits.
- **Initial and subsequent measurement**, including determining when to start amortisation and how to distinguish between maintenance and enhancements.[1]



Exploring these concerns could help identify whether improvements to IAS 38 could **reduce diversity** in applying the recognition requirements and **improve comparability** between entities. Any resulting principles could potentially also help address similar **recognition challenges** that arise for other types of intangible assets and inform the IASB's **broader** consideration of **recognition requirements**.

[1] We will consider challenges relating to initial and subsequent measurement once we have made sufficient progress on the unit of account and recognition requirements.

Questions for GPF members

In October 2026, the IASB discussed potential approaches to improving the recognition requirements in IAS 38, using agile software development as a test case. The discussion focused on the **unit of account,** the distinction between the **research and development phases** and the **application of the six recognition criteria** for internally generated intangible assets. Slides 6–14 provide an overview of the options considered and the Appendix provides more detailed explanations of the options explored.

1. Do you think the staff's initial leaning on the unit of account would be operational (slides 8–10 and 20–23) and have we assessed the potential effects of the views on slide 10 correctly? Do you foresee any unintended consequences, including for traditional intangible assets such as pharmaceutical drug development?

2. Do you think the staff's initial leaning to remove the distinction between the research and development phases would be operational (slides 11–13 and 26–30) and have we assessed the potential effects of the options on slide 13 correctly? Do you foresee any unintended consequences, including for traditional intangible assets such as pharmaceutical drug development?

3. Do you think the challenges in applying the six recognition criteria, particularly in assessing technical feasibility and demonstrating probable future economic benefits, are specific to agile software development, or do they reflect broader challenges in applying the criteria (slides 14 and 32)? If you think the challenges are specific to agile software development, please explain what those challenges are.

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Overview of options considered and initial staff leanings



Unit of account—options explored and initial staff leanings

How should the appropriate unit of account be determined? (slides 16–23)

Challenge: Agile software development may create **multiple pieces of intellectual property (IP)**, each with some functionality, throughout the development process. This can make it difficult to determine whether those pieces should be considered **separately or together** and, in turn, the appropriate **unit of account**. Currently, IAS 38 does not provide specific requirements for determining the unit of account.

It is important to consider the unit of account first because different conclusions about the unit of account can affect the application of the recognition criteria, the timing and amount of capitalisation and subsequent accounting outcomes.

We think the underlying item in agile software development is the **IP itself**. Determining the unit of account involves identifying the appropriate **grouping of rights** over multiple pieces of IP with some functionality that are being developed in a project.

Using a fact pattern (slides 8–9 and 20–23), we explored how much **IP functionality** should form the basis for identifying the project-level grouping of rights that would result in relevant information that provides a faithful representation of the underlying transaction.

Fact pattern—Exploring options for the unit of account at a project level

A video game developer uses an agile methodology to develop games. On **15 January 20X1**, management approves funding to develop a new online adventure game. The roadmap includes five features:

- Core Gameplay (feature 1) and Quest Tracking (feature 2) are based on technology used in previous games and largely replicate functionality available in earlier releases. Although those features could be completed and deployed before the other planned features, management does not intend to release the game based solely on them. By 15 January 20X1, the relevant research activities for these features are complete.
- Multiplayer (feature 3) allows players to connect and play together online. Although the feature remains subject to uncertainty, management believes it can be developed using existing knowledge and resources. The approved business case identifies features 1–3 as the minimum functionality required for an initial release. Management expects this combination of functionality to provide the first meaningful differentiation from previous releases and the first point at which future economic benefits can be generated from the game.
- Marketplace (feature 4) allows players to trade in-game items and Story Engine (feature 5) dynamically adapts the game's narrative based on player behaviour. Significant uncertainty exists regarding whether features 4 and 5 can be successfully developed. Management intends to release the game once features 1–3 are completed and operating as intended while continuing to develop features 4 and 5.

By **30 June 20X1**, the entity completes the design, prototyping and testing for feature 3 and concludes that the functionality can be completed and integrated into the game as planned. Feature 4 and 5 remain subject to significant uncertainty.

On **15 October 20X1**, the entity releases a version of the game incorporating features 1–3 and starts earning revenue from this initial release. Development of features 4 and 5 continues.

On **15 December 20X1**, the entity concludes that feature 4 and 5 cannot be completed within acceptable technical and commercial parameters and abandons their development.

Unit of account—options explored and initial staff leanings

We explored these views on determining a unit of account for a project:[1]

View A: **overall project**—all functionality approved as one project is assessed together, typically resulting in the largest unit of account.

View B: **distinct functionality**—each feature or grouping of features that provides distinct functionality is assessed separately, typically resulting in the smallest units of account.

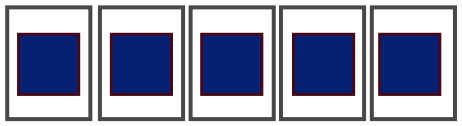
View C: **smallest aggregation of functionality** from which **management expects to generate future economic benefits**—typically resulting in units of account that fall between View A and View B.

View A



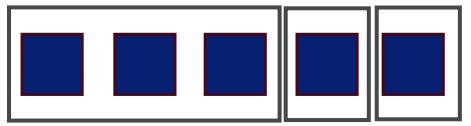
Typically largest unit

View B



Typically smallest units

View C



Initial staff leaning

Initial staff leaning: **View C** may provide the most appropriate basis for identifying a project-level unit of account because the level of aggregation identified under this view comprises functionality intended to be used and released together and from which management expects to generate future economic benefits.

[1] Slides 20–23 provide further details of the views explored

How would the views on unit of account affect the information you report?

	View A—Single unit of account based on the overall project	View B—Separate units of account based on distinct functionality	View C—Unit of account based on the smallest aggregation of functionality expected to generate future economic benefits
Timing and amount of recognition of assets (compared to other views considered)	**Delayed / lower recognition.** Recognition may be delayed because technical uncertainty relating to some planned features affects the project as a whole.	**Earlier / potentially higher recognition**. Individual features would be recognised as individual intangible assets as technical uncertainty is resolved.	Recognition **falls between Views A and B**. Recognition occurs when the smallest aggregation expected to generate future economic benefits meets the recognition criteria.
Compared with current practice	Probably **broadly consistent** with current practice because projects are typically approved and funded as a whole.	Likely to be **more granular**, with separate recognition assessments for distinct functionality.	Could result in a **more focused** assessment than current practice, better aligned with how management expects to generate future economic benefits.
Comparability between entities	May support **increased** comparability because less judgement is required.	May result in **reduced** comparability because of the increased judgement required to identify distinct functionality.	Comparability may be **affected** by reliance on management judgement and stated intentions, but the risk of reduced comparability may be mitigated because that judgement is anchored to the minimum functionality needed to generate economic benefits.

Research vs development distinction—options explored and initial staff leanings (1/2)

Should research and development phases be retained? (slides 24–30)

Challenge: IAS 38 requires an entity to distinguish between the **research and development** phases:

- research expenditure is expensed;
- development expenditure is eligible for capitalisation when the recognition criteria are met; and
- expenditure is expensed if the phases cannot be distinguished.

In agile software development, research and development do not necessarily occur in a clear sequential order, making the distinction between phases difficult to apply.

We think the underlying **economic substance** of agile and traditional development methodologies is **fundamentally similar**. On that basis, we explored options for adapting the existing IAS 38 requirements to better accommodate agile development methods rather than developing separate recognition requirements for agile software development.

Research vs development distinction—options explored and initial staff leanings (2/2)

We considered these options for adapting the existing two-phase recognition model:

- Option A: **focused on identifying research and development activities**. Capitalisation would depend on whether expenditure relates to development activities and meets the recognition criteria.
- Option B: **retaining two-phase model with additional guidance on determining when the development phase begins**. All expenditure incurred after the project-level development phase begins would be treated as development expenditure and eligible for capitalisation (even if research activities).
- Option C: **removing the distinction between the research and development phases**. Expenditure would be assessed against the recognition criteria (slide 14) without distinguishing between the research and development phase.

Initial staff leaning: **Option C** may better reflect modern development methods because activities are iterative and do not progress through clearly identifiable phases. Accounting outcomes under this option may not differ significantly from current requirements for entities that develop intangible assets using traditional methodologies because capitalisation would continue to depend on whether the six recognition criteria are met.

How would the options for two-phase model affect the information you report?

	Option A	Option B	Option C
Main change	Focus on activities, not on a time-based project progression	The closest to existing requirements, retains phases	Removes the research and development distinction.
Effects compared to existing accounting for traditional development	**None of the three options** may result in **significant differences** from existing practice because recognition continues to rely on the six recognition criteria. In sequential traditional development research occurs early in the project, so related expenditure would generally be unlikely to meet the recognition criteria.		
	• Operational implication: ongoing tracking of activities necessary, however significant incremental effort unlikely.	• No disruption for entities' internal processes.	• May make application easier as no need to distinguish between activities or phases.
Effects compared to existing accounting for agile development (we assume currently most expenditure is expensed because of the difficulty in determining the phase the project is in)	**All three options may make it easier to justify** when expenditure has reached the appropriate stage for **capitalisation**, helping to produce more consistent and meaningful information about intangible assets.		
	Probably **earlier / higher recognition** of intangible assets as all development-related expenditure would be eligible for capitalisation. Effects may depend on robust descriptions of research and development activities.	Probably **earlier / higher recognition** of intangible assets if it is easier to determine when the project enters the development phase. Some research expenditure may be capitalised. Effects will depend on the robustness of additional guidance.	Probably **earlier / higher recognition** of intangible assets as no distinction between research and development is required and only the six recognition criteria are applied which may make application easier.

Six recognition criteria—staff considerations

Should changes be made to the six recognition criteria? (slides 31–32)

Challenge: IAS 38 requires an entity to demonstrate all **six recognition criteria** to capitalise development costs:

- the technical feasibility of completing the intangible asset;
- its intention to complete the intangible asset and use or sell it;
- its ability to use or sell the intangible asset;
- how the asset will generate probable future economic benefits;
- the availability of resources to complete the development; and
- its ability to measure reliably the expenditure attributable to the intangible asset during its development.

It is challenging to make the judgements required to apply these criteria, particularly when assessing technical feasibility and demonstrating probable future economic benefits.

The IASB could consider providing additional guidance to help entities apply the six recognition criteria.

We considered whether the challenges identified by stakeholders reflect agile-specific issues or indicate broader challenges in applying the six recognition criteria for internally generated intangible assets. We think that many **concerns may relate** more to determining the appropriate **unit of account** than to the recognition criteria themselves, although the underlying causes remain unclear and are subject to further consultation (see Question 3 on slide 5) and analysis.

Appendix—Options considered and initial staff leanings—Detailed explanations

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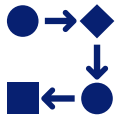
Unit of account

Why are we starting with unit of account?

We believe it is appropriate to consider the unit of account first in exploring potential improvements to the identified recognition challenges.



Stakeholders identified determining the unit of account as one of the most challenging judgements in applying the recognition requirements in IAS 38, particularly in agile software development environments characterised by iterative development and frequent enhancements.



Determining the unit of account logically precedes the application of the recognition requirements, and different conclusions about the unit of account can affect the assessment of the recognition criteria, the timing and amount of capitalisation and subsequent accounting outcomes. Therefore, considering the unit of account first provides a more meaningful foundation for the subsequent analysis.

How should the appropriate unit of account be determined?

Challenge

- Agile software is developed and delivered incrementally through repeated iterations, often organised into short, time-based iterations, such as **sprints**.
- Each iteration may create a **piece of IP with some functionality.**
- This makes it difficult to determine whether the rights over pieces of IP created through different iterations should be considered **separately or together**; and consequently, **the level at which the unit of account should be identified.**

Underlying item

Determining the unit of account involves identifying:

Underlying item → **Rights held over that item** → **The appropriate grouping of those rights**

- As in the SaaS analysis, the underlying item is the **IP.** This represents the rights giving rise to future economic benefits.
- However, whereas the SaaS analysis considered IP in the form of **developed software**, agile development creates **multiple pieces of IP with some functionality** throughout the development process.
- The developer controls the **right to direct the use** of those pieces of IP (see Agenda Paper 2a). Determining the appropriate unit of account therefore involves identifying the appropriate grouping of those rights.

How should the appropriate unit of account be determined?

As in the SaaS test case, in determining the unit of account we could draw on:

The ***Conceptual Framework for Financial Reporting*** suggests considering whether grouping rights as a single unit of account would:

- provide more **relevant information**; and
- **faithfully represent** the substance of the transaction.

IFRS 15 *Revenue from Contracts with Customers.* Although internally generated intangible assets are not necessarily linked to a contract, an entity could consider:

- whether benefits can be obtained from exercising rights over a piece of software on its own or together with other readily available resources; and
- whether the right over a piece of software is separately identifiable from rights over other pieces of software being

Applying the principles to agile software development

- The **functionality of the underlying IP** and **management's intended use** may help determine the appropriate **aggregation of IP functionality** that should form the basis for identifying the relevant grouping of rights, and consequently the appropriate **unit of account.**
- Although a single iteration may produce an incremental output, this output does not necessarily represent a separate asset. Linking the unit of account to the output of an iteration is likely to be too narrow because management generally assesses how it expects to generate economic benefits at a **broader level**.

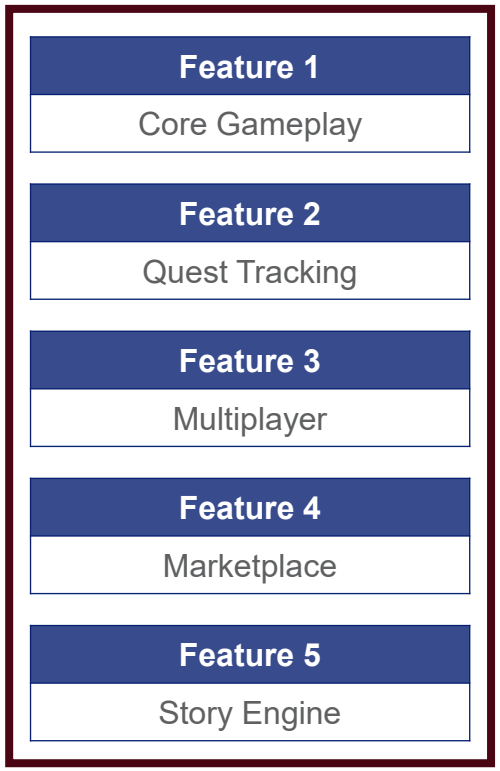
The **unit of account** assessment should therefore be considered at a **broader project level**

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See slide 8 for the fact pattern used to illustrate the views discussed on slides 20–23

View A: Single unit of account based on the overall project

Under this view, the unit of account is linked to features 1–5 because they were approved as part of **one project** and intended to contribute to a single product.



Analysis

Although features 1 and 2 are based on established technology and feature 3 is demonstrated to be achievable on 30 June 20X1, features 1–5 are assessed together as a single unit of account.

Consequently, the uncertainty associated with features 4 and 5 prevents the recognition criteria from being met for the project as a whole. By the time features 4 and 5 are abandoned on 15 December 20X1, a version of the game incorporating features 1–3 has already been released and is generating revenue.

However, because all five features are assessed together, all development expenditure relating to the game has been recognised as an expense and no intangible asset has been recognised.

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View B: Separate units of account based on distinct functionality

Under this view, the unit of account is linked to each of features 1–5 because each feature provides **distinct functionality.**

Feature 1
Core Gameplay

Feature 2
Quest Tracking

Feature 3
Multiplayer

Feature 4
Marketplace

Feature 5
Story Engine

Analysis

Because each feature is assessed separately, the uncertainty associated with features 4 and 5 does not affect the recognition assessment for features 1–3.

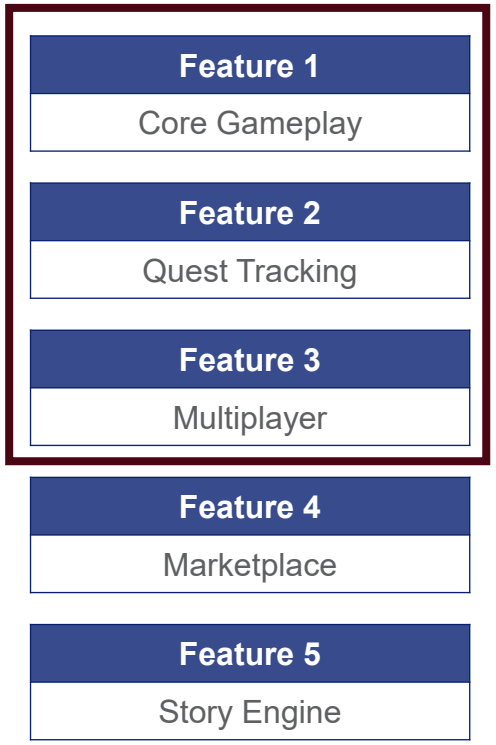
- 15 January 20X1, eligible development expenditure relating to features 1 and 2 begins to be recognised because the relevant research activities have been completed, the features provide distinct functionality and are based on established technology and because there is limited uncertainty, the recognition criteria are considered to be met.
- 30 June 20X1, following completion of the design, prototyping and testing, eligible development expenditure relating to feature 3 begins to be recognised.
- 15 October 20X1, amortisation for the recognised assets relating to features 1–3 begins when the game incorporating those features is released.
- 15 December 20X1, features 4 and 5 are abandoned and never satisfy the recognition criteria.

Eligible development expenditure relating to features 1 and 2 begins to be recognised on 15 January 20X1 even though management does not intend to release or generate future economic benefits from those features separately.

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View C: Unit of account based on the smallest aggregation of functionality expected to generate future economic benefits

Under this view, the unit of account is linked to features 1–3 because together they represent **smallest aggregation of functionality from which management expects to generate future economic benefits.**



Analysis

Although features 1 and 2 are based on established technology and provide distinct functionality, management does not intend to release or expect to generate future economic benefits from those features separately. Feature 3 provides the first meaningful differentiation from previous releases and represents the first point at which management expects to generate future economic benefits.

- 15 January 20X1, the recognition criteria are not met because feature 3 remains subject to technical uncertainty.
- 30 June 20X1, following completion of the design, prototyping and testing relating to feature 3, eligible development expenditure relating to features 1–3 begins to be recognised.
- 15 October 20X1, amortisation for the recognised assets relating to features 1–3 begins when the game incorporating those features is released.

Features 1–3 represent the appropriate aggregation of functionality because they are the minimum functionality required for management to generate future economic benefits from the game. Features 4 and 5 are incremental to, rather than necessary for, that aggregation of functionality and are therefore assessed to be separate units of account. Because the recognition criteria are never met for features 4 and 5, related expenditure is recognised as an expense.

How should the appropriate unit of account be determined?

Staff's initial leaning

View C
Unit of account linked to the smallest aggregation of functionality expected to generate future economic benefits



We believe that View C may provide the most appropriate approach to identifying a project-level unit of account, because:

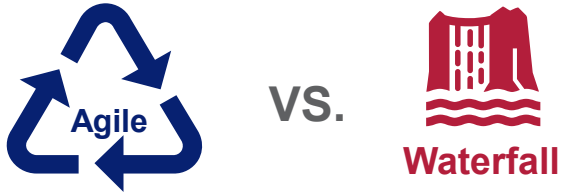
- It **links the unit of account** to the smallest aggregation of functionality from which management expects to generate future economic benefits.
- Grouping rights arising from features 1–3 provides:
  - more **relevant information** because they represent the point at which management expects to generate future economic benefits and together the features are expected to contribute to the cash flows generated by the game.
  - a more **faithful representation** than treating rights arising from those features separately because they are intended to be released together to provide the combined output necessary for the initial release.
- It could also provide a **practical boundary** for identifying a project-level unit of account, acting as a guardrail against continually broadening the boundary of the unit of account and delaying subsequent amortisation.
- **View A** may identify a unit of account that is **too broad** by linking it to an aggregation of functionality that includes functionality with low technical uncertainty and functionality with significant technical uncertainty; delaying recognition and providing less relevant information.
- **View B** may identify a unit of account that is **too narrow** because functionality intended to operate together and provide a combined output is assessed separately. Recognising separate assets may not faithfully represent the underlying economics.

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Two-phase model that distinguishes between research and development

Should research and development phases be retained?

Do we need to develop separate requirements for intangible assets developed using agile methodologies?



We think this depends on whether there is **a fundamental difference in substance** between the two methodologies.

Both methodologies are undertaken **with the same underlying objective** of developing a specific asset or achieving a defined outcome. The principal **difference** lies in **how** the development process **responds to uncertainty**.

We think the underlying economic substance of agile and traditional development methodologies is **not significantly different**. Therefore, we **do not think** it would be appropriate to **develop separate requirements for agile development.**

We also think it would **be preferable** to focus on **using or adapting the existing IAS 38 requirements for agile development** rather than developing a new comprehensive recognition model, because developing a completely new recognition model on a fresh-start basis could introduce significant uncertainty and be unnecessarily disruptive. There were also limited calls from stakeholders for fundamental changes to recognition requirements.

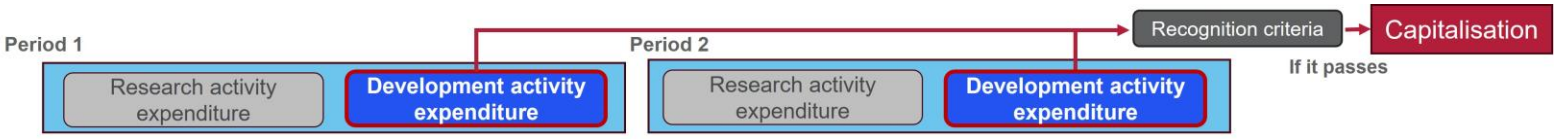
Should research and development phases be retained?

Potential approaches to adapting the model that distinguishes research and development phases

Challenge: The lack of a clear boundary between the research and development phases in agile software development, where activities that could relate to research or development may arise or recur within each short time-based iteration as the software evolves, rather than occurring in a clear sequential order.

Option A

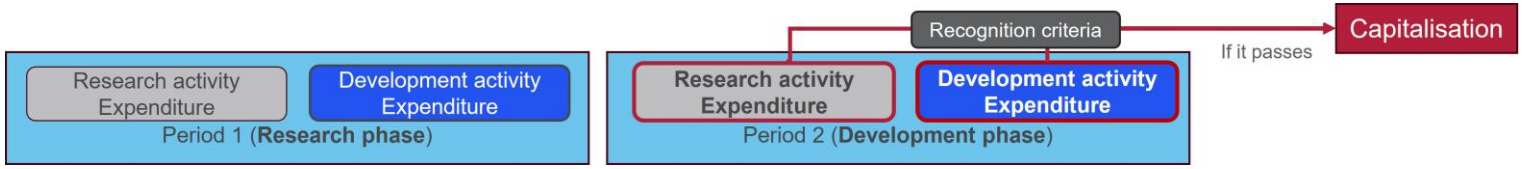
Focused on identifying research and development activities



Only expenditure that is directly attributable to development activities is eligible for capitalisation when the recognition criteria are met.

Option B

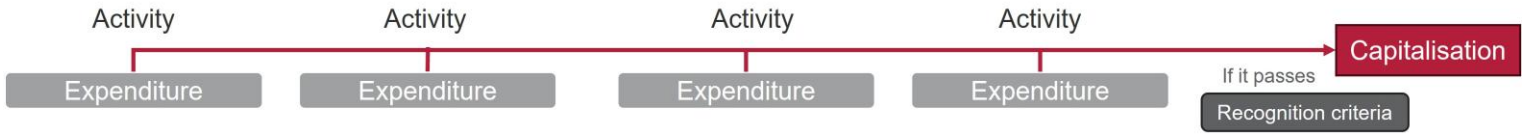
Retaining the two-phased model with additional guidance on determining when the development phase begins



It classifies expenditure incurred after the commencement of the project-level development phase as development expenditure, even when the expenditure relates to research activities. Only expenditure incurred during the development phase is eligible for capitalisation when the recognition criteria are met.

Option C

Removing the requirements to distinguish between the research and development phases



It focuses solely on the six recognition criteria for internally generated intangible assets.

Should research and development phases be retained?

	Pros	Cons
Option A Identifying research and development activities 	• Preserves the existing outcome in IAS 38—all research expenditure is expensed and only development expenditure is eligible for capitalisation → may support continuity in practice and reduce implementation and transition costs. • Accommodates development approaches in which research activities may occur after development activities have commenced. • Focuses recognition on the nature of the underlying activities performed, rather than on project progression (a time-based assessment) → may address stakeholder concerns about the difficulty of determining when a project enters the development phase.	• Identifying and attributing costs to specific activities on an ongoing basis may be operationally challenging and costly. • May increase complexity because entities would need to continually assess whether the expenditure on individual activities meets the recognition criteria, rather than applying those criteria at a project level. • Developing sufficiently robust descriptions of research and development activities that can be applied consistently may be challenging. This could result in diversity in practice and reduce comparability. • This approach assumes the primary challenge in applying the existing requirements to agile development is determining when a project enters the development phase for agile development. However, if entities remain unable to reliably distinguish between research activities and development activities, the approach may be difficult to apply in practice and may not achieve its intended objective.

Should research and development phases be retained?

	Pros	Cons
Option B Retaining the two-phased model with additional guidance  	• The closest to existing IAS 38 requirements → may minimise disruption for entities that apply more traditional development methodologies. • May reduce operational complexity compared with Option A, because determining when a project enters the development phase is a one-time judgement, rather than requiring an ongoing assessment of whether the expenditure on individual activities is related to research or development.	• May not fully respond to preparers' feedback that determining when a project enters the development phase can be challenging. Although supplemented by additional guidance, the approach continues to rely on a phase-based distinction that may not fully reflect how development activities are performed in practice. • Depends on the development of robust guidance for identifying when an agile software development project has entered the development phase. Clarifications on determining the unit of account at a project-level could help entities make the determination of when the project enters the development phase but this may not be sufficient on its own. • Could result in capitalisation of expenditure that is substantively research in nature → the IASB may need to reconsider the existing IAS 38 requirement that all research expenditure is expensed when incurred.

Should research and development phases be retained?

	Pros	Cons
Option C Removing the requirements to distinguish between the research and development phases 	• May provide a simpler recognition model by focusing on the core judgement of when the criteria for recognition as an asset are met. This could simplify application and reduce the costs associated with assessing project progression. • May better reflect agile development characteristics in which activities are often iterative and do not progress through clearly identifiable research and development phases. • Both this approach and the current requirements in IAS 38 permit capitalisation only when the six recognition criteria for internally generated intangible assets are met → the accounting outcomes under this approach may not differ significantly from those under the current requirements for entities that develop intangible assets using traditional methodologies.	• Removing the requirement to identify a research phase could increase the risk of premature capitalisation because expenditure that would previously have been characterised as research expenditure could become eligible for capitalisation. • Feedback from users suggests that information distinguishing research from development expenditure, if provided by entities, can be useful. Although the current requirements do not require entities to provide the information, removing the distinction between research and development could reduce the availability of such information. • This approach would place greater reliance on the six recognition criteria for internally generated intangible assets as the primary mechanism for determining whether expenditure is recognised as an asset → it would increase the importance of ensuring that those criteria are sufficiently robust and operational and capable of being applied consistently.

Should research and development phases be retained?

Staff's initial leaning

Option C
Removing the requirements to distinguish between the research and development phases



We believe that removing the distinction between the research phase and the development phase may better reflect modern development methodologies because:

- The distinction between research and development is based on **broad descriptions** and **limited examples** about each activity in IAS 38. As a result, the descriptions may be **difficult to apply** consistently and may **provide limited assistance** in determining when a project has entered the development phase or in enhancing the usefulness of information provided about internally generated intangible assets.
- In applying IAS 38, recognition of internally generated intangible assets ultimately depends on whether the six recognition criteria are met. Therefore, removing the requirement to distinguish between the research and development phase may **not result in fundamental changes** to the application of the recognition requirements in many cases, including for intangible assets developed using traditional methodologies.
- Modern development methodologies, including agile development, often involve iterative and continuous development activities that make **the distinction between the research phase and the development phase increasingly difficult** to apply in a meaningful way.
- It focuses on **whether the expenditure meets the recognition criteria** rather than which phase the expenditure relates to.
- If users need information about the distinction between research and development expenditure to assess the uncertainty related to future economic benefits, the IASB could **consider whether additional disclosure requirements** could meet those information needs. For example, it could consider requiring disclosure based on **alternative indicators of development progress** such as technical readiness levels.

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Six recognition criteria for internally generated intangible assets

Should changes be made to the six recognition criteria?

Challenge: Making the judgements required to apply the six recognition criteria for capitalising development costs, particularly when assessing technical feasibility and demonstrating probable future economic benefits.



Staff preliminary views:

- We think that **many of the concerns** raised may relate **more to determining the appropriate unit of account** than to assessing technical feasibility itself.
  - For example, assessing whether an intangible asset is expected to be completed may be difficult without first identifying the appropriate boundaries of the item being assessed (that is, the unit of account).
- We believe that, **once** an appropriate **unit of account** has been **identified**, assessing whether an intangible asset's development can be completed may **not necessarily be more difficult in agile** or other modern development methodologies than in traditional development approaches.
- If the challenges identified are **not unique to agile software development** but instead reflect broader challenges in applying the six recognition requirements for internally generated intangible assets, it could be **better to address** potential improvements in the work stream considering **a broader review of the existing recognition requirements**.

The **underlying causes** of the challenges associated with the six recognition criteria and **whether they are specific to agile software development remains unclear**. Therefore, **further consultation** (see Question 3 on slide 5) **and analysis** would be helpful to better understand the nature and extent of those challenges.

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