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Accounting for intangible assets: current requirements, key players and future directions

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Abstract

This article provides an international (cross-country) review of current accounting requirements for intangible assets, identifies the key trend setters and considers potential future directions in the area of accounting for intangible assets. Accounting for intangible assets is one of the least developed areas of accounting theory and regulatio[illegible] ering debate on accou[illegible]

Notes

[1]The vie[illegible] or wishes to thank Dr Anne Wyatt from the University of Melbourne for reviewing an earlier draft of

this paper.

[2] Lev (2001) provides a summary of this evidence.

[3] Consistent with this, Lev and Zarowin (1999) provide evidence not only of a decline in the usefulness of financial accounting information during the period 1978 to 1996 but also that this decline is most pronounced in enterprises that have increased expenditure on intangible assets (as measured by enterprise expenditure on research and development).

[4] A comprehensive review of the accounting requirements for intangible assets in a range of countries can be found in Stolowy and Jeny-Cazavan (2001).

[5] Throughout this article, the term 'jurisdictions' should be taken to refer to the eight national jurisdictions and also the IASB.

[6] In the UK, FRS 6 'Acquisitions and Mergers' (ASB, 1994) sets out a series of conditions that must be satisfied for the transaction to be a merger. The IASB sets out similar conditions for a transaction to be considered a uniting of interests.

[7] In France, only applied research costs can be capitalized; basic research costs must be expensed.

[8] The position in Australia is slightly different to that of EU countries. In Australia, an adopted IAS/IFRS may be applicable to all reporting entities, not just listed companies. However, additional guidance/requirements may be added for not-for-profit entities where it is considered appropriate. Any additional guidance/requirements would not be applicable to for-profit entities (AASB, 2003).

[9] The position in New Zealand with respect to the scope of application of any adopted IAS/IFRS is similar to that of Australia. The New Zealand Financial Reporting Standards Board ha … additional requirem … oted in New Zealand … 2003).

[10] Na … t covered by an IAS/IF …

[11] Haller … he EU, including the impact of 2005.

[12]National accounting requirements will still be needed in circumstances not covered by an IAS/IFRS; for example, to cover an issue that is jurisdiction specific.

[13]See Lev (2001), Upton (2001) and Wyatt (2002a) for a further discussion on the economic properties of intangible assets.

[14]See Aboody and Lev (1998), Abrahams and Sidhu (1998) and Healy et al. (2002).

[15]Under the Lev and Zarowin approach, reinstatement would occur once the project's feasibility has been established.

[16]Concerns regarding the degree of judgement required to apply the condition-based capitalization approach was stated by the FASB as one of the reasons why it was not adopted in the US (FASB, 1974).
