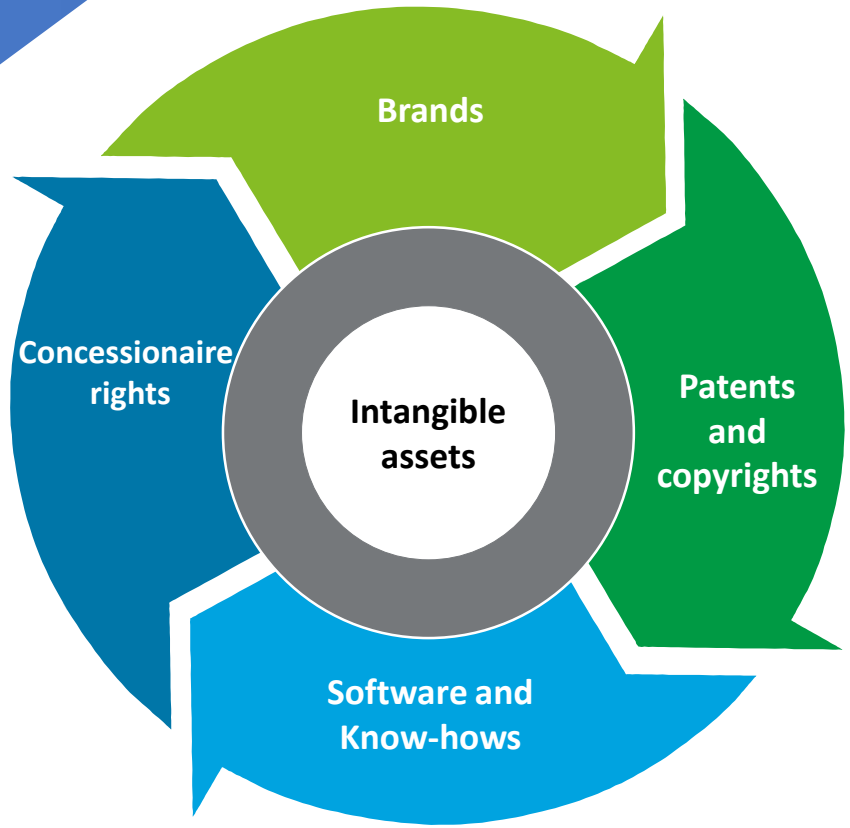
Training session on

Ind AS 38 – Intangible assets

Institute of Chartered Accountants of India- Chennai- SIRC



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Objective of Ind AS 38

1. Accounting treatment
2. Definition of intangible assets
3. Scope exclusion
4. Recognition and measurement
5. Research & Development and Retirements
6. Specific disclosures

Scope out



Scoped out

- Intangible assets that are within the scope of another Standard;
- Financial assets, as defined in Ind AS 32 Financial Instruments: Presentation;
- Recognition and measurement of exploration and evaluation assets (see Ind AS 106 Exploration for and Evaluation of Mineral Resources); and
- Expenditure on the development and extraction of minerals, oil, natural gas and similar non-regenerative resources.



Scoped out (covered in other standards)

- Intangible assets held by an entity for sale in the ordinary course of business (see Ind AS 2 Inventories).
- Deferred tax assets (see Ind AS 12 Income Taxes).
- Assets arising from employee benefits
- Goodwill acquired in a business combination
- Insurance contracts under Ind AS 104 (now Ind AS 117)
- Non-current intangible assets classified as held for sale(under Ind AS 105- Non-current assets held for sale)
- Assets arising from contracts with customers that are recognised in accordance with IFRS 15 Revenue from Contracts with Customers

Intangible assets- definition

Intangible Asset is as an **identifiable non-monetary asset** without **physical substance**. For an item to be recognised as an intangible asset it must meet the definition of an intangible asset:







If an item does not meet the definition of an intangible asset, expenditure to acquire it or generate it internally is recognised as an expense when it is incurred

Identifiability

- Separable
- Capable of being sold, transferred and divided
- Together with a contract, assets or liability regardless of what the entity indends to do

control

- Power to obtain future economic benefits
- Restrict the access to others
- Having legal rights enforceable over the asset

Future economic benefits

- Revenue flowing
- Cost savings
- Any other benefit arising out of it

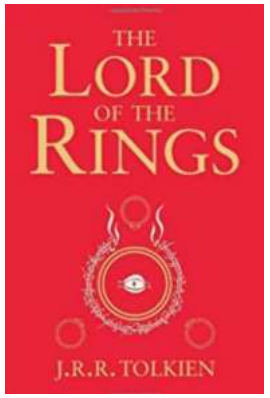
Brain teasers























Common examples of Intangible assets under Ind AS 38

Marketing related

- Trademarks and trade names-
- Brand names (if acquired)-
- Logos and domain names

Customer related

- Customer lists-
- Customer contracts-

Technology-related

- - Patented technology-
- Software (internally developed or acquired)

Artistic-related

- Copyrights
- Motion picture rights
- Music and publishing rights

Contract-based

- Licensing agreements
- Franchise agreements
- Government-granted rights (e.g. spectrum)

Goodwill-related

- Only when acquired in a business combination (not recognised under Ind AS 38, but under Ind AS 103)

Recognition and Measurement

- It is probable that the expected future economic benefits that are attributable to the asset will flow to the entity; and
- the cost of the asset can be measured reliably.

Separate acquisition

- Cost includes the following
- its purchase price, including import duties and non-refundable purchase taxes, after deducting trade discounts and rebates; and
- any directly attributable cost of preparing the asset for its intended use.



Business combination

- the cost of that intangible asset is its fair value at the acquisition date.
- An intangible asset acquired in a business combination separable but only together with a related contract, identifiable asset or liability



Common examples of Intangible assets under Ind AS 38

01

Alpha Foods Pvt. Ltd. has spent ₹12 crores over the last 3 years on advertising, celebrity endorsements, packaging redesign, and promotional campaigns to build its fast-growing in-house brand “FitBites.”The brand is now well-recognised in the health snacks segment and has contributed to a significant increase in sales. The company’s management wants to recognise “FitBites” as an intangible asset in its balance sheet, stating that the brand has acquired market value and recognition.

Under Ind AS 38, can Alpha Foods Pvt. Ltd. recognise the internally developed brand “FitBites” as an intangible asset in its financial statements?

- No, the internally generated brand “FitBites” cannot be recognised as an intangible asset under Ind AS 38.
- Per Ind AS 38 para 63, internally generated brands, mastheads, publishing titles, customer lists, and similar items shall not be recognised as intangible assets. This is because such items cannot be distinguished from the cost of developing the business as a whole and do not meet the identifiability and reliable measurement criteria.

Common examples of Intangible assets under Ind AS 38

02

Melody Makers Entertainment Pvt. Ltd. enters into an agreement with legendary composer **Palayaraani** to acquire the exclusive rights to commercially exploit one of her previously unreleased compositions for a period of 10 years.

The agreement gives Melody Makers: Rights to use the songs in films, albums, OTT platforms, etc. A legal contract granting exclusivity and enforceable rights, the ability to license these songs to third parties for a fee.

Melody Makers pays ₹20 crores as a lump-sum consideration for these rights.

Can Melody Makers Entertainment Pvt. Ltd. recognise the ₹20 crore paid for **Palayaraani**'s song rights as an intangible asset under Ind AS 38?

- Yes, the ₹20 crore paid for **Palayaraani**'s song rights can be recognised as an intangible asset under Ind AS 38, provided all recognition criteria are met.
- Identifiability- The rights arise from a contractual agreement — hence are identifiable and separable
- Control- Melody Makers has exclusive legal rights and control over how the songs are used
- Future Economic Benefits- Licensing revenue, direct usage in films/OTT will generate income
- Reliable Measurement of Cost- ₹20 crore consideration is clearly measurable

Internally generated goodwill and Intangible assets

Goodwill

Under Ind AS 38 – Intangible Assets, internally generated goodwill is not recognized as an intangible asset.

- Goodwill arises from elements like reputation, customer loyalty, employee morale, etc.
- These elements cannot be reliably measured and are not separately identifiable.
- Allowing recognition of internally generated goodwill would lack verifiability and consistency, making financial statements less reliable.



Internally generated intangible assets - non measurable

Under Ind AS 38 – Intangible Assets, internally generated brands, mastheads, publishing titles, customer lists, and similar items are not recognised as intangible assets.

These assets are part of developing an entity's internally generated goodwill, which cannot be separately identified or reliably measured.

There is no identifiable cost that can be allocated to these items separately from the overall business development effort.

Eg- Infosys Brand name



Internally generated intangible assets - measurable

Ind AS 38 allows recognition of internally generated software as an intangible asset, provided certain conditions are met especially during the development phase.

Refer next slide for the distinguishing factors of research and development expenditure.

Eg Uber labs



Past expenses

Under Ind AS 38 – Intangible Assets, past expenses incurred before the recognition criteria are met — such as during the research phase or early development stage — cannot be retrospectively capitalised.



Research and development cost

Research expenses

- recognised as an expense when incurred if it is research expenditure;
- recognised as an expense when incurred if it is development expenditure that does not satisfy the recognition criteria
- **Examples for research phases expenses**
- (a) activities aimed at obtaining new knowledge;
- (b) the search for, evaluation and final selection
- (c) the search for alternatives for materials, devices, products, processes, systems or services; and
- (d) the formulation, design, evaluation

Development expenditure

- added to the carrying amount of the acquired in-process research or development project if it is development expenditure that satisfies the **recognition criteria.**
- **Examples of development phase**
- (a) the design, construction and testing of pre-production or pre-use prototypes and models;
- (b) the design of tools, jigs, moulds and dies involving new technology;
- (c) the design, construction and operation of a pilot plant that is not of a scale economically feasible for commercial production;
- (d) the design, construction and testing of a chosen alternative for new or improved materials

Development phase criteria



Technical feasibility of completing the intangible asset so that it will be available for use or sale



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 entity can demonstrate the existence of a market for the output.



the availability of **adequate technical, financial and other resources** and its **its ability to measure reliably the expenditure attributable**

Common examples of Intangible assets under Ind AS 38

03

TuneAI is building an AI tool that composes background music for films and games.

Jan–Apr 2025 :₹12 lakhs spent experimenting with different AI models to see if AI-generated music is feasible.

May–Dec 2025 :₹30 lakhs spent creating a working prototype that outputs original music. The beta is ready, and management expects future revenue.

As per Ind AS 38, which expenses should be expensed and which can be capitalized? What conditions must be met for capitalizing development costs?

- Research Phase (₹12 lakhs) → Expense off Because feasibility and future economic benefits are still uncertain.
- Development Phase (₹30 lakhs) → CapitalizeProvided capitalization criteria are met.
- Conditions to Capitalize Development Costs **(All must be met)**:

Technical feasibility of completing the asset

Intention to complete and use/sell the asset.

Ability to use/sell the asset.

Probable future economic benefits (e.g., market or internal use).

Availability of resources to complete the project.

Ability to reliably measure the costs.

Mining rights – Intangible assets or explorations assets

04

CoalGrit Minerals Ltd., an Indian mining company, obtains a 10-year exclusive license from the Government of India in April 2025 to explore a coal block in Jharkhand.

The company pays ₹10 crores as a one-time upfront fee for acquiring this license.

In the next six months, CoalGrit incurs the following costs:

₹1.2 crores on geological surveys and environmental assessments

₹3 crores on exploratory drilling and sample analysis ₹80 lakhs on temporary site infrastructure (portable labs and mobile housing) ₹2 crores on acquiring heavy equipment used for drilling and sampling

By December 2025, CoalGrit concludes that the coal block is commercially viable and plans to move to the development phase.

How should CoalGrit account for the above expenditures?

- Treatment of ₹10 crores paid for the mining license: The ₹10 crores represents the cost of acquiring a legal right to explore a specific area. This amount should be recognized as an intangible asset under Ind AS 38, since: It is identifiable (through a legal contract),It is controlled by CoalGrit (exclusive right), andIt is expected to generate future economic benefits

- Geological surveys & environmental- Rs, 1.2 crores, Exploratory drilling & analysis- Rs 3 crores, Temporary infrastructure- 0.8 crores, Heavy equipment for exploration- 2 crores. All these expenses would have to be capitalized as exploration and evaluation assets.
- (Refer NLC and Vedanta Limited for disclosure examples)

Intangible assets vs Right to use of assets – differences and similarities

05

NexaTech Solutions Pvt. Ltd. enters into a 6-year lease agreement for a commercial building in Bangalore to house its head office. The lease contract gives NexaTech exclusive use of the identified space, with fixed monthly payments of ₹5 lakhs.

NexaTech Solutions Pvt. Ltd has acquired right to build, operate and transfer commercial spaces in Richi street. After the term ends, the asset (commercial space) is transferred back to the government or original grantor.

- This is a lease under Ind AS 116, since: There is an identified asset (specific building). NexaTech has control over use during the term.
- There is consideration (₹5L/month). NexaTech must recognize: A Right-of-Use (ROU) Asset and a corresponding Lease Liability

- The arrangement is a Service Concession Arrangement (SCA).It is accounted for under Ind AS 38 – Intangible Assets, as NexaTech has the right to earn revenue from users (e.g., tenants, customers) during the concession.
- Example- Airports concessionaire rights by GMR Airports Limited.

Cost or Revaluation Model

An entity shall choose either the cost model in **paragraph 74** or the revaluation model in **paragraph 75** as its accounting policy. If an intangible asset is accounted for using the revaluation model, all the other assets in its class shall also be accounted for using the same model, unless there is no active market for those assets.



Cost Model

After initial recognition, an intangible asset shall be carried at its cost less any accumulated amortisation and any accumulated impairment losses.



Revaluation Model

After initial recognition, an intangible asset shall be carried at a revalued amount, being its fair value at the date of the revaluation less any subsequent accumulated amortisation and any subsequent accumulated impairment losses. For the purpose of revaluations under this Standard, fair value shall be measured by reference to an active market. Revaluations shall be made with such regularity that at the end of the reporting period the carrying amount of the asset does not differ materially from its fair value.

Revaluation model implications

The revaluation model is applied after an asset has been initially **recognised at cost**.

Paragraph 78

"It is uncommon for an active market to exist for an intangible asset, although this may happen. For example, in some jurisdictions, an active market may exist for freely transferable taxi licences, fishing licences or production quotas. However, an active market cannot exist for brands, newspaper mastheads, music and film publishing rights, patents or trademarks, because each such asset is unique. Also, although intangible assets are bought and sold, contracts are negotiated between individual buyers and sellers, and transactions are relatively infrequent. For these reasons, the price paid for one asset may not provide sufficient evidence of the fair value of another. Moreover, prices are often not available to the public."

05

Example

Think Music / Sony Music South

Own rights to thousands of Tamil songs. Royalties and sub-licensing tracked by market, hence the intangible assets on the music and music distribution rights are can be revalued under Ind AS 38, only if

There's an active market with observable prices, the asset is acquired and not internally generated, the asset is identifiable and controlled.

Useful lives

An entity shall assess whether the useful life of an intangible asset is **finite** or **indefinite** and, if finite, the length of, or number of production or similar units constituting, that useful life.

An intangible asset shall be regarded by the entity as having an indefinite useful life when, based on an analysis of all of the relevant factors, there is **no foreseeable limit** to the period over which the asset is expected to generate net cash inflows for the entity.

01 Factors for determining useful lives

- the expected usage of the asset by the entity
- typical product life cycles for the asset
- technical, technological, commercial or other types of obsolescence;
- the stability of the industry in which the asset operates and changes in the market demand for the products or services output from the asset;
- expected actions by competitors or potential competitors;
- the level of maintenance expenditure required to obtain the expected future economic benefits from the asset and the entity's ability and intention to reach such a level;
- the period of control over the asset and legal or similar limits on the use of the asset, such as the expiry dates of related leases; and
- whether the useful life of the asset is dependent on the useful life of other assets of the entity.

02 Factors for amortization of finite useful lives intangible assets

- Depreciable value of the intangible assets (basically the cost/ revalued intangible assets)
- Residual value- this should not be more than 5% of the carrying value of the depreciable assets
- Useful lives for amortization based on the factors
- Periodic and regular review of the amortization method and amortization period

Useful lives – indefinite lives

An intangible asset with an indefinite useful life shall not be amortised.

In accordance with Ind AS 36, an entity is required to test an intangible asset with an indefinite useful life for impairment by comparing its recoverable amount with its carrying amount

annually, and whenever there is an indication that the intangible asset may be impaired.

Louis Vuitton/ Gucci

Exclusivity, social status, perceived prestige

Handbags, wallets, belts

Jaguar/ Land rover

Jaguar and Land Rover are iconic global automobile brands

These brands generate significant revenue, hold strong customer loyalty, and are continually marketed

Rolex/ Tag Heuer

Established brand with legacy

Active and continuous use

No foreseeable limit to useful life

Legal protection

Retirement and Disposals

An intangible asset shall be derecognised:
on disposal; or when no future economic benefits are expected from its use or disposal.

Derecognition of the assets

Adjustments in the gross and carrying value of the Intangible assets

Recognition of gain or loss

Gain or loss in the retirement/ derecognition of the assets to be recognised

Non current assets held for sale

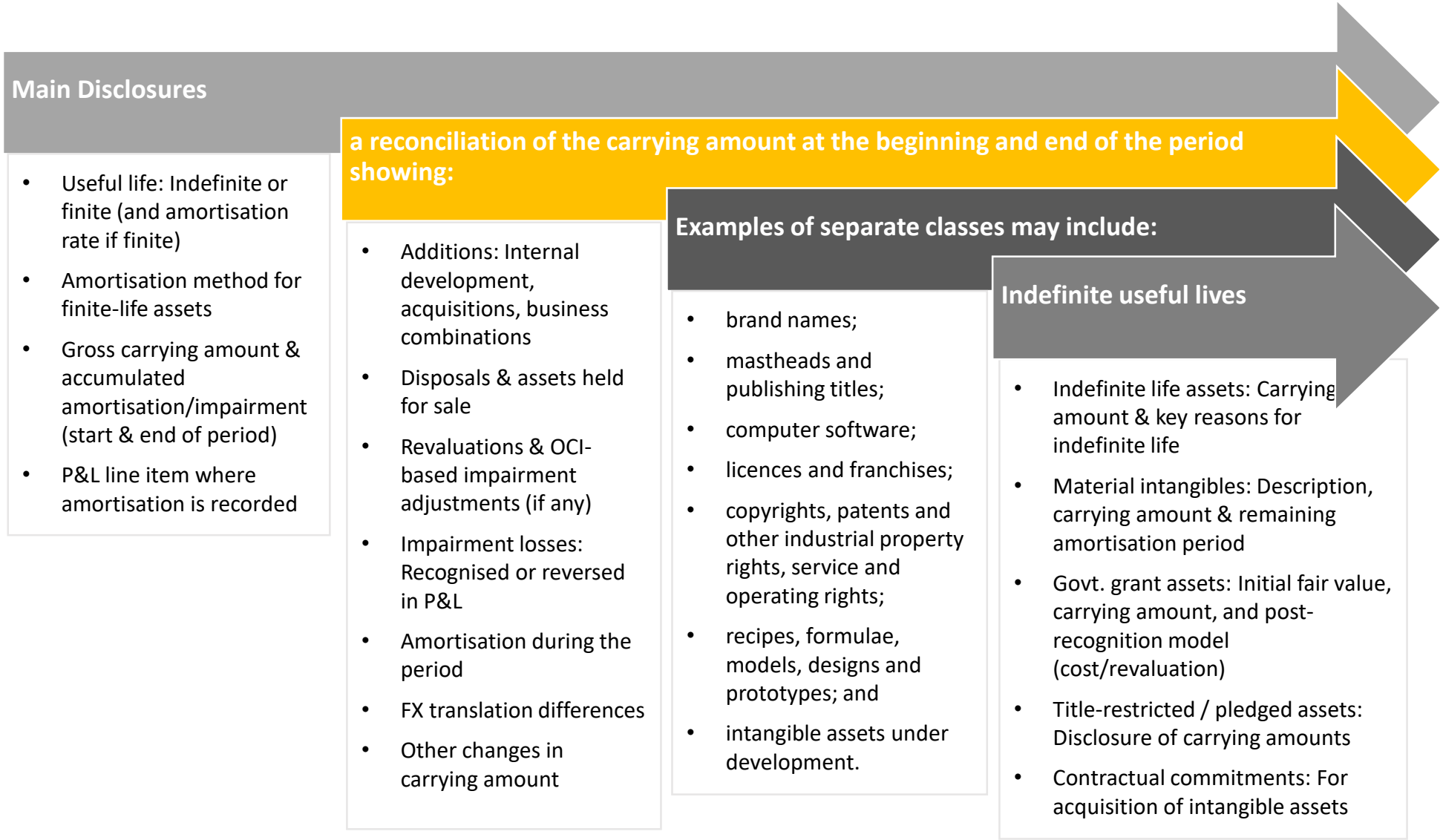
Where the Intangible assets are held for sale. It would come under the ambit of Non current assets held for sale

Amortisation

Amortisation of an intangible asset with a finite useful life does not cease when the intangible asset is no longer used, unless the asset has been fully depreciated

Disclosures

An entity shall disclose the following for each class of intangible assets, distinguishing between internally generated intangible assets and other intangible assets:



Questions?

