THE POWER OF BEING UNDERSTOOD

U.S. GAAP VS. IFRS: INTANGIBLE ASSETS OTHER THAN GOODWILL AT-A-GLANCE

Increasing globalization coupled with related regulations continues to put pressure on moving towards a common global accounting framework – International Financial Reporting Standards (IFRS). Currently, more than 100 countries use IFRS, so if your business goals include global expansion, it is critical to educate yourself now about the impact of IFRS on your financial reporting processes and business. To gain a better understanding of what IFRS means for your organization, we have prepared a series of comparisons dedicated to highlighting significant differences between IFRS and U.S. generally accepted accounting principles (GAAP). This particular comparison focuses on the significant differences between U.S. GAAP and IFRS related to the accounting for intangible assets other than goodwill, except for differences related to impairment accounting (which are covered in our U.S. GAAP vs. IFRS: Impairment of long-lived assets at-a-glance). *Differences related to the accounting for goodwill are covered in our* U.S. GAAP vs. IFRS: Business combinations at-a-glance *and* U.S. GAAP vs. IFRS: Impairment of long-lived assets at-a-glance. For other comparisons available in this series, refer to our U.S. GAAP vs. IFRS comparisons at-a-glance series.

A discussion about U.S. GAAP and IFRS would not be complete without mentioning the status of the Securities and Exchange Commission's (SEC) activities focused on determining whether the application of IFRS by U.S. registrants should be required or allowed. The tone at the SEC on this matter changed recently when they indicated in their draft Strategic Plan for Fiscal Years 2014-2018 *that they will "consider ... whether a single set of high-quality global accounting standards is achievable." As a result, it is not clear what the SEC's next steps and timetable are with respect to making a decision about the application of IFRS by U.S. registrants. For more information, refer to our* IFRS Resource Center.

The guidance related to intangible assets other than goodwill in U.S. GAAP is primarily included in Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic 350, *Intangibles—Goodwill and Other*. Additional guidance related to specific types of intangible assets can be found in ASC Subtopic 340-20, *Other Assets and Deferred Costs – Capitalized Advertising Costs*, and ASC Subtopic 985-20, *Software – Costs of Software to Be Sold, Leased, or Marketed.* In IFRS, the guidance related to intangible assets other than goodwill is contained in International Accounting Standard (IAS) 38, *Intangible Assets*.

Some similarities exist between U.S. GAAP and IFRS with respect to the accounting for intangible assets other than goodwill, such as both define intangible assets as assets without physical substance. While similarities exist between U.S. GAAP and IFRS related to the accounting for intangible assets other than goodwill, there are also significant differences, which are summarized in the following table.

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	U.S. GAAP	IFRS
Relevant guidance	ASC 340-20, 350 and 985-20	IAS 38
Revaluations other than impairment considerations	Revaluations of intangible assets to fair value are prohibited.	Subsequent to their initial recognition, intangible assets (other than goodwill) may be revalued to fair value as an accounting policy election. However, because adoption of this election requires that fair value be determined by reference to an active market, it is rarely used.
Internally developed intangible assets	Costs of internally developing, maintaining or restoring intangible assets should be expensed as incurred when one or more of the following are true about the intangible asset: (a) it is not specifically identifiable, (b) it has an indeterminate life or (c) it is inherent in a continuing business or nonprofit activity and relates to an entity as a whole. Given these restrictive criteria, the recognition of internally developed intangible assets is rare and usually only seen in the areas of patents and trademarks. With limited exceptions, research and development costs are expensed as incurred. Two such exceptions relate to computer software: · For computer software developed to be sold or otherwise marketed, development costs are capitalized after technological feasibility is established and until the product reaches general availability for sale. · For internal-use software, certain costs incurred during the application development stage should be capitalized.	Costs in the research phase are expensed as incurred. Costs in the development phase are capitalized if the entity can demonstrate all of the following: · The technical feasibility of completing the intangible asset · The intention to complete the intangible asset · The ability to use or sell the intangible asset · How the intangible asset will generate probable future economic benefits (the entity should demonstrate the existence of a market or, if for internal use, the usefulness of the intangible asset) · The availability of adequate resources to complete the development and to use or sell the intangible asset · The ability to measure reliably the expenditures attributable to the intangible asset during its development No software-specific guidance exists. As such, the general criteria are applied to software development costs to determine whether they should be capitalized or expensed.
Advertising costs	Entities have an accounting policy choice to expense advertising and promotional costs as incurred or when the advertising first takes place. Direct response advertising costs may be capitalized if specific criteria are met[1].	Advertising and promotional costs are expensed as incurred.

[1] Upon the effective date of ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)*, the accounting policy election related to direct response advertising costs (and the resultant difference between U.S. GAAP and IFRS) will be eliminated.

These are the significant differences between U.S. GAAP and IFRS related to intangible assets other than goodwill, except for differences related to impairment accounting (which are covered in our U.S. GAAP vs. IFRS: Impairment of long-lived assets at-a-glance). Refer to ASC 340-20, 350 and 985-20 and IAS 38 for all of the specific requirements applicable to intangible assets other than goodwill. Refer to our U.S. GAAP vs. IFRS comparisons at-a-glance series for more comparisons highlighting other significant differences between U.S. GAAP and IFRS.

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