



Financing economic development through Intellectual Property assets

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Intangible asset financial disclosure

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AGENDA

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 - INVESTMENTS IN INTANGIBLE ASSET - IAS/IFRS
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INTANGIBLE ASSETS AND FINANCIAL STATEMENTS DISCLOSURE

The financial statement provides information about the economic and financial situation of the company, useful to the stakeholders to take economic decision.

Stakeholders:

Investors

Governments

Employees

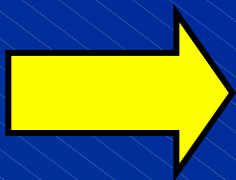
Clients

Financers

Public commission/board

Suppliers/Creditors

The public



How do the different accounting policies (IAS/IFRS, US GAAP and local GAAP) give information about Intangible assets?

THE RULES FOR FINANCIAL STATEMENTS

FINANCIAL STATEMENTS

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graph TD; A[FINANCIAL STATEMENTS] --> B[INTERNATIONAL ACCOUNTING STANDARDS  
IAS/IFRS]; A --> C[INTERNATIONAL FINANCIAL REPORTING STANDARDS  
US GAAP]; A --> D[LOCAL GAAP  
i.e. ITALIAN GAAP,  
CHINESE GAAP  
etc.]
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INTERNATIONAL
ACCOUNTING
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etc.

DEFINITION INTANGIBLE ASSET – IAS/IFRS

An *intangible asset* is an identifiable non-monetary asset without physical substance.

An *asset* is a resource:

- (a) controlled by an entity as a result of past events; and
- (b) from which future economic benefits are expected to flow to the entity.

TIPOLOGY OF INTANGIBLE ASSETS - IAS/IFRS

Investments in intangible assets:

Technology-based

- Patented technology
- Computer software and mask works
- Unpatented technology
- Databases, including title plants
- Trade secrets
- Non-competition agreements

Contract based

- Licensing, royalty and standstill agreements
- Advertising, construction, management,
- Construction permits
- Franchise agreements
- Operating and broadcast rights
- Servicing contracts,
- Use rights, such as drilling

Customer related

- Customer lists
- Order or production backlog
- Customer contracts
- Non-contractual relationships

Artistic related

- Plays, operas and ballets
- Books, magazines, newspapers
- Musical works
- Pictures and photographs
- Video and audiovisual material

Marketing related

- Trademarks
- Trade dress
- Newspaper mastheads
- Internet domain names
- Non-competition agreements

INVESTMENTS IN INTANGIBLE ASSET - IAS/IFRS

Investments in intangible assets:

- 1) Acquisition through acquisition/business combination
- 2) internal generation/development assets

1) ACQUISITION THROUGH BUSINESS COMBINATION

The cost of the acquisition is represented by the fair value of the assets at the date of the transaction (IFRS 3 Business Combinations), including IPR&D assets.

The acquirer recognise IPR&D assets at their fair value even if they are not recognised in the financial statement of the acquired entity.

2) INTERNAL GENERATION / DEVELOPMENT ASSETS

A company can recognise the R/D ASSETS only if all the following requirements are satisfied:

- a) compatibility with the definition of intangible asset (IAS 38);
- b) probability of expected future economic benefits that are attributable to the asset;
- c) reliability measurement of the cost of the assets.

1) INTERNAL GENERATION / DEVELOPMENT ASSETS

For investments in R/D activities, the company has to distinguish:

a) phase of research;

b) phase of development.

If the company is not able to distinguish the two phases of an internally generated intangible asset, it has to treat and account for the cost as if it has exclusively been sustained in the phase of research.

It is not possible to capitalize expenses sustained during the research phase (costs in the income statement).

During the **phase of development** of an internal R&D project, the biotech entity must recognise an intangible asset arising from development if it can demonstrate all the followings:

- a) the technical feasibility of completing the intangible assets so that it will be available for use or sale;
- b) the intention to complete the intangible assets and use or sell it;
- c) the ability to use or sell the intangible asset;
- d) the way according to which the intangible asset will produce probable future economic benefits;
- e) the availability of technical, financial and other resources to complete the development and to use or sell the intangible assets;
- f) the ability to measure reliably the expenditure attributable to intangible assets during its development.

MEASUREMENT AFTER RECOGNITION

a) Cost model

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

b) 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; fair value shall be determined by reference to an active market.

DISCLOSURE IN NOTES

General

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

- (a) whether the useful lives are indefinite or finite and, if finite, the useful lives or the amortisation rates used;
- (b) the amortisation methods used for intangible assets with finite useful lives;
- (c) the gross carrying amount and any accumulated amortisation (aggregated with accumulated impairment losses) at the beginning and end of the period;
- (d) the line item(s) of the statement of comprehensive income in which any amortisation of intangible assets is included.

DISCLOSURE IN NOTES

Research and development expenditure

An entity shall disclose the aggregate amount of research and development expenditure recognised as an expense during the period.

Research and development expenditure comprises all expenditure that is directly attributable to research or development activities