



SICASA E - NEWS LETTER



Tuticorin Branch of Southern India Regional Council of The Institute of Chartered Accountants of India
(Set up by an Act of Parliament)

May 2011

SICASA Chairman's Writes:



Dear Friends

Greetings!

"Happiness is not an individual matter. When you are able to bring relief, or bring smile to one person".

We have successfully conducted crash course for IPCC students during last month and it bring smiles to those who were attended and they were relieved from exam stress.

This month we have decided to conduct crash course for CPT students, by this time you might get the announcement. Our aim is to train students with knowledge and make them to work in a global environment. We do whatever best we can provide to our students.

We have attended SICASA chairmen's' orientation programme at SIRC, Chennai along with a student representative Mr.J.Nikhil Vasanth. After the session was over, we came out proudly as we have done most of the student & student related activities than the other SICASA branches.

Now, you all are relieved from your exam tension. Some of you are preparing to attend offices. We all must understand that the formal education is an important part of one's life, however equally important is to keep the student within us alive and keep learning from life itself. So, we have to gear up and become a student of life and learn all we could, from whomever we could. We can't rely only on books. With passion and hard work what is it that we cannot achieve?. Let's keep the student within us alive.. not just for exams but for life itself.

With warm regards,

CA.G.Manoj Rodrigo
SICASA Chairman

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LOOK AT THE OTHER SIDE

A Mother was reading a magazine and her cute little daughter every now and then distracted her. To keep her busy, she tore one page on which was printed the map of the world. She tore it into pieces and asked her to go to her room and put them together to make the map again.

She was sure her daughter would take a lot more time and probably whole of day to get it done. But the little one came back within minutes with perfect map.

When he asked how she could do it so quickly, she said, "Oh Mom, there is a man's face on the other side of the paper. I made the face perfect to get the map right." she ran outside to play leaving the mother surprised.

Moral:

Perhaps there is always the other side to whatever you experience in this world. This story indirectly teaches a lesson. That is, whenever we come across a challenge or a puzzling situation, look at the other side...and will be surprised to see an easy way to tackle the problem or an acute difficulty.

By

CA.G.Manoj Rodrigo
SICASA Chairman



AS 26

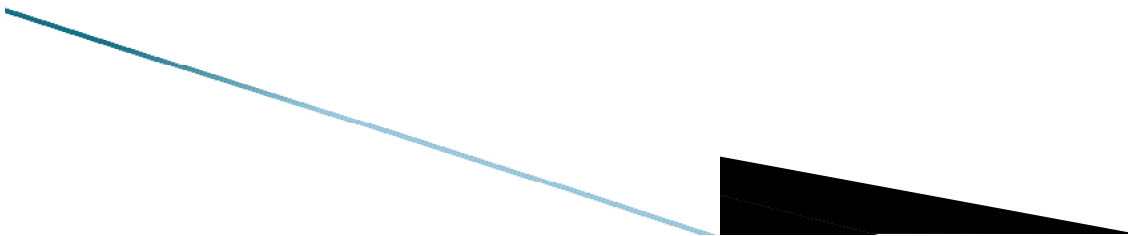
Intangible assets

By Mr .J.Nikhil Vasanth
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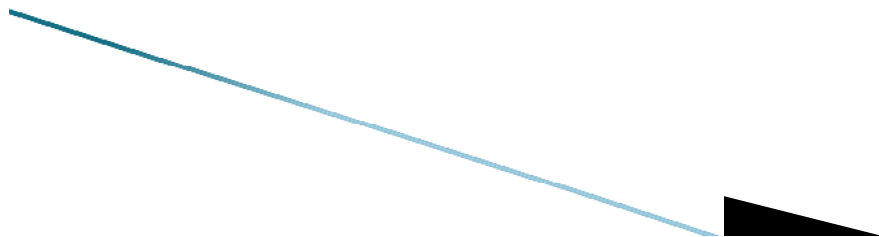
Intro

- ▶ Dealt with Intangible Assets that are not dealt in any other AS specifically.
- ▶ Criteria required to meet to recognize the IA
- ▶ Measurement, accounting treatment ,and finally the disclosures.



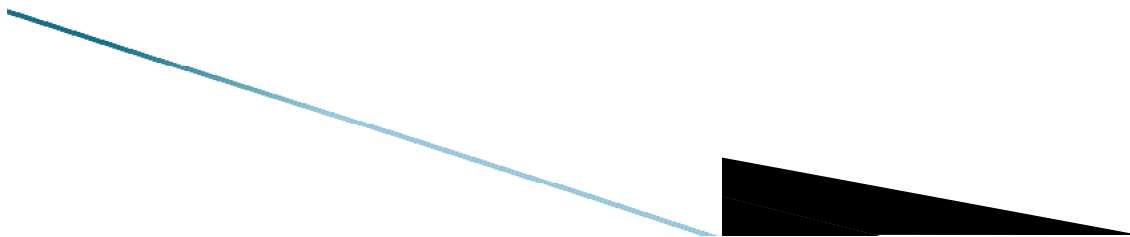
Out of Scope

- ▶ IA covered by other AS-2,7,22,19,14,21
- ▶ Financial asset-cash,contractual right to receive cash
- ▶ Mineral rights and expenditure on the exploration for,or development and extraction of mineral,oil,natural gasand similar non regenerative resources.
- ▶ IA arising in insurance enterprises from contracts with policyholders
- ▶ Expenditure in respect of termination benefits.

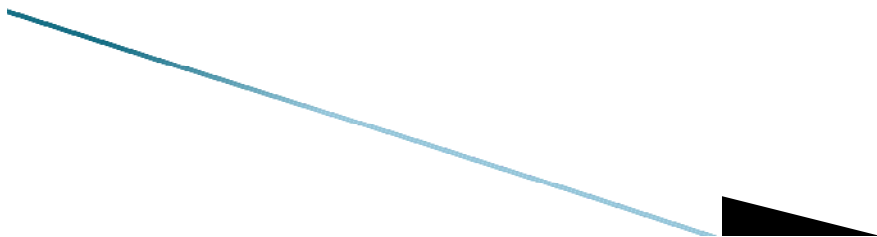


Definitions

- ▶ Asset-a resource controlled by an enterprise as a result of past events
 - from which future economic benefits are expected to flow
- ▶ Intangible Asset –identifiable, non monetary, without physical substance, held for use in the production or supply of goods or services, for rental to others or for administrative purposes.

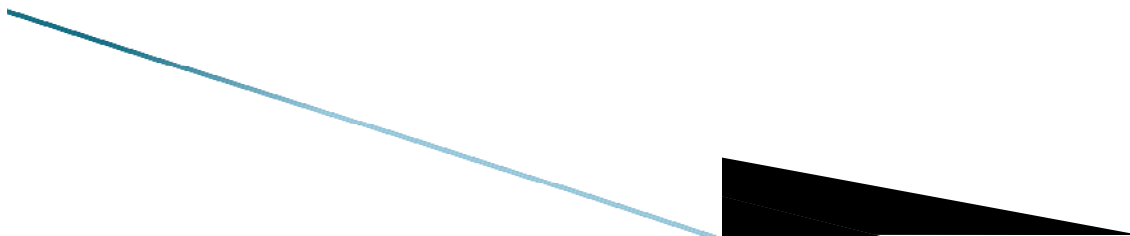


- ▶ Research – Original and planned investigation undertaken with the prospect of gaining new scientific or technical knowledge and understanding.
- ▶ Development – application of research findings or other knowledge to a plan or design for the production of new or substantially improved materials, devices, products, processes, systems or services prior to the commencement of commercial production or use.



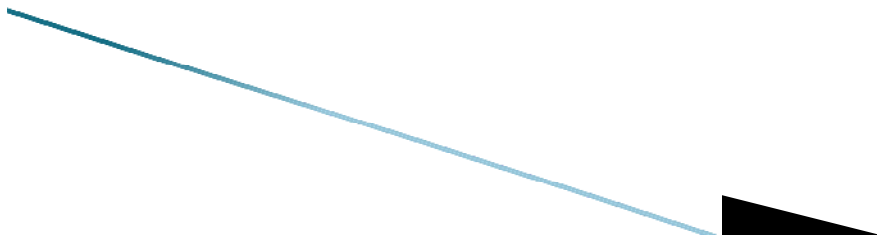
Identifiability

- ▶ IA must be clearly distinguished from goodwill
- ▶ Can be clearly distinguished if it is separable
- ▶ Separability is not a necessary condition for identifiability.
- ▶ Even if asset generates the future economic benefits only with the combination of other assets, it is still identifiable.



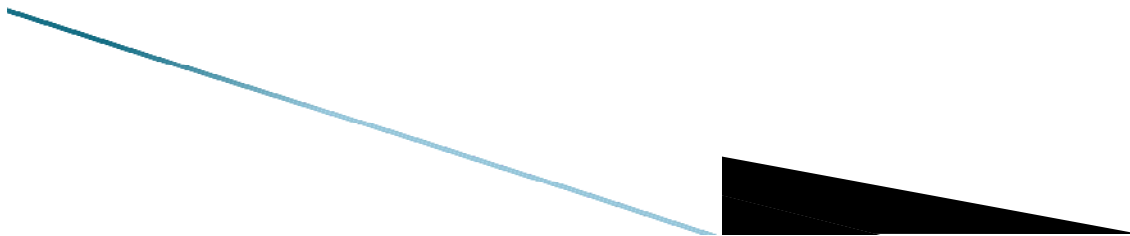
Control

- ▶ Enterprise should have the power to enjoy the future economic benefit as well as able to restraining others to enjoy such benefits.
- ▶ Legal right such as copyright, restraint of trade agreement.
- ▶ Training to staff
- ▶ Portfolio of customer or market share



Examples

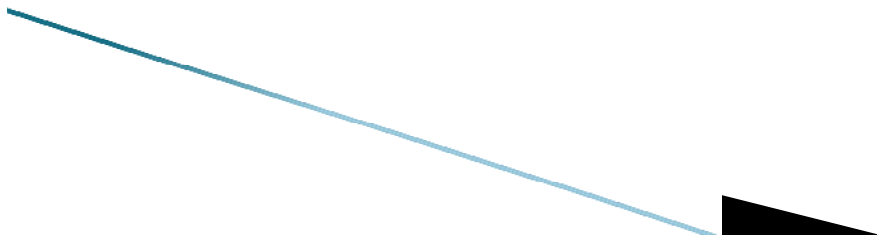
- ▶ Computer Softwares
- ▶ Patents ,Copyrights,Licence
- ▶ Motion picture Films
- ▶ Airplane landing rights
- ▶ Franchises
- ▶ Customer loyalty
- ▶ Market share/ quota
- ▶ G/ w
- ▶ IA acquired under leases
- ▶ Inseperable with tangible assets-AS 10



Recognition Criteria

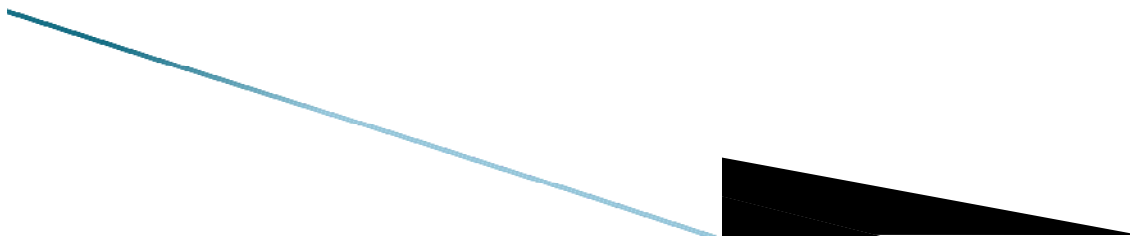
- ▶ It is probable that the future economic benefits that are attributable to the asset will flow to the enterprise
- ▶ The cost of the asset can be reliably measured.

An Intangible Asset should be measured initially at cost



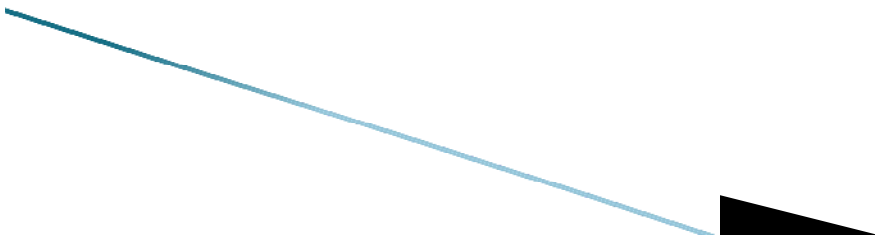
Initial recognition

- ▶ Separate Acquisition
- ▶ Acquisition as part of an amalgamation-AS 14
- ▶ Acquisition by way of a GG-AS 12
- ▶ Exchange of Assets-AS 10
- ▶ Internally Generated G/ w
- ▶ Internally Generated Intangible assets(R&D)



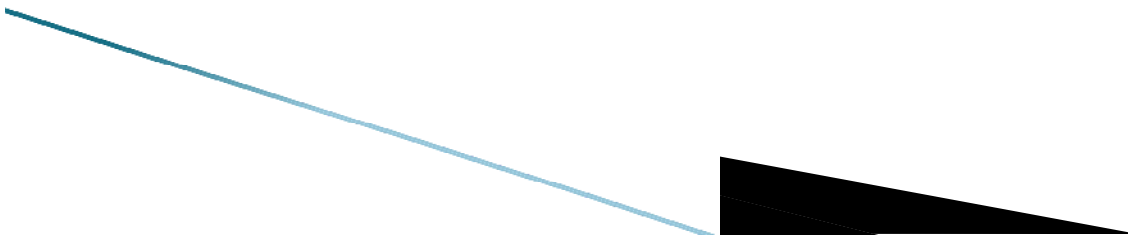
Separate Acquisition

- ▶ Cost can be reliably measured
- ▶ Cost includes purchase price, import duties and other taxes, any directly attributable expenditure such as professional fees for legal services
- ▶ If the consideration is other than cash, such as securities, then either of their fair value whichever is more clearly evident is recorded as the cost.



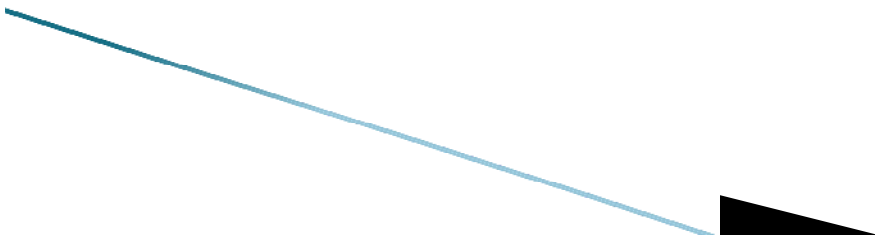
Acquisition as part of an Amalgamation

- ▶ Accounted in accordance with AS 14
- ▶ However following points must be considered while preparing the financial statements of the transferee company:
 - ▶ Judgment is required to determine whether the cost(i.e.fair value) is measured reliably for separate recognition.
 - ▶ Quoted market price in the active market ,price of the most similar recent transaction in the active market
 - ▶ For recognition in the transferee book, consideration of transferor book is not required.
 - ▶ If not , that would be included in the goodwill.



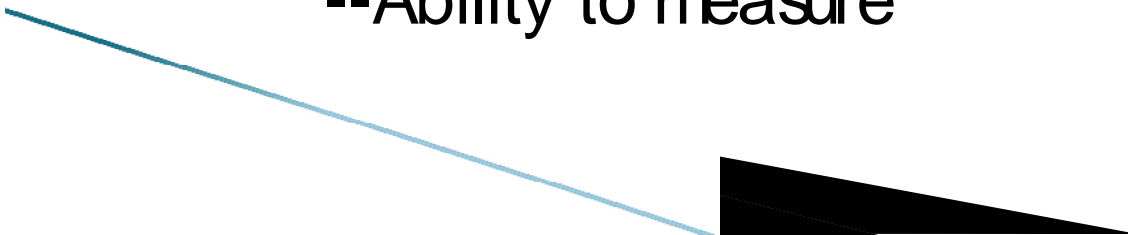
Internally Generated Intangible assets

- ▶ Two Phase-Research & Development
- ▶ If not able to distinguish treat the whole as of incurred for research
- ▶ Research -treat the whole as an expense for the success in it is not certain.

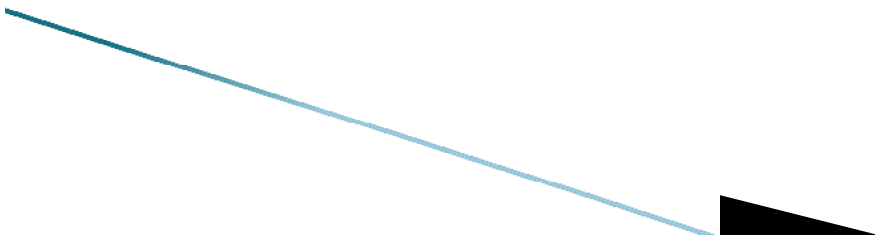


Development Phase

- ▶ Conditions to recognize it as an asset
 - the technical feasibility of completing the intangible asset so that it will be available for use or sale.
 - intention to complete
 - the ability
 - market for the IA
 - Availability of adequate technical, financial and other resources to complete the development phase.
 - Ability to measure



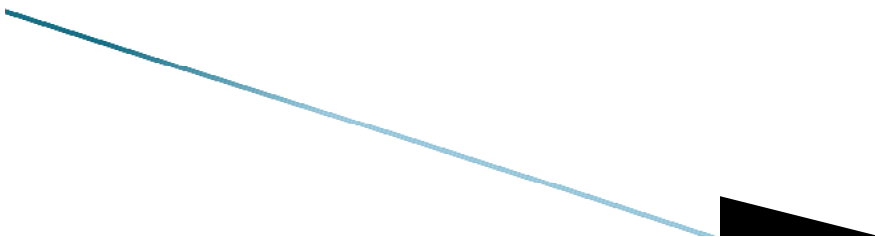
- ▶ All the incurred expenditure related to that development phase.
- ▶ Reinstatement of expenditure that already recognised as an expense is prohibited.



Subsequent expenditure

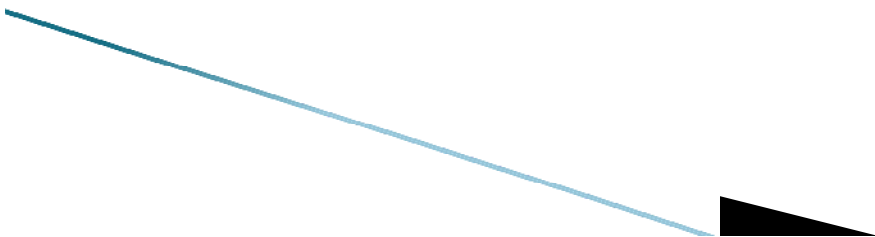
- ▶ Can be recognised as an asset if
 - if it increase the previously assessed standard performance
 - if it is able to be measured and attribute reliably to the particular asset.

Otherwise recognise as expenses



Amortisation

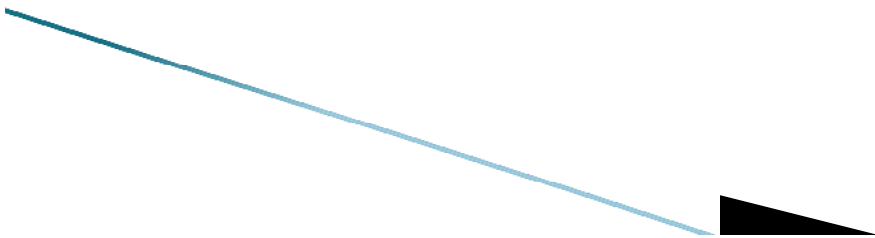
- ▶ The depreciable amount should be allocated on a systematic basis over the best estimate of its useful life.
- ▶ Rebuttable presumption-10 yrs useful life
- ▶ Useful life is limited to the legal rights period
- ▶ Method-SLM,DBM,UPM
- ▶ Amortisation—expense



Carrying amount

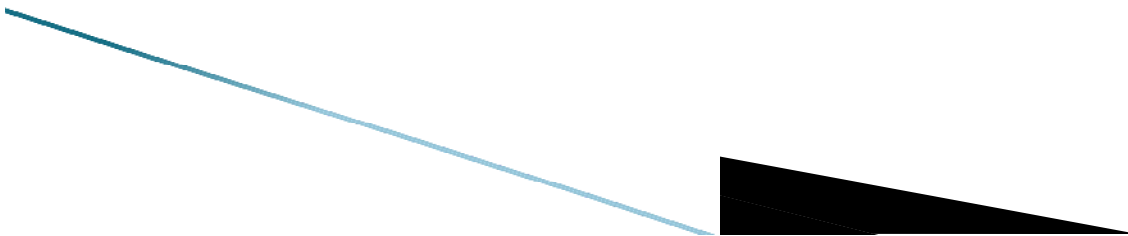
- ▶ Cost less any accumulated amortisation and any accumulated impairment loss

- ▶ Impairment loss-amount by which the carrying amount of an asset exceeds its recoverable amount



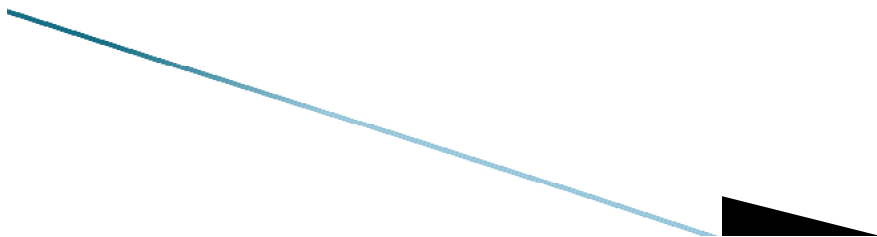
Residual Value

- ▶ Rebuttable presumption – 0
- ▶ Can be disproved when there is commitment by the third party to purchase the asset or active market exists for the asset at the end of the useful life of the asset



Retirement and Disposal

- ▶ Useful life and method of amortisation can be reviewed.
- ▶ Must be derecognised on disposal
- ▶ Gains or losses should be taken to P&L
- ▶ In case of retirement, IA should be carried at its carrying amount at the date when the asset is retired, recognising any Impairment loss accordingly.



Disclosures

- ▶ Useful life
- ▶ Method of Amortisation
- ▶ Gross carrying amount with Acc.Amortisation @ the beginning and end.
- ▶ Reconciliation
- ▶ R&D
- ▶ Fully amortised but still in use IA –Encouraged to disclose not required.

