

Tutorial 4

LKAS 38: Intangible Assets

- (1) What are the key characteristics of an intangible asset?
- (2) Explain what is meant by 'identifiability'.
- (3) What intangibles can never be recognized if internally generated? Why?
- (4) Explain when development outlays can be capitalized.
- (5) What are the recognition criteria for intangible assets?
- (6) Explain the application of the revaluation model for intangible assets.
- (7) A list of items that could be accounted for as intangible assets by ABC PLC is as follows:
 1. Cost of purchasing a trademark
 2. Unrecovered costs of a successful lawsuit to protect a patent
 3. Goodwill acquired in the purchase of a business
 4. Costs of developing a patent
 5. Cost of engineering activity to advance the design of a product to the manufacturing stage
 6. Deposits with an advertising agency for advertisements to increase the goodwill of the company

Required: Discuss which of these should be included as an intangible asset in the accounts of ABC PLC. Give reasons for your answers.

- (8) A list of some of items that could be accounted for as intangible assets by XYZ PLC is as follows:
 1. Investment in a subsidiary company
 2. Training costs associated with a new product
 3. Cost of testing in search for product alternatives
 4. Legal costs incurred in securing a patent
 5. Long-term receivables

Required

Discuss which of these should be included as an intangible asset in the accounts of XYZ PLC. Give reasons for your answers.

- (9) Snapper Ltd holds a trademark that is well known within consumer circles and has enabled the company to be a market leader in its area. The trademark has been held by the company for 9 years. The legal life of the trademark is 5 years, but is renewable by the company at little cost to it.

Required

Discuss how the company should determine the useful life of the trademark, noting in particular what form of evidence it should collect to justify its selection of useful life.