



International Accounting Standards Board®

Press Release

For Immediate Release

25 March 2002

**IASB'S
INTERNATIONAL FINANCIAL REPORTING INTERPRETATIONS COMMITTEE
(IFRIC)
ISSUES AN INTERPRETATION ON WEB SITE COSTS**

As notified on 13 March 2002 by the IASC Foundation Trustees, the Standing Interpretations Committee (SIC) has been renamed the International Financial Reporting Interpretations Committee (IFRIC). IFRIC today issued an Interpretation to clarify the accounting for web site costs under International Accounting Standards. The Interpretation, SIC-32: *Intangible Assets – Web Site Costs*, was submitted to the IASB for approval before the Committee's name was changed, and is therefore published as a SIC Interpretation.

The Interpretation was approved by the IASB at its meeting in March. All Interpretations issued by IFRIC are part of the binding International Accounting Standards literature. SIC-32 becomes effective on 25 March 2002.

Commenting on the Interpretation, Kevin Stevenson, Chairman of the IFRIC, said: "The Interpretation clarifies the existing requirements of IAS 38, *Intangible Assets*, as it applies to expenditure on internally developing and operating a web site. If an enterprise applies the Interpretation and the outcome is to recognise the web site as an intangible asset, then unless the web site has an active market and its carrying amount is revalued regularly, the enterprise will need to amortise the expenditure over a short period."

Kevin Stevenson continued: "Some of the interpretive groups sponsored by the IASB's liaison national standard-setters have already issued guidance on this topic. The Committee considered that guidance when developing the Interpretation, so that it could ensure convergence to a high quality solution. In addition, it addressed the accounting treatment of expenditure on developing content that is included in a web site, which was not addressed by all those interpretive groups. As IAS 38 applies equally to such expenditure, it was necessary to include it within the Interpretation."

Printed copies of the Interpretation will be mailed to subscribers to the IASB's 'Comprehensive Subscription Service' next week. This will be the last distribution in hard copy of IFRIC documents as they are approved and issued. In the future, subscribers to the Comprehensive Subscription Service will have access only to electronic versions of IFRIC documents, which can be downloaded immediately after their approval and issue. Current subscribers to the Comprehensive Subscriptions Service can now access SIC-32 from the Subscribers Area of our Website. Detailed information on subscription services and on ordering other IASB publications can be obtained from the IASB's publication department, 7th Floor, 166 Fleet Street, London EC4A 2DY, United Kingdom. Telephone: +44 (020) 7427-5927. Fax: +44 (020) 7353-0562. E-mail: publications@iasb.org.uk Internet: <http://www.iasb.org.uk>

For Press Enquiries:

Kevin Stevenson, Director of Technical Activities, IASB, Telephone: +44 (020) 7246-6461; e-mail: kstevenson@iasb.org.uk

Frank Palmer, Project Manager, IASB, Telephone: +44 (020) 7246-6455; e-mail: fpalmer@iasb.org.uk

NOTE TO EDITORS:

■ SIC-32 *Intangible Assets – Web Site Costs*

The Interpretation addresses whether a web site developed by an enterprise from internal expenditure for internal or external access is an internally generated intangible asset that is subject to the requirements of IAS 38: the SIC agreed that such a web site is subject to the requirements of IAS 38.

The Interpretation also addresses the appropriate accounting treatment for internal expenditure on the development and operation of an enterprise's own web site for internal or external access. The Committee agreed that:

- (a) a web site arising from development should be recognised as an intangible asset if, and only if, in addition to complying with the general requirements described in IAS 38.19 for recognition and initial measurement, an enterprise can satisfy the requirements in IAS 38.45. In particular, an enterprise may be able to satisfy the requirement to demonstrate how its web site will generate probable future economic benefits under IAS 38.45(d) when, for example, the web site is capable of generating revenues, including direct revenues from enabling orders to be placed. An enterprise is not able to demonstrate how a web site developed solely or primarily for promoting and advertising its own products and services will generate probable future economic benefits, and consequently all expenditure on developing such a web site should be recognised as an expense when incurred.
- (b) any internal expenditure on the development and operation of an enterprise's own web site should be accounted for in accordance with IAS 38. The nature of each activity for which expenditure is incurred (eg training employees and maintaining the web site) and the web site's stage of development or post-development should be evaluated to determine the appropriate accounting treatment. For example:
 - (i) the Planning stage is similar in nature to the research phase in IAS 38.42-.44. Expenditure incurred in this stage should be recognised as an expense when it is incurred.
 - (ii) the Application and Infrastructure Development stage, the Graphical Design stage and the Content Development stage, to the extent that content is developed for purposes other than to advertise and promote an enterprise's own products and services, are similar in nature to the development phase in IAS 38.45-.52. Expenditure incurred in these stages should be included in the cost of a web site recognised as an intangible asset in accordance with this Interpretation when the expenditure can be directly attributed, or allocated on a reasonable and consistent basis, to preparing the web site for its intended use. For example, expenditure on purchasing or creating content (other than content that advertises and promotes an enterprise's own products and services) specifically for a web site, or expenditure to enable use of the content (eg a fee for acquiring a licence to reproduce) on the web site, should be included in the cost of development when this condition is met. However, in accordance with IAS 38.59, expenditure on an intangible item that was initially recognised as an expense in previous financial statements should not be recognised as part of the cost of an intangible asset at a later date (eg when the costs of a copyright have been fully amortised, and the content is subsequently provided on a web site).

- (iii) expenditure incurred in the Content Development stage, to the extent that content is developed to advertise and promote an enterprise's own products and services (eg digital photographs of products), should be recognised as an expense when incurred in accordance with IAS 38.57(c). For example, when accounting for expenditure on professional services for taking digital photographs of an enterprise's own products and for enhancing their display, expenditure should be recognised as an expense as the professional services are received during the process, not when the digital photographs are displayed on the web site.
 - (iv) the Operating stage begins once development of a web site is complete. Expenditure incurred in this stage should be recognised as an expense when it is incurred unless it meets the criteria in IAS 38.60.
- (c) a web site that is recognised as an intangible asset under this Interpretation should be measured after initial recognition by applying the requirements of IAS 38.63-.78. The best estimate of a web site's useful life should be short.