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Discussion Paper advocates consistent fair value measurement of intangible assets

The inconsistent accounting treatments for particular types of intangible assets are addressed in a discussion paper released today by the Office of the Australian Accounting Standards Board (AASB) for comment by 15 May 2009.

Currently, accounting standards treat intangible assets acquired as part of a business acquisition differently from the same kind of intangible assets that are internally generated.

The discussion paper, authored by staff of the AASB, with the encouragement and support of the group of National Standard Setters (NSS), represents a significant step toward encouraging the International Accounting Standards Board (IASB) to undertake a review of current accounting standards relating to intangible assets.

The NSS is a global group of representatives of national accounting standard setters and related organisations whose main role is to assist the IASB, primarily through research and commentary on project priorities.

Professor David Boymal, Chairman of the AASB, said the review of current requirements for the accounting for intangible assets is long overdue.

"We hope that this discussion paper, which focuses on the initial accounting for internally generated intangible assets, is the first in a series that considers the full range of issues that are pertinent to a comprehensive review of the accounting for intangible assets.

"For example, under current accounting standards, a brand acquired as part of a business is required to be recognised as an asset at fair value. However, if a business creates its own brand, it is currently not even allowed to recognise it as an asset. This discussion paper argues that internally generated brands should be accounted for in the same way as brands acquired as part of a business. Disclosure is not an adequate substitute for recognition," Professor Boymal said.

Comments received on the paper will provide valuable input into any future work on intangible assets that the IASB might initiate. Comments can be sent to the NSS Secretariat at asbcommentletters@frc-asb.org.uk or to the AASB staff at standard@asb.gov.au. The paper is available on the AASB website at www.asb.gov.au, under Open for Comment.

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The Australian Accounting Standards Board (AASB) is the independent statutory agency of the Australian Government responsible for developing, issuing and maintaining accounting standards. The Board's functions and powers are set out in the Australian Securities and Investments Commission Act 2001.