national treasury
Department:
National Treasury
REPUBLIC OF SOUTH AFRICA

GRAP 31 – Intangible Assets

Effective 1 April 2021

DEFINITIONS

Intangible assets are identifiable, non-monetary assets, without physical substance

An asset is **identifiable** if it either:

- Is capable of being separated and sold, licensed, transferred, exchanged or rented separately, or
- Arises from binding arrangements (includes rights from contracts or other legal rights)

INTERNALLY GENERATED INTANGIBLE ASSET

Research phase – expense costs as incurred

Development phase – capitalise if all criteria are met:

- Technical feasibility of completion of intangible asset
- Intention to complete
- Ability to use or sell the intangible asset
- Adequate technical, financial and other resources to complete
- Probable future economic benefits or service potential
- Expenditure measured reliably

RECOGNITION AND MEASUREMENT

SEPARATE ACQUISITION

- Probable that expected future economic benefits or service potential will flow to the entity, and
- Cost can be measured reliably

Recognise at **cost**

NON-EXCHANGE TRANSACTION

- Probable that expected future economic benefits or service potential will flow to the entity, and
- Fair value can be measured reliably

Recognise at **fair value**

TRANSFER OF FUNCTIONS (not under common control)

Probable that expected future economic benefits or service potential will flow to the entity is always satisfied

- Fair value can be measured reliably

Recognise at **fair value**

EXCHANGE OF ASSETS

Measure acquired asset at its **fair value**. If not possible, at **carrying amount** of asset given up.

Internally generated goodwill is never recognised

SUBSEQUENT ACCOUNTING

Finite useful life - Choose either amortised cost or revaluation model:

Cost model

- Determine useful life
- Residual value –assumed zero unless active market exists or a commitment by third party to purchase the intangible asset at end of useful life
- Determine amortisation method
- Review above annually
- Amortisation method reflects the pattern in which future economic benefits or service potential expected to be consumed
- Amortisation begins when available

Revaluation model

- Fair value at revaluation date
- Fair value determined by referring to active market
- If no active market, use cost model
- Revaluation done regularly
- The net carrying amount of the asset is adjusted to the revalued amount and-
  - The gross carrying amount is adjusted in a manner that is consistent with the revaluation of the carrying amount of the asset. The accumulated amortisation at the date of the revaluation is adjusted to equal the difference between the gross carrying amount and the carrying amount of the asset after taking into account accumulated impairment losses; or
  - Accumulated amortisation is eliminated against the gross carrying amount
- Credit to revaluation surplus net of Deferred Tax where the carrying amount is increased
- Transfer to retained earnings on realisation
- Debit in surplus or deficit where carrying amount is decreased

Indefinite useful live

- No foreseeable limit to future expected economic benefits or service potential
- Not amortised
- Test for impairment annually or when an indication exists
- Review annually if events and circumstances still support indefinite useful life
- If no longer indefinite change to finite useful life.