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Intangible Assets

Cover Note

Objective

- 1 The objective of this session is:
 - (a) to seek views from EFRAG FR TEG-CFSS on the selected test cases by the IASB for potential changes to the definition of an intangible asset, related guidance and some aspects of recognition. Agenda paper 06-02 covers this issue; and
 - (b) to inform about some workshops with users we intend to do in November to gather feedback on their intangible assets needs of information and to get view from EFRAG FR TEG-CFSS on the EFRAG Secretariat's intended plan. This issue is covered on this agenda paper.

Background of the project

IASB's research project

- 2 A research project on Intangible Assets was added to the IASB research project pipeline following its Third Agenda Consultation. Stakeholders highlighted deficiencies in the reporting of intangible assets and raised matters relating to all aspects of IAS 38 Intangible Assets, including its scope, its recognition and measurement requirements (including the difference in the accounting for acquired and internally generated intangible assets), and the adequacy of the information companies are required to disclose about intangible assets. The project was activated in April 2024.
- 3 In May 2025 the IASB tentatively decided the objective of the project are:
 - (a) to improve the usefulness of information entities provide about intangible items in their financial statements; and
 - (b) to update IAS 38 Intangible Assets, in particular to make it more suitable for newer types of intangible items and new ways of using them.
- 4 The IASB also tentatively decided on the prioritisation of the intangibles related issues raised by stakeholders
 - (a) to begin work on the project by exploring two initial streams in parallel, namely:

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- (i) assessing user needs for information about recognised and unrecognised intangible assets and expenditure associated with them in the financial statements; and
 - (ii) considering whether to update the definition of an intangible asset, associated guidance and some aspects of the recognition criteria, by initially using, as test cases, application issues related to newer types of intangible assets and new ways of using them; and then considering the effects of any potential amendments on the broader population of intangible assets.
- (b) to explore, once work on the groups of topics listed in (a) has progressed sufficiently:
- (i) accounting for intangible assets held for investment, based on the intended use or purpose of holding an asset and using test cases that could include some carbon credits and cryptocurrencies;
 - (ii) broader aspects of the recognition requirements in IAS 38; and
 - (iii) improvements to the disclosure requirements related to recognised and unrecognised intangible assets and the expenditure associated with them; and
- (c) to consider whether to explore, once work on the group of topics listed in (b)(ii)–(iii) has progressed sufficiently, topics related to improving:
- (i) the comparability of information about acquired and internally generated intangible assets; and
 - (ii) the usefulness of information about intangible assets acquired in a business combination.
- 5 The IASB also tentatively decided:
- (a) to explore improving measurement of intangible assets in the context of work on other groups of topics rather than as a separate topic
 - (b) to consider whether to explore reporting a broader range of intangible items in the financial statements once work on other groups of topics has sufficiently progressed; and
 - (c) not to explore:
 - (i) accounting for intangible assets covered by other IFRS Accounting Standards; or
 - (ii) consistency of labels for intangible items.

EFRAG's research project

- 6 In 2018, following the input received from the EFRAG research agenda consultation, EFRAG added a research project to its agenda on better information on intangibles. The [Discussion Paper Better Information on Intangibles – Which is the best way to go?](#) (the 'DP') issued in 2021 was the result of this project. The DP analysed different approaches to obtain better information on intangibles, based on input from members of the EFRAG Advisory Panel on Intangibles, without providing recommendations on the selection of any particular approach.

- 7 In April 2023, EFRAG published the [Recommendations and Feedback Statement](#) which included EFRAG’s tentative recommendations for developing IFRS requirements on intangibles used in the entity’s operations. These recommendations were based on the input EFRAG received from comment letters, electronic surveys, outreach activities and supported academic studies. Based on this information the recommendations were developed by the EFRAG FR TEG and the EFRAG FRB.

Current workstream - Assessing users needs for information about intangibles

- 8 As part of the first stream of work, the IASB intends to assess the needs for information of users (see paragraph 4(a) above). They intend to understand what information about intangibles assets and related expenditure users are trying to understand, why and from where they are currently getting that information.
- 9 In 2024 and 2025 the IASB gathered a considerable amount of user feedback and other evidence on user information needs. This feedback and evidence indicate that users have a variety of views. There were differences on:
- (a) user views on what information about intangible assets is missing from the financial statements;
 - (b) adjustments users make to the financial statements; and
 - (c) user views on some aspects of the accounting for intangible assets and associated expenditure.
- 10 The IASB is of the view that the variety of views provided by users might be because users are analysing entities in different sectors and with different types of intangible assets. In this regard, the IASB plans to understand whether users’ information needs depend on the sector or type of intangible asset being considered.
- 11 In the December 2025 ASAF meeting, the IASB will seek ASAF members’ views on the user information needs. In particular, they are interested to understand:
- (a) Whether the information needs differ by type of intangible asset; and
 - (b) How much of this information belongs in financial statements.
- 12 To gather feedback from users, the EFRAG Secretariat intends to organise a number of private workshops devoted to the following specific intangibles:
- (a) Software, AI, data resources, algorithms, digital platforms, etc.;
 - (b) R&D, patents and unpatented technology;
 - (c) Marketing and customer/supplier related intangibles (brands, trademark, internet domains, customer lists or relationships); and
 - (d) Intellectual property.
- 13 The purpose of the workshops includes understanding what information users seek about these intangibles, why and how they are currently getting the information and if they are adjusting the information provided in the financial statements for internal purposes and the reason for it. We will intend to focus on the economic background - the root cause of the information needs for specific type of Intangibles – rather than on pure accounting aspects and to provide some industry-related examples to trigger discussion (e.g. examples

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from the healthcare and pharmaceutical industry on patents or from the media industry on intellectual property). We plan to hold the workshops in the month of November (latest until 20th November).

- 14 We encourage EFRAG FR TEG-CFSS to share the EFRAG Secretariat plan with users from their jurisdiction so we can get a good level of feedback covering the appropriate range of industries in order to support the IASB approach for improving IAS 38.

Agenda Papers

- 15 In addition to this cover note, the session covers the following agenda papers:

- (a) 06-02 - Issues paper on test cases for new types of intangibles
- (b) 06-03 – Intangible Assets ASAF meeting agenda paper

Questions to EFRAG FR TEG-CFSS

- 16 Do you have any recommendations for the intended workshops on Intangibles?