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## Intangible Assets

### Cover Note

#### Objective

- 1 The objective of the session is to seek EFRAG FR TEG views on the IASB's initial thoughts on the objective, scope and areas to be explored as part of the IASB's Intangible Assets project and to discuss necessary steps to be followed by the EFRAG Secretariat.

#### Background of the IASB 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. The press release refers to intangibles in general. Therefore, although the title of the project refers to intangible assets, the IASB might consider whether the project should address intangibles more broadly.
- 3 In the initial research phase of the project, the IASB needs to define the problem the IASB is trying to solve, the scope of the project and how best to stage work to deliver timely improvements. After collecting feedback, the IASB will make initial decisions on these issues.

#### EFRAG research project

- 4 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.
- 5 The scope of the research addressed 'intangibles' which were defined broadly as intangible sources of possible economic benefits. This included items that would not meet the definition of an asset in the IFRS literature. The DP only considered information to be

included in the financial statements (including the notes) and the management commentary. The approaches presented, focused on how to provide better information to the primary users of financial reports on intangibles used in an entity's operations.

- 6 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. The recommendations are further elaborated in the appropriate sections of the agenda paper 08-02.

#### **Summary of the discussions at the EFRAG FR TEG – CFSS meeting on 10 March 2025**

- 7 The IASB papers to be discussed in that meeting were only received one working day before the meeting, therefore the discussion might not have been covering all aspects addressed in the papers.
- 8 Few members expressed concerns and questioned the IASB's tentative decisions to not undertake projects on cryptocurrencies and pollutant pricing mechanisms (PPMs). One member considered that intangible assets held for investment should be considered as part of a different standard (i.e. different than IAS 38 *Intangible Assets*) or at least be addressed on their own. Another member questioned the IASB's decision not to pursue a project on cryptocurrencies citing the recent developments including the US federal reserve's announcement of a cryptocurrency pool.
- 9 A member was of the view that voluntary carbon credits should not be considered as intangible assets held for investment as in most cases they are not for investment purposes. In addition, even though they may be tradable as per the agreement, they are not tradable in practice as there is no secondary market. Another member noted that they should not be part of this project as in his jurisdiction they are not commonly accounted for as intangible assets.
- 10 A few members recommended that EFRAG reminds the IASB about the rich feedback obtained from the Recommendations and feedback statement on the Discussion Paper Better Information on Intangibles – Which is the best way to go? They considered that this feedback is still valid today.
- 11 There was broad support for pursuing targeted improvements, rather than a holistic all in one approach. Members suggested targeted improvements on emerging types of intangibles and various application matters like Software as a service (SaaS) arrangements. One member suggested that the IASB should consider the interaction between IFRS 3 Business Combinations and IAS 38 as part of the project, specifically on improving the identification and separation of acquired intangibles from goodwill.
- 12 Few members showed concerns about the different versions of targeted improvements which might cause inconsistency. An observer expressed preference for a principle-based approach that stands in an evolving business environment and warned against heavily relying on disclosure as a solution arguing that solving a measurement problem with disclosure risks leading to substandard proposals. A member agreed that disclosures should

not be the end goal but could be useful in the meantime until targeted improvements are made

### **Summary of the discussions at the ASAF meeting on 24 March 2025**

- 13 The ASAF meeting outcome revealed mixed views on whether fundamental changes to IAS 38 are necessary. While there was consensus that the standard requires modernisation, opinions vary on the depth of reform. The majority of ASAF members supported a targeted review, by advocating for a principle-based approach, emphasizing the need for consistency across standards and a focus on how and why assets are held. Whereas others were favouring to improve disclosures in a first step to ensure the availability of requested information. Some noted that an ambitious project does not preclude the IASB from delivering timely improvements. Concerns were raised around the scope of the project, with suggestions to avoid overreach by excluding topics related to the polluting price mechanism, carbon credits, workforce-related intangibles and client lists.
- 14 While improving disclosure was widely supported, particularly to enhance transparency around expensed intangibles, though several cautioned that disclosure alone should not be treated as a quick fix and must align with other elements of the standard. Therefore, the preferable approach would be to start with scope and recognition to be able to develop disclosures that have not to be changed shortly after.
- 15 An important topic was the need to revisit and revise the definition of intangible assets, as many challenges stem from its current limitations. ASAF Members emphasized the importance of better capturing a broader range of intangibles—particularly those related to R&D, digital assets, and evolving business models. While all ASAF members were of the view that the definition needs modernisation, only a few ASAF members supported to recognise clearly more Intangibles. Some expressed concerns about reliability and measurement, therefore they preferred to inform via disclosures or through the management in the case of forward-looking information.
- 16 Measurement discussions generally favoured retaining the cost model for internally generated assets, as fair value was seen as less reliable and often adjusted or disregarded by investors.

### **Agenda Papers**

- 17 In addition to this cover note, agenda paper 08-02 – Intangible Assets - Issues paper – is provided for this session.