

This paper has been prepared by the EFRAG Secretariat for discussion at a public meeting of EFRAG FR TEG. The paper forms part of an early stage of the development of a potential EFRAG position. Consequently, the paper does not represent the official views of EFRAG or any individual member of the EFRAG FRB or EFRAG FR TEG. The paper is made available to enable the public to follow the discussions in the meeting. Tentative decisions are made in public and reported in the EFRAG Update. EFRAG positions, as approved by the EFRAG FRB, are published as comment letters, discussion or position papers, or in any other form considered appropriate in the circumstances.

Intangible Assets

Issues paper

Objective

- 1 The objective of the agenda paper 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.
- 2 The IASB intends to decide project direction in its meeting in May 2025.

Structure of the paper

- 3 This issues paper is based on the IASB staff's agenda paper [Project direction - initial staff thoughts](#). It is structured as follows:
 - (a) Objectives of the project
 - (b) Scope (Topics 1 to 3)
 - (c) Areas to be addressed (Topics 4 to 9)

Each of them includes the following sub-headings:

- (i) IASB discussion at the IASB's March 2025 meeting
- (ii) EFRAG's feedback and recommendations¹
- (iii) EFRAG Secretariat views

Objectives of the project

- 4 The following were the key problems the IASB staff members identified through their outreach and research:
 - (a) IAS 38 is out of date;
 - (b) Financial statements provide insufficient information about intangibles;

¹ It encompasses the feedback provided by EFRAG on intangible assets including feedback provided to the IASB in response to the IASB's Third Agenda Consultation and the main recommendations proposed in the EFRAG 2023 Recommendations and Feedback Statement on the Discussion Paper *Better Information on Intangibles Which is the best way to go?*

- (c) Gap between market value and book value;
 - (d) Lack of comparability of information about internally generated and acquired intangible assets;
 - (e) Lack of recognition of internally generated intangible assets;
 - (f) IAS 38 is a residual standard; and
 - (g) Difference in IFRS Accounting Standards and US GAAP.
- 5 These issues, including the feedback collected by the IASB staff as well as their initial considerations, were elaborated in paragraphs 8 to 44 of [the IASB staff paper 17A for the IASB's March 2025 meeting](#).
- 6 On this basis, the IASB staff identified, the following key objectives of the project:
- (a) To modernise IAS 38 so that it copes with newer types of intangibles and new ways to use them; and
 - (b) To improve information entities provide about intangibles in their financial statements.

IASB discussion at the IASB's March 2025 meeting

- 7 The IASB discussed the staff paper at their March 2025 meeting without making tentative decisions. The IASB will decide on the project directions, including the objectives, at a future meeting.
- 8 The following were the key issues discussed:
- (a) In general, many IASB members agreed with the suggested objectives.
 - (b) Many members asked for clarification of the wording, notably the term 'modernising' (the Standard) as used by the IASB staff in formulating the project objectives. For these members, this term may imply an overall change whilst it refers to targeted improvements. Other members expressed their support (sometimes a strong support) for the IASB staff's suggestions, including the use of this term in the given context.
 - (c) Several members raised their concerns whether the improvements needed could be achieved when working within the existing definition of asset in the Conceptual framework ('the CF'). Some members noted that doing so may be challenging and supposed that at some point, either (i) the definition in the CF may have to be changed, or (ii) exceptions may have to be created. In particular, the challenging issue may be the notion of 'control' integrated into the definition of asset in the CF and consequently, its narrower application for intangible assets. For this reason, in the view of some of these members, some types of intangible assets may fail the recognition criteria. Other members were not in agreement with these concerns. In addition, one of the members noted that while changing the definition in the CF should not be the starting point of the project and the existing definition should be used as an anchor, potential change should be considered, with prudence, at the end of the project.
 - (d) Members had diverging views over the role of disclosures. While some members mentioned disclosures as a possible solution to address users' needs while other

disagreed noting that it could only be concluded after dealing with the previous issues (i.e., the definition of asset in the CF and the issue of control in the context of intangible assets).

- (e) One member (the Chair) emphasised the need for clear prioritisation of the income statement vs balance sheets aspects of the project indicating that the majority of stakeholders who have been consulted are more interested in the performance of intangibles rather than an inventory of them. In his view, simply treating the balance sheet and income statement as equally important could have significant implications.
- (f) One member noted that, in his view, there is no point in separating the second objective (i.e., improving information entities provide about intangibles in their financial statements) if it cannot be treated separately.

EFRAG's feedback and recommendations

- 9 Based on the DP and the resulting Feedback and recommendations statement, it was proposed that the IASB should focus on providing better information on intangibles. This would enable users of financial statements to better understand and assess. The objective of this project should not be to achieve equivalence between an entity's book value and its market capitalisation. Instead, a combination of approaches— such as recognition and measurement, information on expenses, and information on specific intangibles—should be considered. The most appropriate approach may vary significantly depending on the specific type of intangible asset involved.
- 10 Additionally, in the IASB's Third Agenda Consultation, EFRAG recommended that the IASB should undertake a comprehensive assessment of IAS 38 Intangible Assets, including the recognition and measurement requirements, with the aim to:
 - (a) better reflect the ever-increasing importance of intangibles in today's business models;
 - (b) improve comparability between companies that grow organically with those that do so through acquisitions; and
 - (c) address emerging types of transactions and assets, including emissions trading rights and cryptoassets.

EFRAG Secretariat views

- 11 The EFRAG Secretariat notes that the overarching objectives of the project as formulated by the IASB staff are broadly aligned with the feedback received by EFRAG and the objectives formulated on its basis. However, there are several differences:
 - (a) The objectives are deliberately formulated by the IASB staff in the broader way. E.g., contrary to EFRAG's feedback, the IASB staff in its overarching objectives, does not precise that the new type of transactions may refer to emission trading rights and cryptoassets (broadly referring instead to 'modernising' the standard and 'newer types of intangibles');
 - (b) Similarly, the IASB does not differentiate in its objectives between companies that grow organically with those that do so through acquisitions.

- 12 The EFRAG Secretariat notes that no tentative decisions have been taken at this stage by the IASB and that there was an intensive discussion at the IASB’s March 2025 meeting over the exact wording to use to formulate objectives, notably the use of the term ‘modernising’ (the Standard). Therefore, the EFRAG Secretariat emphasises the importance of the final wording of the objectives by the IASB staff.

Questions to the EFRAG FR TEG

- 13 Do you agree with the proposed project objectives as formulated by the IASB staff? I particular: (a) Do you agree with the broader approach in defining the project objectives at this stage as currently done by the IASB staff?; (b) What are your views over the issues discussed at the IASB’s March 2025 meeting, notably the definition of asset in the CF in the context of this project and the use of the term ‘modernising’ (the Standard) in defining the project objectives?

Scope

Topic 1: Intangible assets held for investment, such as cryptocurrencies and carbon credits

- 14 The IASB received strong support, particularly from preparers on this topic. Views were mixed on whether to address them within IAS 38 or as a separate project.
- 15 In the IASB’s surveys most respondents supported the IASB exploring these assets (73% users and 79% others) as many respondents found financial statement information on cryptocurrencies and carbon credits insufficient.
- 16 Some academic studies proposed measuring cryptocurrencies at fair value, including within IAS 38 using a revaluation model. Additionally, a UKEB user survey indicated that the most preferred approach for both cryptocurrencies and carbon credits was fair value recognition on the balance sheet.
- 17 The IASB Staff noted that stakeholder strongly supported addressing these assets, highlighting their increasing prevalence despite being currently generally immaterial.
- 18 Despite receiving strong support, uncertainty remains about the best approach. While some argue these assets should remain within IAS 38, others believe cryptocurrencies and carbon credits differ economically from intangible assets and align more closely with financial assets. Additionally, there seems to be inconsistencies in how carbon credits are treated (i.e. intangible assets, inventories, financial instruments...). Moreover, the scope of stakeholder concerns was also unclear as it remained uncertain whether issues apply broadly to intangible assets held for investment or only to cryptocurrencies and carbon credits.
- 19 Moreover, the FASB’s work could inform the IASB’s approach, as recent standard updates on crypto assets and environmental credits may serve as a reference.
- 20 The IASB staff was of the view that the project offers an opportunity to:
- (a) Apply a principle-based approach by considering the accounting treatment of intangible assets based on their use, or

- (b) Utilize cryptocurrencies and carbon credits as test cases to evaluate application challenges associated with newer intangible assets (some respondents highlighted these as examples of newer assets for which improvements are needed).

Furthermore, the IASB might assess at a later stage if these assets are to be scoped out of IAS 38.

Topic 2: Accounting for a broader range of intangibles

- 21 During the outreach activities few stakeholders expressed an appetite for expanding the scope of IAS 38 beyond requirements relating to financial statement elements. Conversely, IFASS participants commonly rated this topic as high priority.
- 22 Moreover, in the IASB's surveys many respondents said the IASB should explore a broader range of intangibles in the Intangible Assets project (50% users and 41% others). Many respondents also said that financial statements provide insufficient information on human capital (69% users and 60% others) and customer-related intangibles (58% users and 50% others).
- 23 Some academic studies showed that financial statements may not capture the full value of internally generated intangible assets, suggesting a need for modification of accounting standards.
- 24 The IASB Staff noted that despite the outreach and survey outcomes had suggested a demand for more information on a broader range of intangibles there had been divergent views on whether broader intangibles should be included in the Intangible Assets project and whether they belong in financial statements. Some users found such information useful but preferred it in management commentary or other reports. There were also concerns that recognising these items could inflate the balance sheet and on measurement challenges, particularly for intangibles without direct investment expenditures. Additionally, recognizing these assets may require changes to the Conceptual Framework's asset definition, for which there was limited support.
- 25 The IASB staff suggested maintaining the current scope of IAS 38. If the IASB pursued Topic 8 (Improving disclosure about capitalised and expensed intangibles), this could involve examining the boundary between financial statements and other reports, as well as user information needs. The IASB could then assess whether and how to address a broader range of intangibles once sufficient progress has been made on disclosure-related initiatives.

Topic 3: Accounting for intangible assets covered by other IFRS Accounting Standards

- 26 The IASB's outreach events indicated that most stakeholders did not express support for reconsidering the scope exclusions from IAS 38.
- 27 In the IASB's surveys strong support for the IASB to address the reporting of assets covered by other Accounting Standards (84% users and 43% others). Follow-up sessions revealed that many users supported the idea of addressing the reporting of goodwill, though comments were close to issues discussed under BCDGI project (i.e. switch to amortisation model). A few respondents to the general survey also mentioned that they would prefer goodwill to be amortized.
- 28 The IASB staff noted that given the link between intangible assets and goodwill and the users' dissatisfaction with goodwill the IASB could assess whether new insights justify a

comprehensive review of goodwill accounting. However, they also noted that the IASB recently concluded that evidence collected did not demonstrate a compelling case to change its previous decision about accounting for goodwill. Therefore, they were of the view that the IASB could start with the current scope of IAS 38 and consider goodwill at a later stage only if the IASB’s decisions on the project significantly affect goodwill.

IASB discussion at the IASB’s March 2025 meeting

Topic 1: Intangible assets held for investment, such as cryptocurrencies and carbon credits:

- 29 There was strong support for pursuing this topic, particularly regarding assets like cryptocurrencies and carbon credits. The proposal to examine these assets as test cases was well received although some members did not consider that the test cases should necessarily apply to these intangibles. The fair value through profit and loss treatment was suggested as an appropriate approach for such assets. This could help develop principles for identifying which intangibles should be accounted for in this way, supporting the goal of future-proofing the standards.
- 30 Some members expressed concern about the project’s scope and whether it should be restricted to assets like cryptocurrencies and carbon credits, or whether other types of intangibles held for investment should also be considered. There was a suggestion to keep the approach flexible, ensuring it does not become too rigid or sector-specific. Additionally, there was an emphasis on using a principle-based approach rather than a prescriptive one to address these issues.
- 31 Some members suggested that it should be considered whether intangibles assets held for investment should be part of IAS 38 or part of a separate Standard.

Topic 2: Accounting for a broader range of intangibles:

- 32 Most members did not agree with expanding the scope of the project to include a broader range of intangibles. This was primarily due to the lack of demand from stakeholders. Moreover, broadening the scope was seen as potentially disruptive, particularly in areas like sustainability reporting. Some members considered that this topic should not be ruled out at this stage as it was not clear whether the scope should be expanded or not. A few members were more open to it but had a preference for a narrow scope to ensure the project remains manageable and meaningful. One board member with a user background suggested that users might actually prefer less intangibles, although his view was not seconded by other board members with a user background.

Topic 3: Accounting for intangible assets covered by other IFRS Accounting Standards:

- 33 Most members expressed a reluctance to revisit the issue of goodwill, noting that it had already been addressed in the business combinations project. There was no new evidence to support changing the treatment of goodwill, particularly regarding amortisation, which had already been examined. While there were some suggestions to consider other intangibles within this topic, there was a consensus that it was not the right time to take on this issue.

EFRAG’s feedback and recommendations

- 34 EFRAG’s Recommendations and Feedback Statement on its Discussion Paper, “Better Information on Intangibles – Which is the Best Way to Go?” noted that there are ongoing

challenges in applying IFRS due to uncertainty surrounding the scope of IAS 38. In some cases, it is unclear whether specific intangible assets fall within the standard. Therefore, it is recommended to clearly determine which types of intangibles are within its scope—such as crypto-assets—clarify the qualifying characteristics of an intangible asset and distinguish between assets covered by IAS 38 and those addressed by other IFRS Standards, such as IFRS 16. For example, guidance is needed to differentiate between a ‘right-of-use’ and other types of rights linked to performance.

- 35 In relation to intangible assets held for investment or trading, EFRAG recommended conducting a review to determine whether these assets should remain within IAS 38 or be addressed through a new or adapted IFRS standard. This would provide greater clarity on scope boundaries and promote consistency in accounting treatment.
- 36 EFRAG also considered that a comprehensive review of both the scope and recognition principles of IAS 38 would be more effective than an asset-by-asset revision. This is particularly relevant given the emergence of new types of intangibles that were not contemplated when IAS 38 was originally developed. EFRAG stressed the importance of appropriately scoping the project to address new and evolving technologies and business models. However, it was also indicated that any expansion of recognised internally generated intangibles should be limited to those meeting the Conceptual Framework’s asset definition.

EFRAG Secretariat views

- 37 Based on the recommendations developed by EFRAG from the feedback received by its constituents on the DP, the EFRAG Secretariat recommends a comprehensive review of the scope to clarify which specific assets should fall within the standard as well as the boundaries between IASB 38 and other IFRS Standards, like IFRS 16. Nevertheless, we acknowledged the reluctance of the IASB to rediscuss goodwill and agree that including it as part of the scope of the project could result in devoting a lot of time on this topic and divert attention from other pressing issues. Therefore, we support the IASB’s staff initial thought that the IASB should only address goodwill related matters to the extent that it is significantly affected by their decisions on the project.
- 38 Regarding Intangible assets held for investment (e.g., cryptocurrencies and carbon credits), EFRAG’s outreach identified the need of assessing how these transactions should be accounted for. A case test assessment whereby the IASB explores how cryptocurrencies or carbon credits should be accounted for and develop principle-based requirements that can be broadly applied to other intangibles is seen as a pragmatic starting point. As highlighted in the recommendation and feedback statement and as part of the comprehensive review on the scope indicated in the previous paragraph, the IASB should assess at a later stage if intangible assets held for investment should be considered as part of the scope of IAS 38.
- 39 With respect to Topic 2 (*Accounting for a broader range of intangibles*), EFRAG acknowledges that the topic is inherently wide-ranging and that time constraints may present a challenge. While the IASB Board has expressed reluctance to pursue this issue further due to concerns about its breadth, EFRAG’s Secretariat emphasises that a narrowly scoped project risks failing to address the diverse and evolving nature of intangible assets. EFRAG therefore advises against limiting the project’s scope to such an extent that it undermines the broader objective of achieving a comprehensive assessment of IAS 38.

Questions to the EFRAG FR TEG

- 40 What is your view on the IASB staff's initial thoughts on topics 1 to 3 in paragraphs 20, 25 and 28 and the IASB's subsequent discussion in paragraphs 29 to 33?
- 41 Is there any recommendation provided by EFRAG in the 2023 Recommendations and Feedback statement that no longer apply? If so, why?

Areas to be addressed

Topic 4: Updating the definition of an intangible asset and associated guidance to make them easier to apply, particularly to newer types of intangible assets

- 42 Feedback received by the IASB strongly supported considering the accounting for newer intangibles, particularly from preparers of financial statements.
- 43 During the IASB's outreach activities, many stakeholders, especially preparers and accountancy firms, suggested to explore specific applications issues such as cloud computing, new software development methods, accounting for data resources, AI and AI-generated intangibles emphasising the need to futureproof IAS 38.
- 44 In the IASB's users and general surveys on intangibles, respondents showed strong support for updating the definition of an intangible asset and associated guidance to help make them easier to apply to newer types of intangibles (users 54% and other respondents 70%).
- 45 The IASB staff noted that among the reasons to explore this topic were that the nature of intangibles had expanded from traditional assets such as IP and patents to newer types such as cloud computing and data resources. In addition, a few stakeholders were unsatisfied with the cloud computing IC agenda decisions published in [March 2019](#)² and [March 2021](#)³.
- 46 The IASB staff raised the concern that a comprehensive solution whereby they explore the definition and some aspects of the recognition criteria, including alignment with the Conceptual Framework, for all intangible assets using a principle-based approach would be complex. However, testing selected intangible assets and then considering how any potential solutions would affect other intangible assets could be more manageable. In addition, focusing on selected application issues might limit the work but any proposed solution would not necessarily work for other intangible assets and there could be unintended consequences. Moreover, it might not address user needs.
- 47 The IASB staff was of the view that the IASB could explore the group of topics using some issues as 'test cases' and then considering broader effects on intangible assets as a whole. They also considered that this could be a good entrance point to the project.

Topic 5: Investigating whether more intangibles should be reported on the balance sheet

- 48 Stakeholders showed little support for investigating whether more intangibles should be reported on the balance sheet.

² Customer's Right to Receive Access to the Supplier's Software Hosted on the Cloud (*IAS 38 Intangible Assets*)

³ Configuration or Customisation Costs in a Cloud Computing Arrangement (*IAS 38 Intangible Assets*)

- 49 During the IASB’s outreach activities, stakeholders provided mixed views. Many preparers considered that there was no need to review the recognition criteria as they were able to communicate useful information through other channels. Conversely, many NSS supported the revision of the recognition criteria. Users provided mixed views.
- 50 In the IASB’s surveys the topics received the least support from respondents (27% users and 35% others). Many users noted that they were more interested in overall business performance and cash flows than in the value of individual intangible assets on the balance sheet. Respondents to the general survey noted that capitalising more intangibles would increase costs to preparers in identifying eligible expenses and subsequent measurement and impairment.
- 51 The IASB staff considered that addressing this topic could improve the information entities provide about intangibles. Some examples are included below:
- (a) Improve consistency in recognition of R&D expenditure;
 - (b) Improve comparability of acquired and internally generated intangible assets;
 - (c) Improve access to finance, especially for start-ups (i.e. more assets will be recognised on the balance sheet);
- 52 Among the concerns raised by the IASB staff to explore this topic were that:
- (a) There was only mixed support from stakeholders;
 - (b) Many users expressed concerns that management’s capitalisation decisions could be subjective and discretionary;
 - (c) A fundamental review of the recognition criteria may be complex;
 - (d) Having more internally generated intangibles on the balance sheet could distort the income statement with subsequent impairment and amortisation resulting in mismatched revenue and expenses
 - (e) Preparers and auditors may face challenges in identifying the expenditure related to a particular intangible asset (e.g. to distinguish expenditure related to a brand from a more general expenditure to develop the business) or when capitalisation of expenditure should stop (e.g. to distinguish expenditure that creates a brand and expenditure that maintains the brand).
- 53 The IASB staff was of the view that some aspects of recognition may be explored as part of the IASB’s work on newer type of intangibles. The noted that it could be beneficial to consider broader aspects of recognition once the definition of an intangible asset has been determined. In this regard, the IASB could explore whether there are fundamental flaws with the recognition criteria in IAS 38.

Topic 6: Improving comparability of information about acquired and internally generated intangible assets

- 54 Stakeholders showed medium support for improving comparability of information about acquired and internally generated intangible assets.
- 55 During the IASB’s outreach activities, only some stakeholders, including some users and a few preparers, supported the IASB reviewing the difference between the accounting

requirements for internally generated and acquired intangible assets and the resulting effect on comparability.

- 56 Many respondents to the IASB's users survey (48%) supported improving the comparability of information about acquired and internally generated intangible assets. However, these respondents did not express a strong concern in follow-up meetings and most users did not think that recognising more internally generated assets would improve comparability.
- 57 The IASB's feedback and evidence on recognition of identifiable intangible assets acquired in business combinations is as follows:
- (a) there was some academic evidence that identifiable intangible assets were more value relevant and had stronger predictive ability for future operation and financial performance than goodwill.
 - (b) the BCDGI project considered whether to change the range of identifiable intangible assets recognised separately from goodwill. The feedback was mixed. On one hand, most respondents to the Discussion Paper *Business Combinations—Disclosures, Goodwill and Impairment* indicated that goodwill and other intangible assets acquired in a business combination were different in nature and recognising these assets separately provides better and more useful information. On the other hand, some respondents, including some users, said that recognising acquired intangible assets did not provide useful information and the costs of doing so outweighed the benefits.
- 58 The IASB staff noted some concerns about the feasibility of finding a potential solution and different views as to whether these transactions are different or not. They noted that other intangible related topics could contribute to this one:
- (a) Disclosures – potential solutions could result in sufficient information to enable users to make comparisons; and
 - (b) Recognition – more internally generated intangible assets would reduce the difference between acquired and internally generated intangible assets.

Topic 7: Improving measurement of intangible assets

- 59 Stakeholders showed medium support for this topic and it came mostly from preparers. During its outreach activities, the IASB received reasonable support on certain measurement aspects such as on providing guidance on the determination of amortisation methods and useful lives, on when capitalisation of costs should stop and on impairment testing of intangible assets. However, most preparers and users did not support assessing whether more intangible assets should be measured at fair value, citing concerns about subjectivity, cost and income statement volatility.
- 60 In the IASB's surveys, many respondents (both users and others) supported improving consistency in measuring intangible assets. Many users raised concerns about lack of reliability in the useful life of some intangibles and on how entities test for impairment.
- 61 The IASB staff considered that improving measurement of intangible assets could improve information that entities provide about recognised intangible assets. However, many of the concerns raised by stakeholders relate to areas of significant judgement and the staff was unclear on what further guidance stakeholders were seeking and on whether additional guidance would be of significant benefit.

62 The IASB staff was of the view that exploring measurement issues as a separate group of topics might not bring significant improvements. However, the IASB could focus on resolving measurement issues when other topics (e.g. intangible assets held for investment or application issues related to newer intangibles) are explored.

Topic 8: Improving disclosure about capitalised and expensed intangibles

63 Stakeholders strongly supported exploring this topic, especially users. During the outreach activities many stakeholders supported having the focus on disaggregated information about expenses expected to result in future benefits, better information about unrecognised intangible assets, and qualitative information about intangibles that reflects how an entity creates value. In the IASB's surveys improving disclosures was among the most popular topics. In addition to those aspects highlighted during the outreach activities users' request included qualitative disclosures about an entity's key intangibles, detailed information on intangible assets acquired in a business combination and on entities' capitalisation decisions.

64 Preparers seemed more hesitant to further disaggregate information or to disclose information about how an entity creates value, citing concerns about commercial sensitivity, the subjective nature of distinguishing between different types of expenditure (i.e. 'building the business' versus 'maintaining operations') and cost concerns.

65 Some stakeholders also cautioned against using disclosure as a substitute for recognition and measurement. Moreover, some of them were concerned about the boundaries between financial statements and other reports, suggesting that there should be a clear boundary to determine the appropriate location of the information.

66 The IASB's staff was of the view that improving disclosure requirements could be an expedient way to provide significant improvements in reporting. However, some preparers expressed concerns about providing additional disclosures (see paragraph 64) and some stakeholders favoured a more ambitious project.

67 The IASB's staff noted that they could perform an initial exploration of user information needs early in the project to inform this and other group of topics. However, it may be beneficial to explore disclosure more fully at a slightly later stage in the project to enable the IASB to consider the effects of the implementation of IFRS 18 and of IFRS S1 and the effects of the IASB's early work on other groups of topics.

Topic 9: Improving consistency of labels for different intangibles

68 Stakeholders showed low support for this topic. However, many respondents to the EFRAG Discussion Paper agreed it would be useful to introduce a common terminology for intangibles.

69 The main concern of the IASB staff was that given the broad spectrum of intangible assets, it may be challenging to identify and agree on labels and terminology to be improved. Thus, their initial thought was that it is unlikely that the topic will bring significant improvement. However, the IASB could consider consistent labels and terminology when exploring other groups of topics in the project.

70 The staff initial thinking on Topic 9 is that exploring this group of topics is possibly unlikely to bring significant improvement and this does not appear to be a priority topic. However,

the IASB could consider consistent labels and terminology when exploring other groups of topics in the project.

IASB discussion at the IASB's March 2025 meeting

- 71 One IASB member questioned whether the IASB had a sufficient understanding of how investors use the information they receive today and whether they find it useful. This was needed before the IASB could move forward.
- 72 Most IASB members supported Topic 4 (*updating the definition of an intangible asset and associated guidance to make them easier to apply, particularly to newer types of intangible assets*) and some suggested to start with this topic as the work on this topic will inform on the other topics. One member suggested to update definitions and linking them to the Conceptual Framework. Another member considered that updating the definition would not necessarily make a significant impact.
- 73 IASB members had mixed views on Topic 5 (*Investigating whether more intangibles should be reported on the balance sheet*). One IASB member considered that it was a fundamental area that should be prioritised and addressed after topic 4. Another suggested working on R&D expenses as there seemed to be an arbitrary line between what is capitalised and what is not. However, it was also noted that some companies engage in lengthy discussions with auditors and regulators to determine what can be capitalised only to find out that investors reverse these amounts. It was highlighted that better information should not be linked to more recognition but to ensure that what is recognised makes sense. Moreover, one IASB member with a user background (as already mentioned above for scope) said that investors would like to see fewer intangible assets recognised though it was not seconded by others.
- 74 IASB members did not generally support Topic 6 (*Improving comparability of information about acquired and internally generated intangible assets*). However, it was noted that this may need to be reconsidered as a consequence of developments on other topics.
- 75 IASB members supported to work on Topic 7 (*Improving measurement of intangible assets*) as there had been consistent feedback from stakeholders that the measurement guidance in IAS 38 was insufficient.
- 76 There was strong support among IASB members for Topic 8 (*Improving disclosure about capitalised and expensed intangibles*). Most said that together with Topic 4, this was the most important topic.
- 77 A few IASB members did not support Topic 9 (*Improving consistency of labels for different intangibles*). One member noted that all topics are interconnected and should be considered together.
- 78 It was also highlighted that topics are interconnected and that potential consequences will only arise when they start working on some topics.

EFRAG's feedback and recommendations

- 79 As part of EFRAG's Discussion Paper *Better information on Intangibles – Which is the best way to go* and the feedback received in response to it, and in addition to the recommendations already included in paragraphs 34 to 36, EFRAG tentatively recommended to:

- (a) Consider all the three approaches described in the Discussion Paper (recognition, measurement and disclosures) to obtain better information on intangibles, acknowledging that the most appropriate approach for one intangible could be different from another.
- (b) Align the definition of intangible assets provided in IAS 38 with that set out in the Conceptual Framework
- (c) Review comprehensively the recognition principles in IAS 38 but limiting recognition only those intangibles that met the definition of an asset in the Conceptual Framework for Financial Reporting. EFRAG suggested taking into account several factors highlighted by stakeholders, particularly those affecting the relevance and faithful representation of recognised assets:
 - (i) whether the intangible arises from a clearly identifiable investment, enabling its cost to be determined;
 - (ii) the extent to which that cost can be attributed to a specific asset, and the complexity and reliability of its measurement;
 - (iii) the level of uncertainty surrounding future economic benefits; and
 - (iv) how clearly the intangible can be distinguished from other components of the business.
- (d) Reconsider whether the rationale for prohibiting certain intangible assets being recognised still applies (i.e. paragraph 63 of IAS 38). Moreover, the IASB should consider applying a conditional recognition approach. This approach, associated with the use of a cost-based measurement, would result in intangible assets being initially measured at their total cost and not only the cost incurred after the recognition criteria were met.
- (e) Reconsider whether acquired intangible assets should continue to be accounted for differently from internally generated intangible assets.
- (f) Consider providing application guidance on, for example, recognition requirements and when capitalisation of costs should end for intangible assets that were being continuously developed.
- (g) Update existing guidance related to research and development, as current standards may not effectively reflect modern R&D approaches, such as iterative development processes. The DP also recommends specific attention to software-as-a-service arrangements.
- (h) Consider whether the revaluation model in IAS 38 should be kept or whether an intangible asset that would not be measured at cost should be accounted for using another approach. For intangibles that are used in the entity's operation, EFRAG assessed that the guidance on measurement included in the Conceptual Framework would generally result in measurement at cost, but EFRAG acknowledged that there could be exceptions to this.
- (i) Require information on intangibles that are key to an entity's business model to be provided even for intangibles that were not recognised in the statement of financial position. The information should be linked with the entity's performance and be

useful for both assessing the amount, timing and uncertainty of future net cash inflows to the entity and the management’s stewardship of the intangible.

- (j) Developing disclosure requirements on future-oriented expenses. This would entail determining the appropriate type of disclosure. Primarily, whether the information should include the management’s assessment of which expenses were future-oriented, or whether the information should solely be based on more disaggregated information on expenses recognised in a period, or a combination of these approaches.
- (k) Apply a phased approach so that some improvements could be introduced in the short term.

EFRAG Secretariat views

- 80 Regarding the update of the definition of intangible assets and the associated guidance to make them easier to apply to newer types of intangible assets, we are of the view that a case test assessment whereby the IASB explores how new intangibles assets should be accounted for is a pragmatic starting point. Especially, if the IASB develops principle-based requirements that can be broadly applied to other intangibles. We are of the view that the IASB should develop principle-based requirements that ensure that the Standard is futureproof when future intangible transactions emerge.
- 81 We note that the IASB seems to be reluctant to undertake topic 6 (Improving comparability of information about acquired and internally generated intangible assets). Based on the feedback received on EFRAG’s Discussion paper, we encourage the IASB consider exploring the feasibility of Improving comparability of information about acquired and internally generated intangible assets through recognition or disclosures.
- 82 The Feedback and recommendation statement recommended a phased approach so that some improvements could be achieved in the short term. Despite supporting a comprehensive review of IAS 38, we consider that there are some application issues such as Software as a service (SaaS) arrangements and the update of the R&D guidance that could lead to relatively quick results and reinforce the project.
- 83 Similar to the IASB member with a user background, the EFRAG Secretariat is aware that some users are not always using the intangibles related disclosures provided by entities. The reason is that they have some reliability concerns with respect to how some intangibles are measured. In addition, they would like to better understand the amortisation of intangibles arising from purchase price allocations and to differentiate it from the amortisation related to direct acquisitions. The EFRAG Secretariat proposes to discuss this topic in the upcoming joint meeting with the user panel to better understand the views of users. In addition, during the IASB meeting, a board member raised the question of how investors use the information currently provided by entities and whether they find it useful. The EFRAG secretariat plan to also gather feedback on this.

Questions to the EFRAG FR TEG

- 84 What is your view on the IASB staff’s initial thoughts on topics 4 to 9 in paragraphs 47, 53, 58, 62, 67 and 70 the IASB’s subsequent discussion in paragraphs 71 to 78?
- 85 Is there any recommendation provided by EFRAG in the 2023 Recommendations and Feedback statement that no longer apply? If so, why?

EFRAG Secretariat next steps

86 As the IASB intends to decide project direction in its May meeting, the EFRAG Secretariat proposes to discuss the topic in the upcoming joint User Panel EFRAG FR TEG meeting in May. The topics to be discussed should include:

- (a) Whether there is a preference for more or less intangibles in the balance sheet and the underlying reasoning;
- (b) If there are general reliability doubts on the measurement of intangible assets (specifically related to those acquired in a business combination);
- (c) How users use the information that is currently provided by entities;
- (d) If users favour an approach where the scope and the recognition principles are initially assessed ensuring a sound basis but compromising an early delivery of less robust outcomes; and
- (e) If there are changes with respect to the views provided by users on the EFRAG's Discussion Paper *Better Information on Intangibles Which is the best way to go?*