

Useful Life

An entity shall assess the useful life of an asset to be having either:

1. Finite useful life

- The intangible asset is **amortised**
- **Computer software** and may other intangible assets are **susceptible to technological obsolescence**, and thus having a **short useful life**
- The **useful life** of an **intangible asset** that **arises** from **contractual or other legal rights** **should not exceed** the **period of the rights**, but **may be shorter** depending on the period over which the entity expects to use the asset.
- If the contractual or other legal rights **can be renewed**, the **useful life** of the intangible asset **shall include the renewal period(s) only if** there is **evidence to support renewal** by the entity **without significant cost**
 - **Evidence** (e.g. based on experience) that it **will be renewed**;
 - **Evidence** that any **conditions** necessary to obtain renewal **will be satisfied**; and
 - **Cost of renewal is not significant** when compared with future economic benefits expected
 - Note: **if** this cost is **significant**, it would represent **a cost to acquire a new intangible asset** at the renewal date

2. Indefinite useful life

- There is **no foreseeable limit** to the **period** over which the asset is **expected to generate net cash inflows** for the entity
- The intangible asset is **not amortised**
- The intangible asset should be **tested for impairment** (IAS 36)
 - **Annually**, and
 - Whenever there is an **indication** that the intangible asset may be **impaired**
- The **indefinite useful life assumption** shall be **reviewed each period**. If there is a **change** from indefinite useful life to finite useful life, it should be accounted for as a **change in accounting estimates** (IAS 8).