Amortisation ← IAS 20

For intangible assets with finite useful lives,

Dev. cost

- **Amortisation** shall **begin** when the **asset is available for use**
- **Amortisation** shall **not cease** even if the intangible asset is **no longer used**
- **Amortisation** shall **cease** at the earlier of the date the asset is classified as held for sale (IFRS 5) and the date the asset is **derecognised**
- The **amortisation method** used shall **reflect the pattern** in which the **asset's future economic benefits** are **expected** to be **consumed** by the entity.
- **If** that pattern **cannot** be **determined reliably**, the **straight-line method** shall be used.
- Generally, **amortisation** method **based** on **revenue generated is inappropriate** as revenue can be affected by other factors apart from the intangible asset. However, this method may be **appropriate if** the **revenue and consumption of economic benefits** of intangible asset **are highly correlated**.
- **Residual value** shall be **assumed** to be **zero** unless:
  - There is a **commitment** by a **third party** to **purchase** the asset at the end of its useful life; or
  - It is probable that **active market** will exist at the end of the asset's useful life in which residual value can be determined
- The **amortisation period**, **amortisation method** and **residual value** is **reviewed** at least at **each financial year-end**. Any changes are accounted as change in accounting estimates (IAS 8)

→ prospective adjustment