

Purchased Intangible Assets

If an intangible asset is **purchased separately** (such as a licence, patent, brand name), it should be recognised initially at **cost** (similar to IAS 2 and IAS 16).

Cost comprises:

- purchase price, import duties and non-refundable purchase taxes, after deducting trade discounts and rebates; and
- any **directly attributable** cost of **preparing the asset for its intended use**. (prof. fee)
- direct overhead (e.g. depreciation of plant & machinery → development cost) - employee benefit cost

The following costs **cannot** be capitalised:

- costs of **introducing a new product or service** (including costs of **advertising** and **promotional** activities);
- costs of **conducting business in a new location** or **with a new class of customer** (including costs of staff **training**);
- **administration** and other **general overhead** costs;
- costs incurred **after asset** is in the condition necessary for it to be **capable of operating** in the manner intended by management
- **initial operating losses**
- expenditure on **start-up activities**
- expenditure on **relocating** or **reorganising** part or all of an entity.