



Brand → probable inflow
↓
how to build brand name?
- advertisement

Internally-generated intangible assets

- **Generally**, internally-generated intangible assets **cannot be capitalised** (the costs **cannot be identified separately** from the **costs associated** with **running the business**).
- Examples of internally-generated intangible assets that can **never be recognised**:
 - Internally generated **goodwill** (not identifiable) *
 - internally-generated **brands**
 - **mastheads**
 - **publishing titles**
 - **customer lists**
- **Internally-generated** intangible assets that **can be capitalised** – **development cost** that meets certain criteria (refer to the note on “Research and Development”)

Notes: (learn more in IFRS 3)

1. In a **business combination** (e.g. a **parent** acquires a **subsidiary**), **goodwill** can be recognised as an intangible **asset**. → **NOT internally generated** (what parent pays)
 • **Goodwill** arises when the **consideration transferred** and the amount of **non-controlling interest (NCI)** **exceeds** the **fair value** of **net identifiable assets** of the subsidiary
 • In the event if there is a **negative goodwill** (**gain on bargain purchase**), it will be treated as **income**. (consolidated SOPL)
 P ↓ 80% NCI
S ← 20% minority shareholding
 Pay = 100m
Net Assets = 80m
Ext. = 20m (GW)
 Pay: 80m
Net Assets = 100m
Gain = 20m
2. For the case of **business combination**, certain **intangible assets** of the **subsidiaries** can be **recognised separately from goodwill** at its **fair value** as at the **date of acquisition**. This would mean that **even though** certain intangible assets are **not recognised** in the **subsidiary's separate financial statements**, it **could** be **recognised separately** in **consolidated financial statements**.
3. For scenario related to business combination as explained above, refer to **IFRS 3** for more information.

Subsidiary

- Good brand name (Apple)
- Internally generated
- **X recog. brand name in individual F/S**

If: parent acq subsidiary

- Also acquire brand name
- In the **consolidated F/S**:
- **recognise brand name @ FV @ DCA**

✓ Recognise separately from GW
P control 100% of S

P: Brand name (I/A) 10m
Cons transferred
Less: FV of NA
FV
Brand name
Goodwill

GW Goodwill 10m

Brand name FV = 10m
100m
(80m) ← exclude brand name
GW (10m)
20m 10m