



Research

(uncertain)

R&D → pharmaceutical co. → develop vaccine

Research is original and planned investigation undertaken with the prospect of gaining new scientific knowledge and understanding.

Research expenditures are **written off** as incurred to the **SOPL**.

Note: **Tangible assets** used in research is recognised as **PPE** instead of intangible asset.

Development

Development is the application of research findings or other knowledge to a plan or design for the production of new or substantially improved materials, devices, products, processes, systems or services before the start of commercial production or use.

Development expenditure can be **recognised as intangible asset**, if and only if, an entity can demonstrate all of the following (**PIRATE**):

- **Probable flow** of economic benefit from the asset, whether through sale or internal cost savings.
- **Intention** to complete the intangible asset and **use** or **sell** it
- **Adequate resources** to complete the project
- **Ability** to **use** or **sell** the **intangible asset**. (approval?)
- **Technical feasibility** of completing the **intangible asset** so that it will be available for use or sale
- **Expenditure** can be **measured reliably**

Note:

1. If an item of plant is used in the development process, the **depreciation** on the **plant** can be **capitalised** as **development cost** after all the criteria above are fulfilled.
2. If an entity **cannot distinguish** the **research phase** from the **development phase** of an internal project to create an intangible asset, the entity **treats** the **expenditure** on that project as **if it were incurred** in the **research phase only**.

