

Research

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.
- 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**.