



SPECIFIC FEATURES OF RECOGNIZING INTANGIBLE ASSETS BASED ON INTERNATIONAL FINANCIAL ACCOUNTING STANDARDS

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Abstract. This thesis examines the specific features of recognizing intangible assets based on international financial accounting standards and provides suggestions and recommendations.

Keywords: intangible assets, research costs, development costs, initial cost, useful life, revaluation model.

One of the most important aspects of accounting is the recognition of assets and the events associated with their recognition. Recording assets in accounting is a rather complicated process, and errors in this recognition can lead to incorrect accounting of assets, as well as incorrect calculation of some of the costs associated with them, which can lead to the distortion of the entire accounting. For example, errors in the recognition of assets can lead to incorrect calculation of the initial value of assets and all the values and costs arising from this value. Depreciation and amortization expenses are among them.

International Accounting Standard 38, "Intangible Assets," states the following about the recognition of intangible assets:

"This Standard requires the recognition of an intangible asset, whether acquired or internally generated (at cost), when:

- it is probable that the future economic benefits associated with the asset will flow to the entity; and
- the cost of the asset can be measured reliably.

This requirement applies whether the intangible asset is acquired externally or internally generated by the entity. The Standard also includes additional criteria for the recognition of intangible assets that are internally generated by the entity.



The probability of future economic benefits occurring should be based on reasonable and supportable assumptions about the conditions that will exist over the life of the asset. The probability recognition criterion is always considered to be met for intangible assets acquired separately or in a business combination.

If an intangible asset does not meet both the definition of an intangible asset and the criteria for recognition as an intangible asset, the standard requires that the expenditure incurred on this item be recognised as an expense when it is incurred."

The National Accounting Standard No. 7, "Intangible Assets", states the following on the recognition of intangible assets:

"When accepting assets in accounting as intangible assets, the following conditions must be met simultaneously:

- a) they do not have a tangible structure (form);
- b) the assets are used in the production of goods, in the performance of work or the provision of services, or for administrative and other functions of the enterprise for a long period, that is, a useful life of more than 12 months or, if it exceeds 12 months, during the normal operating cycle. In this case, the cost of the asset is at least fifty times the minimum wage established in the Republic of Uzbekistan (at the time of purchase) for one unit (set). The head of the enterprise has the right to set a lower limit for the value of assets for the reporting period for the purpose of accounting as part of intangible assets;
- c) the enterprise does not intend to resell this asset in the future;
- g) reliability, that is, the presence of duly executed documents confirming the existence of the asset and the exclusive right to it (patents, certificates, other protective documents, patent, trademark waiver (purchase) agreement);
- d) identification ability."

Recognition of an intangible asset is based on the following criteria:

1. If there is a possibility of future benefits and
2. If there is a possibility of measuring the value of the asset.

If two conditions are not met, the costs incurred are recognized as expenses and no intangible asset is recognized.



If the three conditions of an intangible asset and the two recognition criteria above are met, then the intangible asset is:

- measured at initial cost
- subsequently measured at cost (or measured using the revaluation model for IFRSs)
- amortized systematically over its useful life (unless the asset has an indefinite useful life, in which case it is not amortized). Intangible assets are tested for impairment annually as required by IFRSs. Intangible assets that are normally amortizable (i.e., those with finite useful lives) are amortized using the straight-line method.

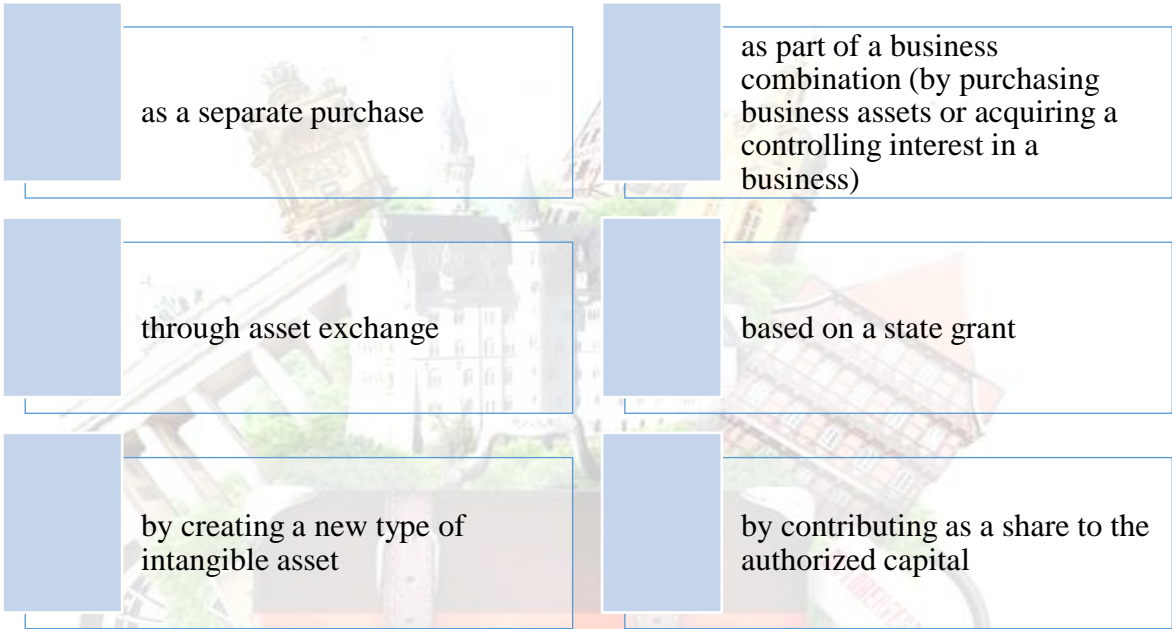


Figure 1. Cases of intangible asset recognition ¹

Instead of amortizing intangible assets, their cost is amortized. Amortization expense is calculated using the straight-line method over the useful life of the intangible asset.

Purchased intangible assets, on the other hand, are measured at cost. Expenses are capitalized in the same way as fixed assets. As a basic analysis, capital expenditures include the purchase price, legal fees, and any direct costs necessary to prepare the intangible asset for its intended use. If intangible assets are acquired with other assets,

¹ Systematized by the author



the cost is allocated to each asset based on their fair values (basket purchase). Other expenses such as training, marketing, administrative, or general overheads, interest payments for late payment of the asset, and any costs incurred after the asset is ready for its intended use are expensed.

Like fixed assets, intangible assets acquired for cash or other non-cash assets are measured at the fair value of the assets given up or the fair value of the intangible asset received. The most reliable measure is when there is commercial substance. If there is no commercial substance in the exchange, the assets received are measured at the lower of their carrying amount or the fair value of the assets given up.

All activities of a company to create new products or significantly improve existing products should be divided into a research phase and a development phase for various costs. In a broad sense,

Research costs are planned research undertaken in the hope of obtaining new scientific or technical knowledge and gaining a better understanding. On the other hand, Development costs are the translation of research results or other knowledge into plans or designs for new or significantly improved materials, devices, products, processes, systems or services before commercial production or use.

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