INTANGIBLE ASSETS REPORTING

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ABSTRACT

The purpose of this study is to investigate concerning intangible assets reporting, it is stable roots of organization's success, and how they evaluate and report in the accounting. There are some of the problems in reporting of intangible assets causes for some of the investors, regulators, analysts and etc. in this survey mentioned to some of the recommendations for system of intangible assets reporting. It purposes that companies should measure information relevant to their intangible assets accurately. In this study explore set of intangible assets very valuable such as research and development (R&D), human capital; brand equity and innovation capital that focus on every which can enhance sustainable of the companies.

Keywords: *intangible assets, Research and development, human capital, brand equity, innovation capital, sustainable*

1. INTRODUCTION

First we should know a comprehensive definition of intangible assets, generally intangible assets kind of assets are that do not have physical nature such as building, equipment, stock bond and some like these, In fact they are latent in other assets and non monetary. Instance can mentioned to patents, copyrights, franchises, goodwill, trademarks, trade names, brands names and particular substructure firms that it caused to save cost in companies and these assets can call intangible asset. An intangible asset is not identifiable in transactions, so its accounting report is deferent.

Now a day, for report intangible assets there are thorough and variety guidelines for firms in IFRS (International Financial Reporting Standards) and even in US GAAP (Generally Accepted Accounting Principles), and also goodwill and brand purchased can bring in a division in balance sheets. This means that, intangible assets are very important and necessary in maintaining and retaining base a corporate and widely consider in the world, unfortunately in traditional accounting reporting did not meet in their balance sheet intangible assets and their value disregarded in the account. They are benefits that use in future. Credibility a company can be based on their intangible assets. Regarding to importance intangible assets in increasing credit and value corporate can tell it is vital for each firm and they should invest more in this scope. Consideration to assets such as R&D, design, organizational capital, human capital and brand equity can be significant bases and roots of company's success.

Such voluntary disclosure practices of companies likely to benefit are those the emerging economies are willing to enhance its operating, funding and investing Opportunities in various international markets. Emerging market corporate to compete in global markets may increase the profile and its reputation by engaging in voluntary disclosure practices in order to inform shareholders of the potential of their intangible asset. While the intangible asset management and reporting practices in developed economies and corporate and country-specific factors behind such activities in emerging economies.

2. LITERATURE REVIEW

In this part we consider some of the views concerning variety dimension intangible asset reporting in the accounting that presented in the journals, papers and web sites. The growth of the service sector and of information technology related Businesses, along with the dramatic increase in the number and size of international mergers and acquisitions, has made accounting for intangible asset very significant (Lev, 2001)

One of the most popular alternative ways of communicating is the use of narrative reporting where intangible asset information is voluntarily disclosed in narrative sections of the annual reports, outside the financial statements and their notes, but as part of broader business reporting practices (Brennan, 2001).

Intangible assets are of increasing importance for the corporate value creation processes of all kind of organizations. This has severe consequences for internal and external reporting and hence for the decision making processes. Intangibles treated as resources of distinctive value should then be developed and allocated according to "objective" measures and according to excepted economic criteria. We are confronted with higher expectation for measuring methods and reporting tools to properly monitor investments into intangible assets. Questions about technical feasibility and cost- benefit arise, but so far could not be resolved satisfactory extend of defining standards or legally binding procedures. (R. Koch; Karl-Heinz Leitner; Manfred Bornemann, 2000)

Enzo Baglieri and Vittorio Chiesa (2001) say Measuring R&D performance has always posed many problems. This can be related to the nature of the R&D activity: first, the degree of uncertainty of an R&D activity is very high; second, once completed the R&D output is itself often highly fuzzy and not definable and, thus, not measurable; finally, the ultimate result of R&D activity can be viewed after years, once an innovation has been brought to the market, but, at this time, the outcome is the result of the efforts of both the R&D unit and the other company functions. For these reasons, R&D has always been treated as an expense centre and R&D planning has been the result of a negotiation between R&D and corporate on the amount of resources to allocate in R&D.

So it is one of the important intangible assets. Different methodologies are usually suggested for specific components of the overall R&D value, most of all consisting of intangible assets, on the basis of the information and data available.

An entity shall choose either the cost model or the revaluation model as its accounting Policy. If an intangible asset is accounted for using the revaluation model, all the other Assets in its class shall also be accounted for using the same model, unless there is no active market for those assets. Cost model: After initial recognition, an intangible asset shall be carried at its cost less any accumulated amortization and any accumulated impairment losses. Revaluation model: After initial recognition, an intangible asset shall be carried at a Revalued amount, being its fair value at the date of the revaluation less any subsequent accumulated amortization and any subsequent accumulated impairment losses. For the purpose of revaluations under this Standard, fair value shall be determined by reference to an active market. Revaluations shall be made with such regularity that at the balance sheet date the carrying amount of the asset does not differ materially from its fair value. (www.iasplus.com/standard/ias38, 2008)

Intangible asset" is a speculative notion. Intangible assets differ from tangible assets not just because they lack physical appearance but also because they are not identifiable such that contracts can be written on them for delivery. Explicit legal rights like patents and copyrights, and possibly brands, are exceptions (and these are booked to the balance sheet if purchased, as with any other asset), but "customer relationships," "organization capital," "knowledge assets," "human capital," and the like, are not specific enough for a market price ever be observed for them. A conjectured value of a conjectured asset that can never be validated with a market price is inherently speculative; value is in the mind of the beholder. (Penman, 2009)

As an exception to the general rule regarding intangible assets, Financial Accounting Standards Board (FASB) Statement 86 mandates the capitalization of software development costs incurred from the point of "technological feasibility." However, many software companies are not following the rule. Companies that are very profitable, like Microsoft or Oracle, do not capitalize software expenditures, deferring profits to the future. Less profitable companies tend to capitalize significant amounts of software development. Thus, you have an accounting rule that is followed by some and not by others, making it very difficult for outsiders to rely on reported financial information. (Baruch Lev journal, 2003)

Determining the true value of a company requires an accurate, defensible assessment of both types of assets intangible and intangible property. At Appraisal Economics, we have the skill, expertise, experience and resources to provide meaningful asset valuations. As importantly, we stay current with all emerging trends in this rapidly changing area and adapt our own processes to reflect the current state of the art and provide our clients with the best asset valuation services available anywhere. (www.appraisaleconomics.com/intangible-assets1,2010)

The asset should be subject to the right of private ownership, and the private ownership should be transferable. It should have been created or come into existence at an identifiable time or as the result of an identifiable event and is typically subject to maintenance. Although The asset should be subject to specific identification and recognizable description. (www.rics.org, 2006)

3. DISCUSS

In this part we discuss about deferent aspects considered in the literature review that are relevance to determining intangible assets in accounting. Intangible assets ascending from development will be recognized if and only if, an entity can show the following:

Technical feasibility is completing the intangible asset so that it will be available for use or sale. Their intentions complete the intangible asset and use or sell it.

Their ability use or sell the intangible asset. Intangible assets generate probable future economic benefits. Among other things, the institution can show the existence of a market for output its intangible assets or intangible assets, or if it is used internally, the benefits of intangible assets, the availability of technical resources, and insufficient funding to complete development and use or sell the intangible asset. The ability measure reliably the expenditure attributable to intangible assets during its development.

Regarding to spread proportion, Intangible assets allocate to their selves in the market, not only yet there is not identifying way to report them but also yes some of the companies are following conservative ways. Most of the auditors, analyst and investors are dissatisfaction of this challenge, it can influence on the higher cost of capital, market, price volatility and etc. Of course there is ways of Intellectual capital for solution this problem but unfortunately they are not accepted in the world.

The challenge of reporting intangible assets can see in variety aspects such as fair value, regarding to an intangible asset is not identifiable it can have be deferent dimension like control and existence of the future economic profits. Intangible assets

Likely can be assignable to whole of the assets and it will be measureable and reliable if used of the being standards. An entity shall assess whether the useful life of an intangible asset is finite or indefinite and, if finite, the length or the number of production units or similar component, the useful life. An intangible asset should be considered by the entity as having an indefinite useful life when, based on an analysis of all relevant factors, there is no foreseeable limit to the period when the asset is expected generate net cash inflows for the entity.

4. FINDINGS

Regarding to discuss and literature review, I suggest concerning some of the methods in below text. Intellectual capital and financial communities should agree at least and criteria by which to measure intangible each system must also be evaluated. Considering all the above, now seems possible to propose such a measure is a reasonable chance for consensus. Any practical measurement system should be voluntary and should include the following features:

Complementary, alternative, traditional financial reporting, Associated with value creation, slightly, speaking of corporate strategy, not harm competition, purpose or at least repeated measures, mental items, such as: weightings, clearly reveal, consistent from period to period, relevant, useful, simple ,Incomprehensible to outsiders (investors, analysts, regulators) Sectors or specific companies, but it allows cross-company comparisons ,adaptable to any organization Cheap to collect Be gradual To audit. It is likely that the list of desirable features can be extended.

5. CONCLUSION

This article documented the widespread desire for a reliable way of reporting intangible assets. Rather, the least powerful among the regulators, there is a voluntary system for the evolution of reliable methods. Intellectual capital community has provided a wide range of model structure, which can be harnessed to serve this need.

Remains widespread skepticism in the business and financial community's there. The author has shown how difficult the management report with the question of intangible test analysts and investors may also comments that analysts can apply their own weightings to assess the sensitivity of the information supplied by a company. Auditors, consultants and independent credit rating agency can review the report submitted to the intangible. Suspicion about the whole or any part of the index, there may be enough, according to specific business areas. This article shows how intellectual capital that can be tailored to specific business. But drivers in measuring subtle changes over time, comparisons can still be made with other companies. It has been suggested that this method is simple enough that it is widely accepted, and most of it according to standards - set earlier in this article - that the proposed measurement system should be reviewed. It is not too daunting. And tools are at hand.

These case studies show that the key assumptions determined by the characteristics of intangible assets and the choice of the concept of value on which the valuation have an influence on the yield value and a heavy emphasis on the opinion of the appraiser. Broadly, we see that the context of the valuation provides guidance in choosing the concept of value and with the available information can help determine which of the three main approaches are taken. The technique is usually based on the quality and type of information available.

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