

## Transition arrangements - Intangible Assets

The Code (following IFRS 1) requires local authorities to recognise, in their opening IFRS balance sheet (1 April 2009), all intangible assets whose recognition is required by section 4.5 of the Code (see also IAS 38). Intangible assets shall not be recognised where section 4.5 of the Code does not permit such recognition. Authorities are also required to apply section 4.5 of the Code in measuring all recognised intangible assets.

Any intangible asset that has previously been recognised under the provisions of the SORP will meet the recognition criteria in paragraphs 4.5.2.3 - 4.5.2.4 of the Code. Authorities shall therefore continue to recognise all intangible assets that were previously recognised on their balance sheet. In local authorities, intangible assets will normally have been carried at depreciated historical cost, and the depreciated historical cost of an intangible asset on the opening IFRS balance sheet shall be the depreciated historical cost of that asset as at 31 March 2009.

[Measurement at fair value - to be determined once a decision regarding revaluation is made]

Because section 4.5 of the Code (following IAS 38) recognises a wider range of intangible assets than the 2009 SORP, it is possible that expenditure in previous years that could have been recognised as an intangible asset had the Code applied at the time was not so recognised under the SORP, but was charged to the Income and Expenditure Account (and therefore to the General Fund). Such expenditure may be recognised as an intangible asset in the opening IFRS balance sheet if, and only if, the recognition criteria in paragraphs 4.5.2.3 - 4.5.2.4 (and 4.5.2.7 for internally generated intangible assets) would have been met at the time the expenditure was incurred. For internally generated intangible assets, this means that an authority, at the time the expenditure was incurred, distinguished between the research and development phases of the generation of an intangible asset, and was able to reliably measure the costs of each phase.