FASB INVITATION TO COMMENT

Issued: December 19, 2024
Comments Due: May 30, 2025

Recognition of Intangibles

Comments should be addressed to:

Technical Director
File Reference No. 2024-ITC200

Financial Accounting Standards Board

Notice to Recipients of This Invitation to Comment

The Board invites feedback on all matters in this Invitation to Comment. We request comments by May 30, 2025, by one of the following methods:

- Using the electronic feedback form available on the FASB website at Documents Open for Comment
- Emailing comments to director@fasb.org, File Reference No. 2024-ITC200 or
- Sending a letter to "Technical Director, File Reference No. 2024-ITC200, FASB, 801 Main Avenue, PO Box 5116, Norwalk, CT 06856-5116."

All comments received are part of the FASB's public file and are available at www.fasb.org.

A copy of this Invitation to Comment is also available at www.fasb.org.

FASB FINANCIAL ACCOUNTING STANDARDS BOARD®

Invitation to Comment

Recognition of Intangibles

December 19, 2024

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Purpose of This Invitation to Comment

The purpose of this Invitation to Comment (ITC) is to solicit stakeholder feedback on whether the Board should pursue standard setting on intangibles. This ITC uses the term *intangibles* to include both (1) intangibles recognized as assets in the financial statements and (2) intangibles and related costs not recognized as assets in the financial statements.

This ITC is focused on the initial recognition of intangibles. Specifically, the FASB would like to understand:

1. Whether there is a pervasive need to improve generally accepted accounting principles (GAAP) related to the accounting for and disclosure of intangibles (that is, is there a case for change)
2. What intangibles, or groups of intangibles, the FASB should consider addressing
3. What potential solution(s) the FASB should consider—including whether the potential solution or solutions are narrow for a specific intangible or could be applied broadly to a group of intangibles—and the expected benefits and expected costs of the potential solution(s)
4. Whether different accounting for intangibles should exist depending on how the asset is obtained (internally developed, acquired in a business combination, or acquired in an asset acquisition)
5. What information about intangibles an investor utilizes (or would utilize) for its analysis and how that information influences the investor's capital allocation decisions.

The FASB has frequently sought views on intangibles from a wide variety of stakeholders. In addition, feedback has been received as part of the Board's due process on various intangibles-related projects, including technical and research agenda projects on research and development (R&D), asset acquisitions, business combinations, software costs, film costs, disaggregation of income statement expenses, and the Board's Conceptual Framework. Feedback on intangibles also has been received through two agenda consultations:[1] FASB Invitation to Comment, *Agenda Consultation*, issued in 2016 (the 2016 Agenda Consultation), and FASB Invitation to Comment, *Agenda Consultation*, issued in 2021 (the 2021 Agenda Consultation).

Respondents to the 2021 Agenda Consultation stated that the Board should perform research to better understand the information needs of investors and other allocators of capital (herein referred to as "investors") related to intangibles, while

[1]The staff is currently in the process of performing agenda consultation outreach with stakeholders. Some stakeholders have continued to indicate that intangibles is a top priority and have provided similar feedback about intangibles as they did during the 2021 Agenda Consultation.

also considering the costs and challenges associated with preparing that information. While many respondents, across all stakeholder types, acknowledged that there can be a significant difference between the book value and market capitalization of certain entities, respondents were mixed about whether narrowing that gap would provide investors with relevant information when making decisions about providing resources to entities.

That feedback has shaped the direction of the current Accounting for and Disclosure of Intangibles research project (the Intangibles Research Project), which is intended to explore ways to improve the accounting for and disclosure of intangibles, including internally developed intangibles and R&D.

This ITC is a staff document prepared at the direction of the FASB chair in which the Board does not express any preliminary views. Responses to the questions in this ITC will help inform the Board as it considers whether to add a project to its technical agenda on intangibles.

Background

2021 Agenda Consultation Feedback

The 2021 Agenda Consultation asked stakeholders whether the Board should pursue a project on intangibles and, if so, what intangibles should be included within the scope of the project and whether it should be primarily focused on changes to recognition and measurement and/or disclosure. Respondents across all stakeholder types, including investors, practitioners, and preparers, identified intangibles as a top priority but there was not a general consensus on the scope and objective of a potential project.

Several respondents suggested prioritizing an intangibles project focused on recognition and measurement. Numerous respondents suggested that the Board align the accounting for internally developed R&D and in-process R&D (IPR&D) acquired through an asset acquisition and a business combination. For example, some suggested revising current guidance so that R&D would be accounted for consistently regardless of whether it was internally developed or acquired. In addition, some respondents suggested that the Board look at R&D as a first step in a recognition and measurement project on intangibles. As another suggestion, some respondents urged the Board to focus on developing a recognition and measurement framework that could be applied to all internally developed intangibles.

Other respondents noted that significantly changing the guidance for recognition and measurement of intangibles would be challenging and that it was not worthwhile for the Board to prioritize this type of project at that time. For example, several respondents said that the costs of recognizing more internally developed intangibles on the balance sheet would outweigh the benefits and that evaluating rules for capitalization, amortization, and impairment would be challenging and costly.

Some respondents suggested that the Board consider prioritizing disclosure improvements for intangibles. Those respondents encouraged the Board to perform investor outreach and focus on providing relevant disclosures to address that feedback. However, there were some respondents that did not support additional quantitative disclosures. Generally, those respondents said that additional intangibles disclosures would not provide relevant information that would result in a meaningful benefit to investors and that qualitative disclosures would likely result in entities providing boilerplate information.

While the Board added several intangibles-related projects to its technical agenda as a result of the 2021 Agenda Consultation, those projects ultimately addressed targeted improvements related to outdated guidance (software costs) or new and emerging types of intangibles (crypto assets and environmental credits).

Standard-Setting History on Intangibles

The FASB first addressed the accounting for intangibles in 1973 with the development and issuance of FASB Statement No. 2, *Accounting for Research and Development Costs*, which defined R&D and provided a simple rule to account for R&D costs—they are to be charged to expense as incurred.

Since then, the topic of intangibles, in various forms, has consistently been on either the FASB's technical agenda or research agenda. These projects have (1) resulted in recognition guidance on specific intangibles, such as crypto assets, software costs, and film costs, (2) resulted in initial recognition guidance on intangibles based on how they were obtained (FASB Statements No. 141, *Business Combinations*, No. 141 (revised 2007), *Business Combinations*, and No. 142, *Goodwill and Other Intangible Assets*[2]), and (3) furthered the FASB's understanding of stakeholder views on the recognition and disclosure of intangibles. See Appendix A for a listing of certain intangibles-related documents that have been issued in the past by the FASB or the American Institute of Certified Public Accountants (AICPA).

These efforts have demonstrated that stakeholder views on intangibles continue to be diverse. This includes diverse views about (1) when an intangible should be recognized as an asset and (2) what information about intangibles is decision useful to investors. There are several reasons for that diversity—the wide breadth of the types of intangibles, uncertainty around intangibles' economic benefits, and

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[2]FASB Statement No. 142, *Goodwill and Other Intangible Assets*, addressed the accounting and reporting for intangible assets acquired individually or with a group of other assets (but not those acquired in a business combination). Transactions of this nature are referred to as *asset acquisitions* in this Invitation to Comment (ITC).

whether information about intangibles is likely to affect investors' capital allocation decisions.

A question that the Board continues to contend with is at what point an asset should be recognized in the financial statements for an internally developed or acquired intangible item. Although the Board's current Conceptual Framework[3] defines an asset, it also emphasizes that because the facts and circumstances that generate intangibles are so varied, whether an asset has been created often must be resolved at the standards level. (See paragraph E36 of Chapter 4, *Elements of Financial Statements*, of FASB Concepts Statement No. 8, *Conceptual Framework for Financial Reporting*, which is reproduced in Appendix B.)

Overall Questions for All Respondents

Individuals and organizations are invited to comment on all matters in this ITC, particularly on the issues and questions that are specifically asked in this document. General questions about intangibles are included below, and more specific questions are included after each related section. Appendix D lists all the questions for respondents.

While it would be helpful to receive feedback on all the questions in this ITC, comments also are requested from those who are only interested in specific questions or specific intangibles. Comments are most helpful if they identify and clearly explain the issue or question to which they relate and are specific to financial accounting and reporting.

Question 1: Please describe what type of stakeholder you (or your organization) are from the list below, including a discussion of your background and what your point of view is when responding to this ITC:

a. Academic
b. Investor, other allocator of capital, or other financial statement user, such as:
    1. Equity analyst: buy side
    2. Equity analyst: sell side
    3. Credit-rating agency analyst
    4. Fixed-income analyst
    5. Accounting analyst

[3]The Conceptual Framework is a body of interrelated objectives and fundamentals that provides the FASB with a useful tool as it sets standards. A Concepts Statement is nonauthoritative and does not establish or change generally accepted accounting principles (GAAP).

6. Quantitative analyst
7. Portfolio manager
8. Private equity
9. Individual investor
10. Lender
11. Long-only focus
12. Long/short focus
13. Other.

c. Practitioner/auditor
d. Not-for-profit organization preparer
e. Private company preparer
f. Public company preparer
g. Regulator
h. Standard setter
i. Other.

Question 2: Is there is a pervasive need to improve GAAP related to the accounting for and disclosure of intangibles (that is, is there a case for change)? Please explain your response.

Question 3: If the Board were to pursue a project on intangibles, how should the Board address the topic? For each type of intangible, or groups of intangibles, that should be separately addressed, please explain your response, including the following:

a. A description of the type(s) of intangible or groups of intangibles (including an explanation of why those intangibles should be addressed in a group).
b. The objective of the potential project.
c. The potential solution(s).
d. The type(s) of intangibles, or groups of intangibles, the potential solution should apply to. For example, whether it is a narrow potential solution for a specific intangible item or a potential solution that could broadly apply to a group of intangible items.
e. The expected benefits and expected costs of the potential solution(s).

Recognition of Intangibles

The Master Glossary defines the term *intangible assets* as:

> Assets (not including financial assets) that lack physical substance. (The term intangible assets is used to refer to intangible assets other than goodwill.)

Therefore, assets that are not financial assets, tangible assets, or goodwill are intangible assets. Examples of common intangibles include brand recognition, copyrights, patents, trademarks, trade names, customer relationships, and customer lists.

There are several areas of GAAP that provide guidance for intangibles (see Appendix C). An entity currently evaluates the specific facts and circumstances and nature of the intangible—such as the intangible's purpose and how it was obtained or developed—to determine the relevant area(s) within GAAP. The recognition of an intangible can vary on the basis of the nature of the intangible, its stage of development, and whether it was acquired in a business combination or an asset acquisition. Therefore, some intangibles are recognized as assets either in whole or in part, while others are not recognized as assets at all. In addition, in some cases, costs incurred to create an intangible that is not recognized as an asset are considered R&D efforts, while, in other cases, those costs are considered normal operating expenses (general and administrative). If recognized, the subsequent accounting for an intangible asset can include amortization, impairment, and remeasurement (for example, remeasurement of certain crypto assets to fair value).

IPR&D is frequently cited as an example of a type of intangible for which there is a difference between (1) accounting for an intangible acquired as part of a business combination and (2) accounting for an intangible acquired through an asset acquisition or internally developed. IPR&D acquired in a business combination is recognized at fair value as an indefinite-lived intangible asset[4] until the R&D project is completed or abandoned, regardless of whether the IPR&D has an alternative future use. In contrast, costs incurred for R&D and IPR&D acquired in an asset acquisition with no alternative future use are immediately expensed.[5] This accounting is further complicated because R&D costs incurred after the acquisition of IPR&D in a business combination for the same project are expensed as incurred.

Intangibles Acquired in a Business Combination

Subtopic 805-20, Business Combinations—Identifiable Assets and Liabilities, and Any Noncontrolling Interest, specifies that an acquirer should recognize, separately from goodwill, the *identifiable assets acquired*, the liabilities assumed, and any noncontrolling interest in the acquiree. Under that guidance, an asset is *identifiable* if it meets either of the following criteria:

1. It is separable, that is, capable of being separated or divided from the entity and sold, transferred, licensed, rented, or exchanged, either

[4]See Subtopic 805-20, Business Combinations—Identifiable Assets and Liabilities, and Any Noncontrolling Interest.
[5]See Subtopic 730-10, Research and Development—Overall.

individually or together with a related contract, identifiable asset, or liability, regardless of whether the entity intends to do so ("separability criterion").

2. It arises from contractual or other legal rights, regardless of whether those rights are transferable or separable from the entity or from other rights and obligations ("contractual-legal criterion").

In addition, business combinations guidance contains specific requirements for items that meet the criteria above. In the past, stakeholders and the Board have debated whether some types of intangible items specifically listed in Subtopic 805-20 meet the definition of an asset, such as customer relationships. Furthermore, some stakeholders have questioned why the initial recognition of intangibles that are being developed and are acquired in a business combination are not subject to the current recognition guidance for those same intangibles in other parts of GAAP (for example, internal- and external-use software).

Intangibles Purchased or Acquired in an Asset Acquisition

Subtopic 350-30, Intangibles—Goodwill and Other—General Intangibles Other than Goodwill, specifies that an intangible asset that is acquired either individually or with a group of other assets in an asset acquisition should be recognized if it qualifies for recognition, even if it does not meet either the contractual-legal criterion or the separability criterion. This is generally considered to be a lower recognition threshold, which results in more intangibles recognized in an asset acquisition than in a business combination.

Additionally, Subtopic 805-50, Business Combinations—Related Issues, provides limited guidance for the acquisition of assets, and states that after an acquisition, the acquiring entity accounts for the assets in accordance with the appropriate GAAP.

Internally Developed Intangibles

Subtopic 350-30 also applies to internally developed intangibles and specifies that costs of internally developing, maintaining, or restoring intangible assets are expensed as incurred if they (1) are not specifically identifiable, (2) have indeterminate lives, or (3) are inherent in a continuing business or nonprofit activity and related to an entity as a whole. This would include costs incurred after intangibles are acquired (and recorded) in a business combination or asset acquisition.

Additionally, GAAP has specific guidance on accounting for many intangibles, including:

1. R&D costs
2. Software and website development costs

3. Industry-based intangibles (including airlines, broadcasters, cable television, oil and gas, title plant, regulated operations, and media and entertainment)
4. Contracts with customers
5. Start-up costs
6. Business and technology reengineering.

While these areas of GAAP have varying recognition requirements and capitalization thresholds, they all strive to capture the point at which these items should be recognized as assets and, in many cases, result in different accounting than if those assets had been acquired by other means (for example, in a business combination).

The remainder of this section provides background on a few of the areas that stakeholders have frequently provided feedback on related to the accounting for intangibles. The following is not meant to be a comprehensive discussion of GAAP for all internally developed intangibles.

R&D

R&D costs are typically incurred in creating intangibles. Current guidance requires (1) R&D costs to be expensed as incurred and (2) disclosure of the total R&D costs expensed in each period. The R&D guidance is premised on the view that costs should be immediately expensed because at the time R&D costs are incurred, the future benefits are at best uncertain.

The term *research and development* is defined in the Master Glossary as follows:

> Research is planned search or critical investigation aimed at discovery of new knowledge with the hope that such knowledge will be useful in developing a new product or service (referred to as product) or a new process or technique (referred to as process) or in bringing about a significant improvement to an existing product or process.
>
> Development is the translation of research findings or other knowledge into a plan or design for a new product or process or for a significant improvement to an existing product or process whether intended for sale or use. It includes the conceptual formulation, design, and testing of product alternatives, construction of prototypes, and operation of pilot plants.

In addition, the R&D guidance specifically requires what transactions *are* accounted for under Topic 730, Research and Development (paragraph 730-10-15-3), and what transactions *are not* considered R&D (paragraph 730-10-15-4). As a result, not all costs that are expensed in researching and developing an intangible qualify as R&D for accounting purposes. For example, if an airline develops a computerized reservation system or a general management information system to use in its selling and administrative activities, those costs are not R&D costs for accounting purposes.

The guidance also provides examples of activities that typically *should* and *should not be* considered R&D, as follows:

R&D Activities	**Not R&D Activities**
1. Laboratory research aimed at discovery of new knowledge 2. Searching for applications of new research findings or other knowledge 3. Conceptual formulation and design of possible product or process alternatives 4. Testing in search for or evaluation of product or process alternatives 5. Modification of the formulation or design of a product or process 6. Design, construction, and testing of preproduction prototypes and models 7. Design of tools, jigs, molds, and dies involving new technology 8. Design, construction, and operation of a pilot plant that is not of a scale economically feasible to the entity for commercial production 9. Engineering activity required to advance the design of a product to the point that it meets specific functional and economic requirements and is ready for manufacture 10. Design and development of tools used to facilitate R&D or components of a product or process that are undergoing R&D activities.	1. Engineering follow-through in an early phase of commercial production 2. Quality control during commercial production including routine testing of products 3. Troubleshooting in connection with breakdowns during commercial production 4. Routine, ongoing efforts to refine, enrich, or otherwise improve upon the qualities of an existing product 5. Adaptation of an existing capability to a particular requirement or customer's need as part of a continuing commercial activity 6. Seasonal or other periodic design changes to existing products 7. Routine design of tools, jigs, molds, and dies 8. Activity, including design and construction engineering, related to the construction, relocation, rearrangement, or start-up of facilities or equipment other than the following: a. Pilot plants b. Facilities or equipment whose sole use is for a particular R&D project. 9. Legal work in connection with patent applications or litigation, and the sale or licensing of patents.

Question 4: R&D costs are required to be expensed as incurred. Do the current definitions of the term *research and development*, and related examples of activities included in and excluded from R&D, appropriately capture R&D activities that should be expensed as incurred? Please explain your response, including how the definitions could be updated. See Question 14 about disclosure of R&D costs.

Question 5: Should the accounting for research costs be the same as or different from the accounting for development costs? For example, would it be appropriate to expense all research costs as incurred and recognize all development costs as assets? If so, how would an entity determine when research ends and development begins for certain common intangibles (for example, software- and pharmaceutical-related intangibles)? Would changing the accounting for development costs in this way lead to material amounts being capitalized? Please explain your response.

Question 6: Practitioners and preparers—Are there operability or auditability challenges in applying the R&D guidance, such as identifying what costs should be accounted for and disclosed as R&D? Please explain your response, including what the specific challenges are and how the Board could address them.

External-Use Software Costs

Subtopic 985-20, Software—Costs of Software to Be Sold, Leased, or Marketed, provides guidance on the accounting for software development costs incurred for software that will be sold, leased, or otherwise marketed as a separate product or as part of a product or process (external-use software costs). That guidance requires that all development costs incurred to establish the technological feasibility of external-use software are R&D costs that should be expensed as incurred.[6] Costs incurred after establishing technological feasibility are required to be capitalized.[7]

Technological feasibility is established when an entity has (1) completed all planning, designing, coding, and testing activities that establish that the product

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[6]The basis for conclusions in FASB Statement No. 86, *Accounting for the Costs of Computer Software to Be Sold, Leased, or Otherwise Marketed*, explained that a key objective in requiring the capitalization of certain costs incurred to purchase or internally produce computer software is to recognize the asset representing future economic benefits created by incurring those costs.

[7]External-use software that has not met the criteria for capitalization in Subtopic 985-20, Software—Costs of Software to Be Sold, Leased, or Marketed, that is acquired in a business combination would be recognized as an in-process research and development (IPR&D) asset as part of purchase accounting. Costs incurred after acquisition would be subject to Subtopic 985-20.

can be produced to meet its design specifications and (2) evidenced that technological feasibility has been established through the development of either a detail program design or a working model.

Internal-Use Software Costs

Subtopic 350-40, Intangibles—Goodwill and Other—Internal-Use Software, provides guidance on how to account for the costs that an entity incurs to develop or acquire internal-use software. That guidance requires certain costs incurred for software developed or obtained for internal use to be capitalized[8] depending on the nature of the costs and the project stage during which they occur. Overall, internal-use software costs should be capitalized after (1) the planning stage has been completed, (2) management has authorized and committed to funding the software project, and (3) it is probable that the project will be completed and the software will be used to perform the function intended (referred to as the "probable to complete recognition threshold").

The Board has a project on its technical agenda to make targeted improvements[9] to Subtopic 350-40 (Accounting for and Disclosure of Software Costs project [the Software Project]). The Board issued the proposed Accounting Standards Update, *Intangibles—Goodwill and Other—Internal-Use Software (Subtopic 350-40): Targeted Improvements to the Accounting for Internal-Use Software*, in October 2024. The beginning capitalization threshold in the amendments in that proposed Update would be similar to the current capitalization threshold but the evaluation of the planning stage would be removed.

> **Question 7:** Should the Board consider recognizing other internally developed intangibles when either (a) management has committed to funding the project and it is probable that the project will be completed and will perform

[8]The basis for conclusions of American Institute of Certified Public Accountants' (AICPA) Statement of Position 98-1, *Accounting for the Costs of Computer Software Developed or Obtained for Internal Use*, explains that certain costs are capitalized because it is probable that they will generate future economic benefits.

[9]The Board considered a variety of recognition models in the Accounting for and Disclosure of Software Costs project (the Software Project) that would have resulted in more extensive changes to current GAAP and the extent of capitalization. However, feedback from investors generally indicated that they are not interested in significant increases in the level of software costs capitalized, especially for software to be provided to external parties. Investors strive to normalize earnings across entities, and any capitalization can make comparison across entities challenging. Additionally, feedback from preparers indicated that more extensive changes to the recognition of software costs that would have increased capitalization could be costly to implement, initially and on an ongoing basis. Therefore, in weighing the expected benefits relative to the expected costs, the Board ultimately decided to pursue targeted improvements to Subtopic 350-40, Intangibles—Goodwill and Other—Internal-Use Software, rather than more extensive changes to the recognition of software costs.

the function intended or (b) technological feasibility has been established? If so, for which intangibles? Would this result in decision-useful information? Would these criteria also be helpful in determining whether an intangible should be recognized as an asset or expensed when acquired in a business combination or in an asset acquisition? Please explain your response.

Comparing the Recognition of Intangibles

The recognition guidance for intangibles depends on how the item is acquired or developed. The different requirements for recognizing intangibles that are acquired in a business combination, acquired in an asset acquisition, or internally developed result in inconsistent recognition of intangibles. A few examples of differences in initial recognition are highlighted in the table below.

Intangible	Business Combination	Asset Acquisition	Internally Developed
Assembled workforce	Not recognized as an intangible asset, subsumed into goodwill.	Generally recognized as an intangible asset.	Expensed as incurred.
Trademark/ tradename	Recognized as an intangible asset if it meets the contractual-legal criterion or the separability criterion.	Recognized as an intangible asset.	Expensed as incurred.
IPR&D	Recognized as an intangible asset.	If there is no alternative future use, costs are expensed as incurred. If there is an alternative future use, recognized as an indefinite-lived intangible asset.	Expensed as incurred.

Intangible	Business Combination	Asset Acquisition	Internally Developed
External-use software	Recognized as an intangible asset if it meets the contractual-legal criterion or the separability criterion.	Generally recognized as an intangible asset (IPR&D if not completed).	All development costs incurred to establish the technological feasibility of external-use software are R&D costs that are expensed as incurred. Costs incurred after establishing technological feasibility are recognized as an intangible asset.

In addition, subsequent measurement guidance is different for intangibles that are acquired (either in a business combination or an asset acquisition) as compared with the subsequent measurement guidance for internally developed intangibles, which results in financial reporting differences. Stakeholders have observed that the varying requirements create differences between the book values and earnings of entities that grow organically (that is, few intangibles recognized on the balance sheet and little amortization expense because intangibles are internally developed) and entities that grow through acquisition (that is, numerous intangibles recognized on the balance sheet and significant amortization expense because intangibles are acquired). Numerous investors have highlighted that this inconsistency in accounting reduces their ability to understand and analyze organic versus inorganic growth within and between entities.

Furthermore, acquiring an intangible and internally developing an intangible may be viewed as similar activities. For example, outsourcing the development of an intangible, using an entity's own labor force to develop an intangible, or acquiring a partially developed intangible in an asset acquisition or in a business combination are often viewed as economically similar. However, applying the different recognition and measurement guidance can have a significant effect on the financial statements.

Alignment across the various guidance for intangibles could be achieved by changing the guidance for internally developed intangibles, asset acquisitions, and/or business combinations. For example, alignment could be achieved by requiring the same recognition for all intangibles, regardless of how they are acquired or developed, such as:

1. Align all accounting with internally developed intangibles—Recognize all intangibles when they meet the criteria for capitalization for the specific intangible. Therefore, an intangible (internal- and external-use software, R&D, etc.) would be subject to the same recognition criteria regardless of how it is acquired. For example, IPR&D acquired in a business combination would be expensed under Topic 730.
2. Align all accounting with asset acquisitions—Recognize all intangibles once they (a) are specifically identifiable, (b) have determinate lives, and (c) are noninherent in a continuing business or nonprofit activity and unrelated to an entity as a whole, consistent with the requirements for asset acquisitions under Subtopic 350-30. Therefore, for internally developed intangibles, costs would be accumulated and recognized as an asset once these criteria are met.
3. Align all accounting with business combinations—Recognize all intangibles that meet the contractual-legal criterion or separability criterion, consistent with the requirements for intangibles acquired as part of a business combination under Subtopic 805-20. Therefore, intangibles that meet either of these criteria would be recognized. For example, internally developed customer lists or customer relationships would be eligible for capitalization.
4. Align all accounting with newly developed criteria—Develop new recognition criteria that can be applied and reach consistent outcomes regardless of how developed or acquired.

The following questions are intended to help the Board understand whether aligning the recognition guidance for intangibles would result in more decision-useful information for investors and reduce costs and complexity for practitioners and preparers.

Question 8: Should the Board consider aligning the recognition guidance for intangibles (a) acquired as part of a business combination, (b) acquired in an asset acquisition, (c) that are internally developed, or (d) newly developed criteria? If so, how should the guidance be aligned? Should the recognition guidance be aligned for all intangibles, including those with specific industry based guidance, or only certain categories? Would such an alignment result in decision-useful information? Please explain your response. If a new model is recommended, please provide details on that model, including how it would be an improvement to current GAAP and achieve consistent recognition of intangibles.

Question 9: Practitioners and preparers—Are there operability or auditability challenges in applying the acquired intangibles recognition guidance? Please explain your response, including what the specific challenges are and how the Board could address them.

Question 10: Investors—Does the different treatment for intangibles (a) acquired as part of a business combination, (b) acquired in an asset acquisition, or (c) that are internally developed affect your analysis? Do the differences in the financial reporting results present challenges in evaluating organic growth versus inorganic growth? Please explain your response.

Question 11: If the Board does not pursue a project to align the recognition guidance for all intangibles, the Board could pursue a project to develop comprehensive guidance for the recognition of internally developed intangibles based on the current business combinations or asset acquisitions guidance. Would it be operable to leverage either the separability criterion or the contractual-legal criterion from the business combinations guidance or the asset acquisitions recognition criteria to recognize internally developed intangibles? Would this result in decision-useful information? Please explain your response.

International Guidance and Research

International Accounting Standards Board (IASB)

In April 2024, the IASB commenced a comprehensive review of accounting requirements for intangibles. The project will assess whether the requirements of IAS 38, *Intangible Assets*, remain relevant and continue to fairly reflect current business models or whether the IASB should improve the requirements. During the IASB's Third Agenda Consultation, stakeholders identified this as a high priority project.

IAS 38 specifies recognition criteria for intangible assets, including those that are internally generated. For internally generated intangible assets, IAS 38 distinguishes between the accounting for research costs and the accounting for development costs. Expenditures incurred during the "research phase" are expensed as incurred. Expenditures incurred during the "development" phase should be recognized as an intangible asset if an entity can demonstrate all of the following criteria:

1. The technical feasibility of completing the intangible asset such that it will be available for use or sale.
2. Its intention to complete the intangible asset and use or sell it.
3. Its ability to use or sell the intangible asset.
4. How the intangible asset will generate probable future economic benefits (for example, the existence of a market for the intangible asset or its output or the usefulness of the intangible asset).
5. The availability of adequate technical, financial, and other resources to complete the development and to use or sell the intangible asset.
6. Its ability to measure reliably the expenditure attributable to the intangible asset during its development.

Because IAS 38 requires an entity to demonstrate the "technical feasibility of completing the intangible asset so that it will be available for use or sale," it can lead to similar capitalization conclusions as GAAP. Additionally, IAS 38 specifically prohibits the recognition of internally generated brands, mastheads, publishing titles, customer lists, and items similar in substance.

European Financial Reporting Advisory Group (EFRAG)

In 2021, the EFRAG published a Discussion Paper, *Better Information on Intangibles: Which Is the Best Way to Go?*, that outlined four alternative recognition approaches for internally developed intangible assets. The four alternatives are as follows:

1. Amend IAS 38 to recognize all internally developed intangibles with no specified criteria or thresholds.
2. Recognize internally developed intangibles if specified conditions are met at the start of the project (that is, the threshold[10] for recognition).
3. Recognize internally developed intangible assets when specified conditions are met (that is, conditional recognition[11]).
4. Do not recognize any internally developed intangible assets (that is, expense as incurred).

In 2023, the EFRAG published *Better Information on Intangibles: Which Is the Best Way to Go?—Recommendations and Feedback Statement,* which includes EFRAG's tentative recommendations for the forthcoming IASB project and future developments of International Financial Reporting Standards' (IFRS) requirements, together with a summary of the feedback received from its 2021 Discussion Paper. EFRAG included tentative recommendations for the IASB to consider about recognition, measurement, and disclosure of intangibles.

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[10]The 2021 European Financial Reporting Advisory Group (EFRAG) Discussion Paper, *Better Information on Intangibles: Which Is the Best Way to Go?*, presents various thresholds for recognition under Alternative 2—for example, recognizing an intangible when (a) an expenditure has been incurred, that is separately identifiable from other transactions, and (b) the entity has the ability to establish and allocate the pattern of consumption of future benefits arising from that asset to appropriate periods.

[11]Alternative 3 in Chapter 3, "Recognition and Measurement," of the 2021 EFRAG Discussion Paper proposes a "conditional recognition" approach that would require an entity to continuously assess whether the recognition criteria are met at any given point in the development phase. One key consideration under this alternative is the accounting treatment for the expenditures related to an internally developed intangible before the recognition criteria are met.

Question 12: If the Board were to address intangibles, how should the FASB consider international guidance and research on recognition of intangibles by international standard setters or advisory groups? Please explain your response, including which specific international guidance (or research) should be considered and whether international guidance as applied results in substantively different accounting outcomes than GAAP (for example, whether pharmaceutical companies capitalize material amounts of development costs under IAS 38 versus entities that apply GAAP).

Presentation and Disclosure of Intangibles

As discussed in the "2021 Agenda Consultation Feedback" section of this ITC, some stakeholders have suggested that the Board focus on an intangibles presentation and disclosure project to provide investors with more decision-useful information about intangibles. Those stakeholders were concerned that the cost of developing guidance that would result in entities recognizing more internally developed intangibles on the balance sheet would outweigh the benefits to investors. In addition, some investors have indicated that if more intangibles were recognized as assets, they would want sufficient disclosure information to adjust for the effects of capitalized intangibles in current-period earnings and/or in earnings before interest, taxes, depreciation, and amortization (EBITDA).

Intangibles are subject to general GAAP disclosure requirements, such as information about significant accounting policies, estimates, and risks and uncertainties. Intangible-specific presentation and disclosure requirements are often based on whether the intangible is recognized as an asset. That is, different information is required for (1) intangibles that are recognized as assets and (2) intangibles that are expensed as incurred. Generally, more information is required about intangibles that are recognized as assets.

Recently Issued Guidance—Disaggregation of Income Statement Expenses

In November 2024, the Board issued Accounting Standards Update No. 2024-03, *Income Statement—Reporting Comprehensive Income—Expense Disaggregation Disclosures (Subtopic 220-40): Disaggregation of Income Statement Expenses* (DISE), which was a result of feedback received from investors during the 2021 Agenda Consultation that disclosure of disaggregated financial reporting information should be a top priority for the Board. Specifically, investors observed that more detailed information about expenses is critically important in understanding an entity's performance, assessing an entity's prospects for future cash flows, and comparing an entity's performance both over time and with that of other entities. Therefore, the Board issued Update 2024-03 to improve disclosures about a public business entity's expenses and address requests from investors for more detailed information about the types of expenses in commonly presented expense captions (such as cost of sales, selling, general, and administrative expenses [SG&A], and R&D).

Under the amendments in Update 2024-03, a public business entity is required to disclose, at each interim and annual reporting period, the amounts of (1) purchases of inventory, (2) employee compensation, (3) depreciation, (4) intangible asset amortization, and (5) depreciation, depletion, and amortization recognized as part of oil- and gas-producing activities (DD&A) (or other amounts of depletion expense) included in each relevant expense caption. A relevant expense caption is an expense caption presented on the face of the income statement within continuing operations that contains any of the expense categories listed in (1)–(5). Furthermore, an entity is required to include certain amounts that are already required to be disclosed under current GAAP in the same disclosure as the other disaggregation requirements, such as the amount of R&D assets written off after being acquired in a transaction other than a business combination and an impairment loss recognized related to an intangible asset.

Current GAAP Requirements for Intangibles Recognized as Assets

GAAP generally requires the following disclosures for acquired intangibles (regardless of how they were acquired):

1. The gross carrying amount, accumulated amortization, current period amortization expense, and estimated amortization in future periods for intangible assets subject to amortization
2. The total carrying amount and the carrying amount for each major intangible asset class for intangible assets not subject to amortization
3. The entity’s accounting policy on treatment of costs incurred to renew or extend the term of a recognized intangible asset
4. The total amount of costs incurred in the period to renew or extend the term of a recognized intangible asset for entities that capitalize intangible asset renewal or extension costs, organized by major intangible asset class.

There are also specific requirements for each impairment loss recognized related to an intangible asset, such as:

1. A description of the impaired intangible asset and the facts and circumstances leading to the impairment
2. The amount of the impairment loss and the method for determining fair value
3. The caption in the income statement in which the impairment loss is aggregated
4. If applicable, the segment in which the impaired intangible asset is reported under Topic 280, Segment Reporting.

Entities also should disclose the amount of R&D assets acquired (in a transaction other than a business combination or an acquisition by a not-for-profit entity) that are written off in the period, as well as the line item in the income statement in which the amounts written off are aggregated. Additionally, specific intangibles such as film costs have separate disclosure requirements. However, disclosures for specific types of intangibles generally require similar information as the disclosures for acquired intangibles.

The amendments in Update 2024-03 require more detailed information related to intangibles recognized as assets. For example, those amendments require incremental disaggregation for income statement expense captions that include intangible asset amortization. The amendments in Update 2024-03 also require tabular integration of other intangible-asset-related disclosure requirements including IPR&D acquired in asset acquisition and written off, impairment losses recognized, and certain other intangible-asset-related expenses.

> **Question 13:** Investors—Do current disclosure requirements related to intangibles recognized as assets provide you with decision-useful information? If not, what information currently provided is not decision useful or what additional information is needed? Please explain your response, including (a) identifying the information currently provided that is not decision useful and (b) additional information that you need and how and when that information would affect your capital allocation decisions and whether it is relevant for all or a subset of intangible assets.

Current GAAP Requirements for Intangibles Expensed as Incurred

The specific disclosure requirements in GAAP for internally developed intangibles expensed as incurred are primarily related to R&D costs. Entities are required to disclose total R&D costs charged to expense in each period for which an income statement is presented.

There is no presentation requirement to include this expense as a separate caption on the face of the income statement. As discussed above, the amendments in Update 2024-03 require disaggregation of R&D expense if R&D expense is presented on the face of the income statement and if that caption contains one of the specific natural expense categories (for example, employee compensation costs). Because R&D expense is a functional expense (as opposed to a natural expense), it would not be required to be disaggregated from other income statement captions by the requirements in Update 2024-03. There may be a difference between the types of activities considered R&D in accordance with GAAP and the types of activities that some investors would consider R&D.

The Board received feedback through the 2021 Agenda Consultation that more disclosures about an entity's R&D efforts could provide investors with a clearer understanding of those activities. For example, some stakeholders have suggested that disclosures could include the amount of revenues generated each year from new products as compared with the amount spent on R&D for that product. This could enable investors to see how long it takes R&D efforts to produce revenues.

Question 14: Investors—Does the definition of the term *research and development*, as noted in Question 4, appropriately capture what you consider as R&D for disclosure purposes? Are there other costs that you think should be included in or excluded from the R&D disclosure? Please explain your response.

Question 15: Investors—Do current disclosure requirements related to R&D costs or other expensed intangibles provide you with decision-useful information? If not, what information currently provided is not decision useful or what additional information would be decision useful? Please explain your response, including (a) identifying the information currently provided that is not decision useful and (b) additional information that should be disclosed, how and when that information would affect your capital allocation decisions, and whether that information would be relevant for all or a subset of expensed intangibles.

Appendix A—Past Standard-Setting History on Intangibles

This appendix lists certain past FASB and AICPA documents on intangibles.

Year	Document	Purpose of Document
1974	FASB Statement No. 2, *Accounting for Research and Development Costs*	Defined and established standards of financial accounting and reporting for R&D costs.
1976	FASB Discussion Memorandum, *An Analysis of Issues Related to Accounting for Business Combinations and Purchased Intangibles*	Solicited feedback about the appropriate financial accounting and reporting standards for business combinations and purchased intangibles within the existing framework of historical-cost-based financial statements.
1981	FASB Statement No. 51, *Financial Reporting by Cable Television Companies*	Extracted the specialized accounting principles and practices from AICPA Statement of Position 79-2, *Accounting by Cable Television Companies*, and established standards of financial accounting and reporting for costs, expenses, and revenues applicable to the construction and operation of a cable television system.
1982	FASB Statement No. 61, *Accounting for Title Plant*	Extracted the specialized principles and practices for title plant from AICPA Statement of Position 80-1, *Accounting for Title Insurance Companies*.
1982	FASB Statement No. 63, *Financial Reporting by Broadcasters*	Extracted and modified the specialized accounting principles and practices contained in AICPA Statement of Position 75-5, *Accounting Practices in the Broadcasting Industry*, and established standards of financial accounting and reporting for broadcasters.
1985	FASB Statement No. 86, *Accounting for the Costs of Computer Software to Be Sold, Leased, or Otherwise Marketed*	Specified the accounting for the costs of computer software to be sold, leased, or otherwise marketed as a separate product or as part of a product or process.
1988	AICPA Statement of Position 88-1, *Accounting for*	Provided guidance on accounting for developmental and preoperating

Year	Document	Purpose of Document
	Developmental and Preoperating Costs, Purchases, and Exchanges of Take-Off and Landing Slots, and Airframe Modifications	costs, purchases, and exchanges of takeoff and landing slots, and airframe modifications.
1990	FASB Discussion Memorandum, *An Analysis of Issues Related to Accounting for the Impairment of Long-Lived Assets and Identifiable Intangibles*	Solicited feedback about the recognition, measurement, and disclosure of impairment of long-lived assets and identifiable intangibles.
1998	AICPA Statement of Position 98-1, *Accounting for the Costs of Computer Software Developed or Obtained for Internal Use*	Provided guidance on accounting for the costs of computer software developed or obtained for internal use.
	AICPA Statement of Position 98-5, *Reporting on the Costs of Start-Up Activities*	Provided guidance on the financial reporting of start-up costs and organization costs.
2001	FASB Special Report, *Business and Financial Reporting, Challenges from the New Economy*	Examined the intersection between the new economy and business and financial reporting and asked stakeholders whether business financial reporting should change and, if so, how.
	FASB Statement No. 141, *Business Combinations*	Addressed financial accounting and reporting for business combinations; required intangibles to be recognized as assets apart from goodwill if they meet certain criteria.
	FASB Statement No. 142, *Goodwill and Other Intangible Assets*	Addressed financial accounting and reporting for acquired goodwill and other intangible assets, including how intangible assets that are acquired individually or with a group of other assets (but not those acquired in a business combination) should be accounted upon their acquisition.
	Proposal for a New Agenda Project, *Disclosure of Information about Intangible Assets Not Recognized in Financial Statements*	Solicited feedback on the objective and scope of a project to establish standards for improving disclosure of information about intangible assets that are not recognized in financial statements.
2004	FSP FAS No. 142-2, *Application of FASB Statement No. 142,*	Clarified the application of Statement 142 to oil- and gas-producing entities.

Year	Document	Purpose of Document
	Goodwill and Other Intangible Assets*, to Oil- and Gas-Producing Entities*	
2007	FASB Statement No. 141 (revised 2007), *Business Combinations*	Replaced Statement 141 and established principles and requirements for how the acquirer of a business combination recognizes and measures the identifiable assets acquired, the liabilities assumed, any noncontrolling interest in the acquiree, and goodwill acquired or a gain from a bargain purchase; required disclosures about the nature and financial effects of the business combination.
2016	Invitation to Comment, *Agenda Consultation*	Solicited feedback about the financial reporting issues that the FASB should consider adding to its agenda, including whether the financial reporting for R&D and other intangible assets is a major issue that the FASB should consider for improvement.
2018	Accounting Standards Update No. 2018-15, *Intangibles—Goodwill and Other—Internal-Use Software (Subtopic 350-40): Customer's Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement That Is a Service Contract*	Aligned the recognition requirements for capitalizing customer's software implementation costs (that is, those incurred in a hosting arrangement that is a service contract with implementation costs incurred to develop or obtain internal-use software [and hosting arrangements that include an internal-use software license]).
2019	Accounting Standards Update No. 2019-02*, Entertainment—Films—Other Assets—Film Costs (Subtopic 926-20) and Entertainment—Broadcasters—Intangibles—Goodwill and Other (Subtopic 920-350): Improvements to Accounting for Costs of Films and License Agreements for Program Materials*	Aligned the accounting for production costs of an episodic television series with the accounting for production costs of films.

Year	Document	Purpose of Document
2019	Invitation to Comment, *Identifiable Intangible Assets and Subsequent Accounting for Goodwill*	Solicited feedback about the subsequent accounting for goodwill, the accounting for certain identifiable intangible assets by public business entities.
2021	Invitation to Comment, *Agenda Consultation*	Solicited feedback about the future standard-setting agenda of the FASB, including whether intangible assets is an area for potential significant improvement, the types of intangible assets that should be included within the scope, and whether improvements should be primarily focused on recognition and measurement or disclosure.
2023	Accounting Standards Update No. 2023-08, *Intangibles—Goodwill and Other—Crypto Assets (Subtopic 350-60): Accounting for and Disclosure of Crypto Assets*	Provided investors with more decision-useful information that better reflects the underlying economics of crypto assets within the scope and an entity’s financial position, while reducing cost and complexity associated with applying cost-less-impairment accounting.
2024	Proposed Accounting Standards Update, *Intangibles—Goodwill and Other—Internal-Use Software (Subtopic 350-40): Targeted Improvements to the Accounting for Internal-Use Software*	Would make targeted improvements to Subtopic 350-40 to improve the operability of the recognition guidance considering different methods of software development and to enhance the transparency of cash outflows for capitalized software costs.
2024	Proposed Accounting Standards Update, *Environmental Credits and Environmental Credit Obligations (Topic 818)*	Would provide comprehensive recognition, measurement, presentation, and disclosure requirements for all entities that own environmental credits or have an environmental credit obligation that may be settled with environmental credits.

Appendix B—Conceptual Framework

The Conceptual Framework is a body of interrelated objectives and fundamentals that provides the FASB with a useful tool as it sets standards. A Concepts Statement is nonauthoritative and does not establish or change GAAP.

The Conceptual Framework describes concepts that the Board would consider in developing standards of financial accounting and reporting. It provides the Board with a framework for developing standards that meet the objective of financial reporting and enhance the understandability of information for existing and potential investors, lenders, donors, and other resource providers of a reporting entity. In developing standards of financial accounting and reporting, cost is a pervasive constraint on the information that can be provided. Reporting financial information imposes costs, and it is important that those costs are justified by the benefits of reporting that information. There are several types of benefits and costs that the FASB considers in developing standards of financial accounting and reporting.

This appendix does not address whether GAAP requirements are consistent with the FASB's Conceptual Framework. Instead, this appendix focuses on the concepts that the Board would consider in developing recognition requirements for intangible items, as well as the benefits and costs of providing useful financial reporting.

Recognition Criteria

Paragraph RD5 in Chapter 5, *Recognition and Derecognition*, of Concepts Statement 8 provides the following concepts as a guide for determining recognition of items in financial statements:

> RD5. An item and its financial information should meet three recognition criteria to be recognized in financial statements, subject to the pervasive cost constraint and materiality considerations. Those criteria are:
>
> a. *Definitions*—The item meets the definition of an element of financial statements.
> b. *Measurability*—The item is measurable with a relevant measurement system.
> c. *Faithful Representation*—The item can by depicted and measured with faithful representation.

Definition of an Asset

Under the recognition concept described above, an intangible item must meet the definition of an asset to be recognized in financial statements. Paragraph E16 of Chapter 4 of Concepts Statement 8 provides the following definition of an asset:

> An asset is a present right of an entity to an economic benefit.

Other relevant paragraphs that discuss intangible assets in Chapter 4 include:

> E34. The ability of an entity to sell, transfer, license, or exchange a right provides evidence that the right presently exists, the entity controls access to that right, and the right is to an economic benefit. Some intangible assets arise from rights conveyed legally by contract, statute, or other means. For example, trademarks may be registered with the government. Contracts often are negotiated with customers or suppliers. The existence of contractual or other legal rights is a common characteristic of an intangible asset. However, if the right can be identified and, particularly, the identified right can be separated from the entity, it gives credibility that the right exists and that it is to an economic benefit.
>
> E35. Many activities are undertaken with the expectation of obtaining an economic benefit in the future. Examples include research and development, advertising, training, start-up activities, and preoperating activities. While the costs incurred in those activities are not assets, the activities may result in an entity creating a right to an economic benefit and, therefore, obtaining an asset or enhancing an existing asset. For those and similar activities, assessments of when a present right exists and whether the right is to a related economic benefit may be especially uncertain. An entity (a) may have rights that are not to a discernible economic benefit or (b) may have identified future economic benefits to which it has no present rights. The practical problem is whether a right to a future economic benefit exists at a specified date.
>
> E36. Some intangible items that do not arise from rights conveyed by contract or other legal means are nonetheless capable of being separated and exchanged for something of value. If an item is capable of being separated and exchanged for something of value, that would be evidence that a right exists and that the right is to an economic benefit. Others cannot be separated from an entity and sold or otherwise transferred, but still may represent rights to economic benefits. Generalizations about facts and circumstances that bring about internally generated intangible assets are so varied that whether an asset has been created often must be resolved at the standards level.

Benefits and Costs of Providing Useful Financial Reporting

Relevant paragraphs in Chapter 3, *Qualitative Characteristics of Useful Financial Information*, of Concepts Statement 8 that broadly discuss the benefits and costs of providing useful financial reporting include:

> QC36. Providers of financial information expend most of the effort involved in collecting, processing, verifying, and disseminating financial information, but users ultimately bear those costs in the form of reduced returns. Users of financial information also incur costs of analyzing and interpreting the information provided. If needed information is not provided, users incur additional costs to obtain that information elsewhere or to estimate it.
>
> QC37. Reporting financial information that is relevant and faithfully represents what it purports to represent helps users to make decisions with more confidence. This results in more efficient functioning of capital markets and a lower cost of capital for the economy as a whole. An individual investor, lender, and other creditor also receive benefits by making more informed decisions. However, it is not possible for general purpose financial reports to provide all the information that every user finds relevant.
>
> QC38. In applying the cost constraint, the Board assesses whether the benefits of reporting particular information are likely to justify the costs incurred to provide and use that information. When applying the cost constraint in developing a proposed financial reporting standard, the Board seeks information from providers of financial information, users, auditors, academics, and others about the expected nature and quantity of the benefits and costs of that standard. In most situations, assessments are based on a combination of quantitative and qualitative information.
>
> QC39. Because of the inherent subjectivity, different individuals' assessments of the costs and benefits of reporting particular items of financial information will vary. Therefore, the Board seeks to consider costs and benefits in relation to financial reporting generally, and not just in relation to individual reporting entities. That does not mean that assessments of costs and benefits always justify the same reporting requirements for all entities. Differences may be appropriate because of different sizes of entities, different ways of raising capital (publicly or privately), different users' needs, or other factors.

Appendix C—Overview of Accounting for Intangibles in GAAP[12]

Area of GAAP	Types of Intangibles Addressed	Overview of Area
Subtopic 340-40, Other Assets and Deferred Costs—Contracts with Customers	Intangibles arising from contracts with customers	Subtopic 340-40 provides recognition, subsequent measurement, and disclosure guidance for the following costs related to a contract with a customer within the scope of Topic 606, Revenue from Contracts with Customers: 1. Incremental costs of obtaining a contract with a customer 2. Costs incurred in fulfilling a contract with a customer that are not in the scope of another Topic.
Subtopic 350-30, Intangibles—Goodwill and Other—General Intangibles Other Than Goodwill	Acquired intangibles other than goodwill	Subtopic 350-30 provides recognition, measurement, presentation, and disclosure guidance for intangible assets (other than goodwill) acquired individually or with a group of other assets and for the cost of developing, maintaining, or restoring internally generated intangible assets.
Subtopic 350-40, Intangibles—Goodwill and Other—Internal-Use Software	Internal-use software	Subtopic 350-40 provides recognition, measurement, presentation, and disclosure guidance for costs that

[12]This table highlights key elements of accounting requirements for intangibles in GAAP. It is not intended to represent a complete summary of GAAP and should not be used as a replacement for requirements in the Codification. This table does not reflect any proposed amendments that are not yet finalized.

Area of GAAP	Types of Intangibles Addressed	Overview of Area
		an entity incurs to develop or acquire internal-use software.
Subtopic 350-50, Intangibles—Goodwill and Other—Website Development Costs	Websites	Subtopic 350-50 provides recognition guidance for costs that an entity incurs to develop a website and leverages guidance in Subtopic 350-40 on internal-use software costs.
Subtopic 350-60, Intangibles—Goodwill and Other—Crypto Assets	Crypto assets	Subtopic 350-60 provides measurement and disclosure guidance for crypto assets.
Subtopic 720-15, Other Expenses—Start-Up Costs	Start-up and organization costs	Subtopic 720-15 provides recognition guidance on the financial reporting of start-up and organization costs, including providing examples to help entities determine which costs fall within and outside the scope of Subtopic 720-15.
Subtopic 720-45, Other Expenses—Business and Technology Reengineering	Intangibles arising from business process reengineering and information technology transformation projects	Subtopic 720-45 provides recognition and initial measurement guidance for costs associated with business process reengineering and information technology transformation projects.
Subtopic 730-10, Research and Development—Overall	R&D	Subtopic 730-10 provides recognition and disclosure guidance for R&D costs, including what activities should be identified as R&D for financial accounting and reporting purposes.
Subtopic 805-20, Business Combinations—Identifiable Assets and Liabilities, and Any Noncontrolling Interest	Acquisition of intangibles as part of a business combination, including marketing-related intangible assets, customer-related	Subtopic 805-20 provides recognition, measurement, derecognition, and disclosure guidance for intangibles acquired in a business combination that should be recognized separately from goodwill.

Area of GAAP	Types of Intangibles Addressed	Overview of Area
	intangible assets, artistic-related intangible assets, contract-based intangible assets, and technology-based intangible assets	
Subtopic 805-50, Business Combinations—Related Issues	Acquisition of intangibles in an asset acquisition	Subtopic 805-50 provides recognition and measurement guidance for intangibles acquired in transactions in which assets acquired and liabilities assumed do not constitute a business and requires such a transaction to be accounted for as an asset acquisition.
Subtopic 908-350, Airlines—Intangibles—Takeoff and Landing Slots	Takeoff and landing slots for entities in the airline industry	Subtopic 908-350 provides recognition and subsequent measurement guidance for takeoff and landing slots for entities in the airline industry. It indicates that takeoff and landing slots are accounted for in accordance with Topic 350, Intangibles—Goodwill and Other, and how to determine the useful life of those intangibles.
Subtopic 920-350, Entertainment—Broadcasters—Intangibles—Goodwill and Other	Broadcaster licensee rights	Subtopic 920-350 provides recognition, measurement, derecognition, presentation, and disclosure guidance by a broadcaster licensee for the rights acquired under a license agreement for program material. It also addresses the accounting for network affiliation agreements that are terminated.
Subtopic 922-350, Entertainment—Cable	Programming costs and franchise application costs	Subtopic 922-350 provides recognition, subsequent measurement, and derecognition guidance for various intangible costs incurred by entities in the

Area of GAAP	Types of Intangibles Addressed	Overview of Area
Television—Intangibles—Goodwill and Other		cable television industry, such as programming costs and franchise application costs.
Subtopic 926-20, Entertainment—Films—Other Assets—Film Costs	Film costs	Subtopic 926-20 provides recognition, subsequent measurement, derecognition, presentation, and disclosure guidance for costs incurred by entities in the film production and distribution industry to produce and distribute films (referred to as “film costs”).
Subtopic 928-340, Entertainment—Music—Other Assets and Deferred Costs	Advance royalties and minimum guarantees	Subtopic 928-340 provides recognition, subsequent measurement, presentation, and disclosure guidance for advance royalties and minimum guarantees by an entity in the music industry, as well as the costs by such entities to produce record masters.
Subtopic 932-350, Extractive Activities—Oil and Gas—Intangibles—Goodwill and Other	Oil and gas intangibles	Subtopic 932-350 provides an exception for the oil and gas industry to the disclosure requirements for intangible assets.
Subtopic 950-350, Financial Services—Title Plant—Intangibles—Goodwill and Other	Title plants	Subtopic 950-350 provides recognition, measurement, and derecognition guidance for title plants.
Subtopic 980-350, Regulated Operations—Intangibles—Goodwill and Other	Goodwill and long-term power sales contracts	Subtopic 980-350 provides subsequent measurement guidance for goodwill and long-term power sales contracts.
Subtopic 985-20, Software—Costs of Software to Be Sold, Leased, or Marketed	External-use software	Subtopic 985-20 provides recognition, measurement, presentation, and disclosure guidance for costs that an entity incurs to develop external-use software.

Appendix D—Questions for Respondents

Overall

Question 1: Please describe what type of stakeholder you (or your organization) are from the list below, including a discussion of your background and what your point of view is when responding to this ITC:

a. Academic
b. Investor, other allocator of capital, or other financial statement user, such as:
    1. Equity analyst: buy side
    2. Equity analyst: sell side
    3. Credit-rating agency analyst
    4. Fixed-income analyst
    5. Accounting analyst
    6. Quantitative analyst
    7. Portfolio manager
    8. Private equity
    9. Individual investor
    10. Lender
    11. Long-only focus
    12. Long/short focus
    13. Other.
c. Practitioner/auditor
d. Not-for-profit organization preparer
e. Private company preparer
f. Public company preparer
g. Regulator
h. Standard setter
i. Other.

Question 2: Is there is a pervasive need to improve GAAP related to the accounting for and disclosure of intangibles (that is, is there a case for change)? Please explain your response.

Question 3: If the Board were to pursue a project on intangibles, how should the Board address the topic? For each type of intangible, or groups of intangibles, that should be separately addressed, please explain your response, including the following:

a. A description of the type(s) of intangible or groups of intangibles (including an explanation of why those intangibles should be addressed in a group).
b. The objective of the potential project.

c. The potential solution(s).
d. The type(s) of intangibles, or groups of intangibles, the potential solution should apply to. For example, whether is a narrow potential solution for a specific intangible item or a solution that could broadly apply to a group of intangible items.
e. The expected benefits and expected costs of the potential solution(s).

Recognition of Intangibles

Question 4: R&D costs are required to be expensed as incurred. Do the current definitions of the term *research and development*, and related examples of activities included in and excluded from R&D, appropriately capture R&D activities that should be expensed as incurred? Please explain your response, including how the definitions could be updated. See Question 14 about disclosure of R&D costs.

Question 5: Should the accounting for research costs be the same as or different from the accounting for development costs? For example, would it be appropriate to expense all research costs as incurred and recognize all development costs as assets? If so, how would an entity determine when research ends and development begins for certain common intangibles (for example, software- and pharmaceutical-related intangibles)? Would changing the accounting for development costs in this way lead to material amounts being capitalized? Please explain your response.

Question 6: Practitioners and preparers—Are there operability or auditability challenges in applying the R&D guidance, such as identifying what costs should be accounted for and disclosed as R&D? Please explain your response, including what the specific challenges are and how the Board could address them.

Question 7: Should the Board consider recognizing other internally developed intangibles when either (a) management has committed to funding the project and it is probable that the project will be completed and will perform the function intended or (b) technological feasibility has been established? If so, for which intangibles? Would this result in decision-useful information? Would these criteria also be helpful in determining whether an intangible should be recognized as an asset or expensed when acquired in a business combination or in an asset acquisition? Please explain your response.

Question 8: Should the Board consider aligning the recognition guidance for intangibles (a) acquired as part of a business combination, (b) acquired in an asset acquisition, (c) that are internally developed, or (d) newly developed criteria? If so, how should the guidance be aligned? Should the recognition guidance be aligned for all intangibles, including those with specific industry based guidance, or only certain categories? Would such an alignment result in decision-useful information? Please explain your response. If a new model is recommended, please provide details on that model, including how it would be an improvement to current GAAP and achieve consistent recognition of intangibles.

Question 9: Practitioners and preparers—Are there operability or auditability challenges in applying the acquired intangibles recognition guidance? Please explain your response, including what the specific challenges are and how the Board could address them.

Question 10: Investors—Does the different treatment for intangibles (a) acquired as part of a business combination, (b) acquired in an asset acquisition, or (c) that are internally developed affect your analysis? Do the differences in the financial reporting results present challenges in evaluating organic growth versus inorganic growth? Please explain your response.

Question 11: If the Board does not pursue a project to align the recognition guidance for all intangibles, the Board could pursue a project to develop comprehensive guidance for the recognition of internally developed intangibles based on the current business combinations or asset acquisitions guidance. Would it be operable to leverage either the separability criterion or the contractual-legal criterion from the business combinations guidance or the asset acquisitions recognition criteria to recognize internally developed intangibles? Would this result in decision-useful information? Please explain your response.

Question 12: If the Board were to address intangibles, how should the FASB consider international guidance and research on recognition of intangibles by international standard setters or advisory groups? Please explain your response, including which specific international guidance (or research) should be considered and whether international guidance as applied results in substantively different accounting outcomes than GAAP (for example, whether pharmaceutical companies capitalize material amounts of development costs under IAS 38 versus entities that apply GAAP).

Presentation and Disclosure of Intangibles

Question 13: Investors—Do current disclosure requirements related to intangibles recognized as assets provide you with decision-useful information? If not, what information currently provided is not decision useful or what additional information is needed? Please explain your response, including (a) identifying the information currently provided that is not decision useful and (b) additional information that you need and how and when that information would affect your capital allocation decisions and whether it is relevant for all or a subset of intangible assets.

Question 14: Investors—Does the definition of the term *research and development*, as noted in Question 4, appropriately capture what you consider as R&D for disclosure purposes? Are there other costs that you think should be included in or excluded from the R&D disclosure? Please explain your response.

Question 15: Investors—Do current disclosure requirements related to R&D costs or other expensed intangibles provide you with decision-useful information? If not, what information currently provided is not decision useful or what additional information would be decision useful? Please explain your response, including (a) identifying the information currently provided that is not decision useful and (b) additional information that should be disclosed, how and when that information would affect your capital allocation decisions, and whether that information would be relevant for all or a subset of expensed intangibles.