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## **Better Information on Intangible Assets**

### **Academic Literature Review**

#### **Cover Note**

#### **Objective**

- 1 The objective of this session is to discuss a draft academic literature review on intangibles and consider its preliminary conclusions.

#### **Background**

- 2 Following EFRAG's public agenda consultation, EFRAG has added Research Project *Better Information on Intangible Assets* (the research project) to its research agenda. The purpose of the project is to investigate possible ways to improve the information on intangible assets provided in financial statements and explore how they contribute to entities' value creation and prospects for future cash flows.
- 3 In the context of the project, EFRAG commissioned an academic literature review (the 'literature review'), intended to provide a review of academic and other literature published within the last ten years. EFRAG selected the application from academics of the University of Ferrara (the 'academic team'). The study was intended to review literature that would be useful for understanding:
  - (a) intangibles from a macro perspective;
  - (b) unrecognised intangibles and their impact on the value relevance of financial reporting;
  - (c) specific unrecognised intangibles and their impact on entity performance, market value, and the information's impact on users;
  - (d) intangibles and intellectual capital and their effects on entity performance, market value and the information's impact on users; and
  - (e) frameworks and models for measuring and reporting on intangibles and their consequences on entity performance, market value and impact on users.
- 4 For the EFRAG Secretariat it was important to include in the review the literature discussing how information on intangibles affects the decisions of users of financial statements.
- 5 The EFRAG Secretariat requested also that the literature review was useful for EFRAG's research project and for EFRAG's constituents. This means that the literature review should focus on the results (including limitations in generalisation of the results). The literature review should therefore be written in a manner that would be understandable for non-academics.

*Academic Literature Review on Better information on intangibles – Cover Note*

- 6 In addition to academic literature, the EFRAG Secretariat asked the academic team to include in the review:
  - (a) the books and reports published by the European Commission and OECD that are relevant for the topic;
  - (b) a description of frameworks and models for measuring and reporting on intangibles;
  - (c) a description of WICI and other frameworks that are used in practice, although these are not examined in academic literature; and
  - (d) essential books and articles published over the last 10 – 12 years.
- 7 The first draft of the literature review is being reviewed by members of EFRAG's Academic Panel. Their comments will be considered by the academic team.
- 8 The final version of the literature review is expected to be published in Q4 2019.
- 9 Agenda Paper 11-02 provides further details about the objectives and approach of the literature review.

**Agenda Papers**

- 10 In addition to this cover note, Agenda Paper 11-02 – *Presentation of the Academic Literature Review* has been provided for the session.