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KASB Research Project on Intangibles

Statement of Core Intangibles

Cover Note

Objective

- 1 The objective of this session is to discuss the KASB's *Statement of Core Intangibles* that will be presented at the December 2019 ASAF meeting.

The KASB Proposal

- 2 The KASB proposes a statement of core intangibles. The statement would include the intangibles that are not recognised in the statement of financial position to the extent they are the main drivers of an entity's value (hence 'core'). The intangibles included in the statement of core intangibles would be measured at fair value. Core intangibles are intangible factors that are important to an entity in its creation of value (regardless of whether they are internally developed or externally acquired). Core intangibles do not need to be secured by legal means and do not need to meet the definition of an asset. It is not the intention that the statement of core intangibles should be subject to an external audit. Main assumptions related to the statement, including the measurement, should be disclosed. The statement should include comparative information in respect of the preceding periods for the fair value of core intangibles. According to the proposal this is in order to make the figures more credible.

The KASB's proposals and EFRAG research project on intangibles

- 3 Similar to the KASB (and some other standard setters), EFRAG has a project on intangibles. The purpose of that project is to:
 - (a) explain how entities report on creating, maintaining and/or improving their value;
 - (b) explain how users consume information on creating, maintaining and/or improving value, and the extent to which current reporting addresses their needs; and
 - (c) provide suggestions on how information on creating, maintaining and/or improving value can be provided in financial reports in a manner that is useful for decisions on providing resources to the entity.
- 4 One of the approaches EFRAG might take into consideration could thus be the approach suggested by KASB.

Question for EFRAG CFSS and EFRAG TEG

- 5 Do you consider that the proposed Statement of Core Intangibles are useful?
- 6 Do you see any possible significant challenges in implementing the proposed Statement of Core Intangibles? If so, please explain which and why.
- 7 Do you have any additional questions to or comments on the KASB's suggestions?

Agenda Papers

- 8 In addition to this cover note, the agenda papers for this session are:
 - (a) Agenda paper 06-02 – ASAF paper 02 – Concept and Design - TEG CFSS 19-12-04;
 - (b) Agenda paper 06-03 – ASAF paper 2A – Statement of Core Intangibles - TEG CFSS 19-12-04; and
 - (c) Agenda paper 06-04 – ASAF paper 02B - Concern and way forward - TEG CFSS 19-12-04.