

Limited Revision to AS 26

The Council of the Institute of Chartered Accountants of India has decided to make the following limited revision to Accounting Standard (AS) 26, Intangible Assets.

Paragraph 1 of AS 26 has been decided to be modified as under (modifications made are shown as underlined):

“Scope

1. *This Statement should be applied by all enterprises in accounting for intangible assets, except:*

- (a) intangible assets that are covered by another Accounting Standard;*
- (b) financial assets³;*
- (c) mineral rights and expenditure on the exploration for, or development and extraction of, minerals, oil, natural gas and similar non-regenerative resources; and*
- (d) intangible assets arising in insurance enterprises from contracts with policyholders.*

This Statement should not be applied to expenditure in respect of termination benefits⁴ also.”

The limited revision comes into effect in respect of accounting periods commencing on or after 1-4-2003. Pursuant to the above limited revision, the Announcement titled ‘Applicability of Accounting Standard (AS) 26, Intangible Assets, to intangible items’, published in November 2003 issue of the Institute’s Journal (Pp. 479), stands superseded to the extent it deals with VRS expenditure, from the aforesaid date.

³A financial asset is any asset that is:

- (a) cash;
- (b) a contractual right to receive cash or another financial asset from another enterprise;
- (c) a contractual right to exchange financial instruments with another enterprise under conditions that are potentially favourable; or
- (d) an ownership interest in another enterprise.

⁴Termination benefits are employee benefits payable as a result of either:

- (a) an enterprise’s decision to terminate an employee’s employment before the normal retirement date; or
- (b) an employee’s decision to accept voluntary redundancy in exchange for those benefits (voluntary retirement).

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