

Brands and Other Intangible Assets in Financial Reporting (FASB)

Presented by:

Michael J. Mard, CPA/ABV/CFF, ASA

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Intangible Asset Criteria

Definition by the FASB:

Assets (not including financial assets) that lack physical substance.

An asset is **identifiable** if it meets either of the following criteria:

- a. It is **separable**, that is, capable of being separated or divided from the entity and sold, **transferred**, licensed, rented, or exchanged, either individually or together with a related contract, identifiable asset, or liability, regardless of whether the entity intends to do so.
- b. 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.

Definition of Fair Value

The price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Definition of Brand

Per **The American Marketing Association (AMA)**:

name, term, sign, symbol or design, or a combination of them, intended to identify the goods and services of one seller or group of sellers and to differentiate them from those of the competition.

Per **Roger Sinclair**:

Marketers have long viewed brands as assets and follow a three stage process to create a brand that has utility for its owner.

1. Following new product research and development, names are generated and a short list created. The final choice is largely dependent on the availability of the favoured name to be legally registered as a trademark and that the all important URL can be universally acquired to provide the brand with an Internet presence.

2. The brand elements are created by brand specialists and graphic designers. These are the name style, colours, packaging, music, slogan and other elements of the customer experience that make the brand known and easily recognizable to its user group.

3. A marketing campaign will be designed and implemented to make the brand known and available to the public. As the first dollar is exchanged by a customer for the product or service, the brand is said to have equity. Brand equity is the value the brand adds to a non-branded version and which results in a flow of future economic benefits.

Definition of Brand, continued

Per James Gregory:

corporate brand as the product of the millions of experiences a company creates – with employees, vendors, investors, reporters, communities, and customers – and the emotional feelings these groups develop as a result.

Per an illustrative example in IFRS 3, *Business Combinations*:

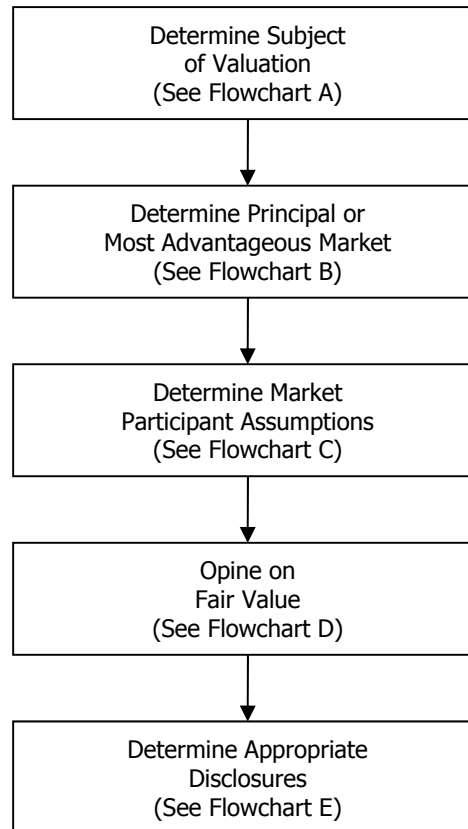
The terms brand and brand names, often used as synonyms for trademarks and other marks, are general marketing terms...

Suggestion per MJM:

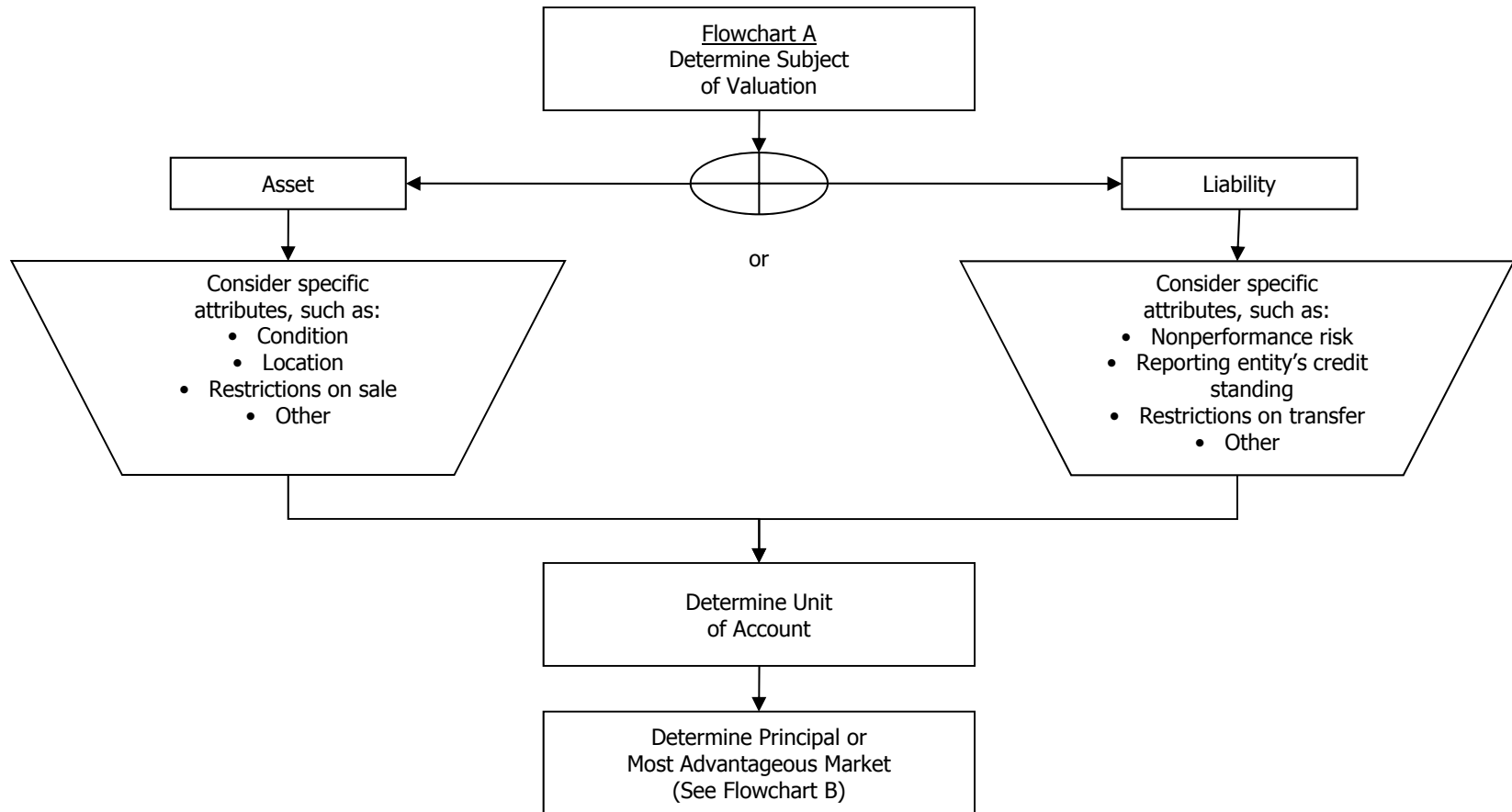
Brand: An expression that conveys an entity's reputation.

Brand manifestations can be represented in trade-marks, -dress, -secrets, -design, patents, customer relationships, know how, technology, goodwill and other such intangible assets.

Fair Value Flowchart

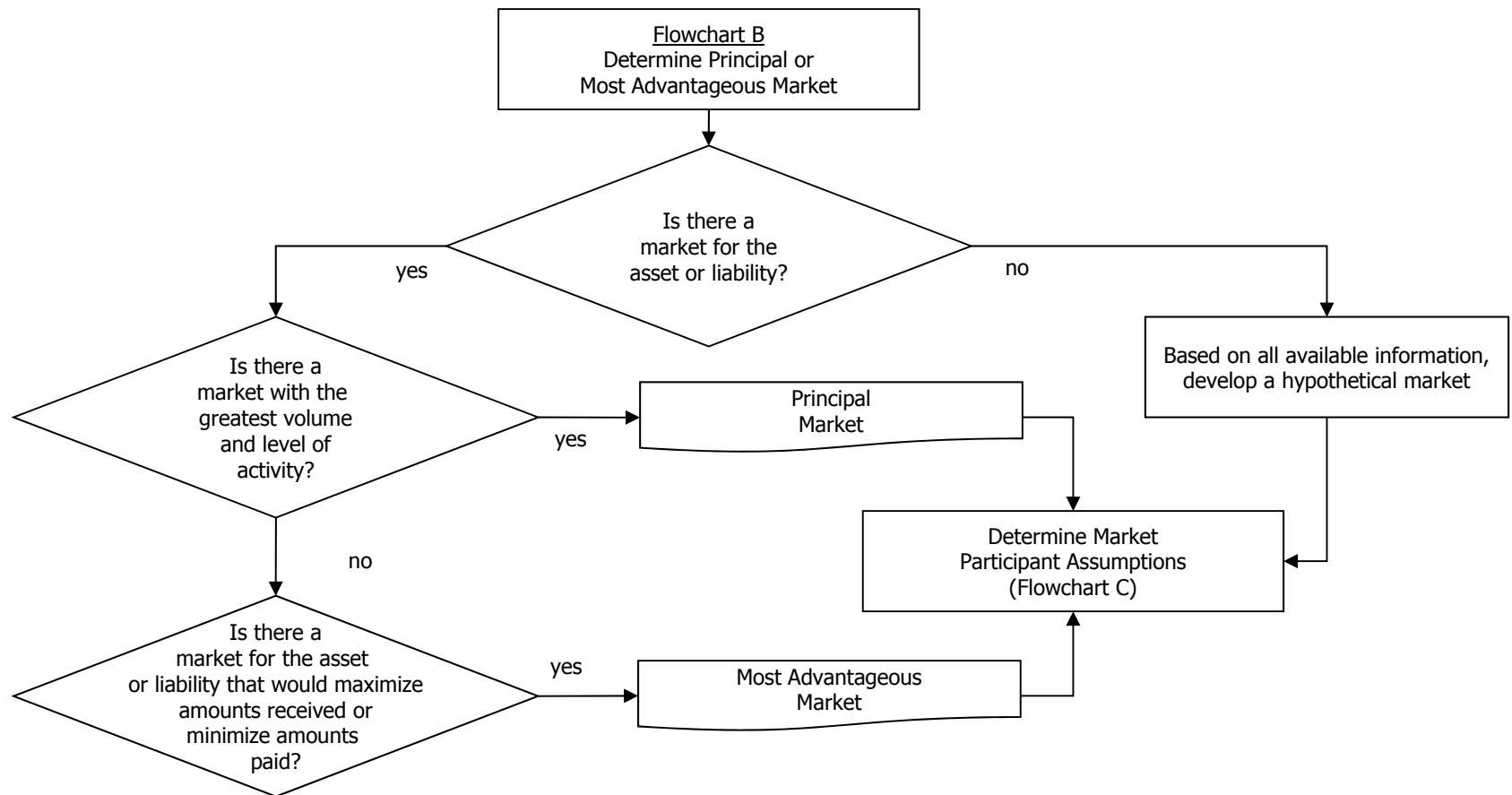


Fair Value Flowchart

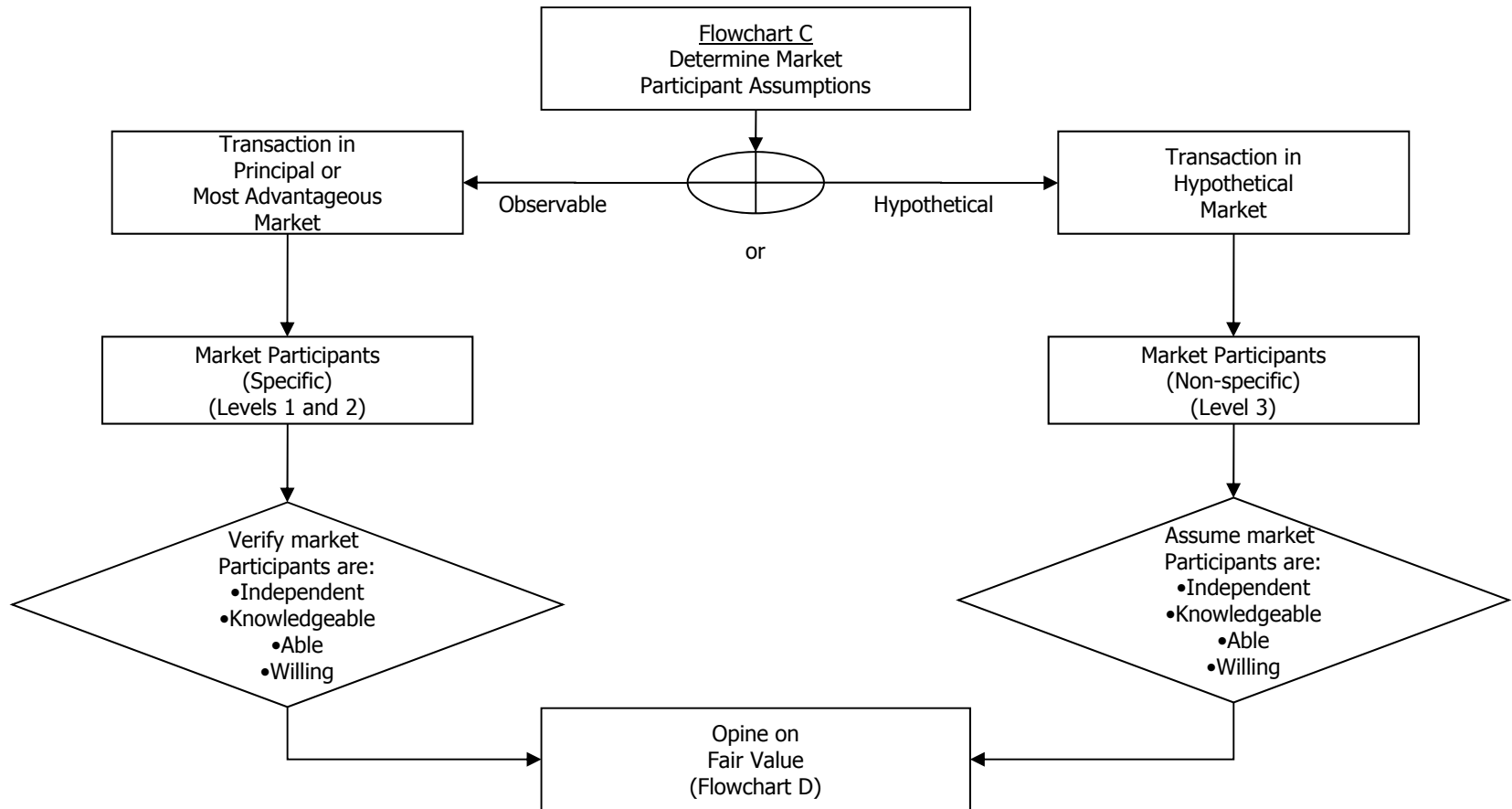


Fair Value Flowchart

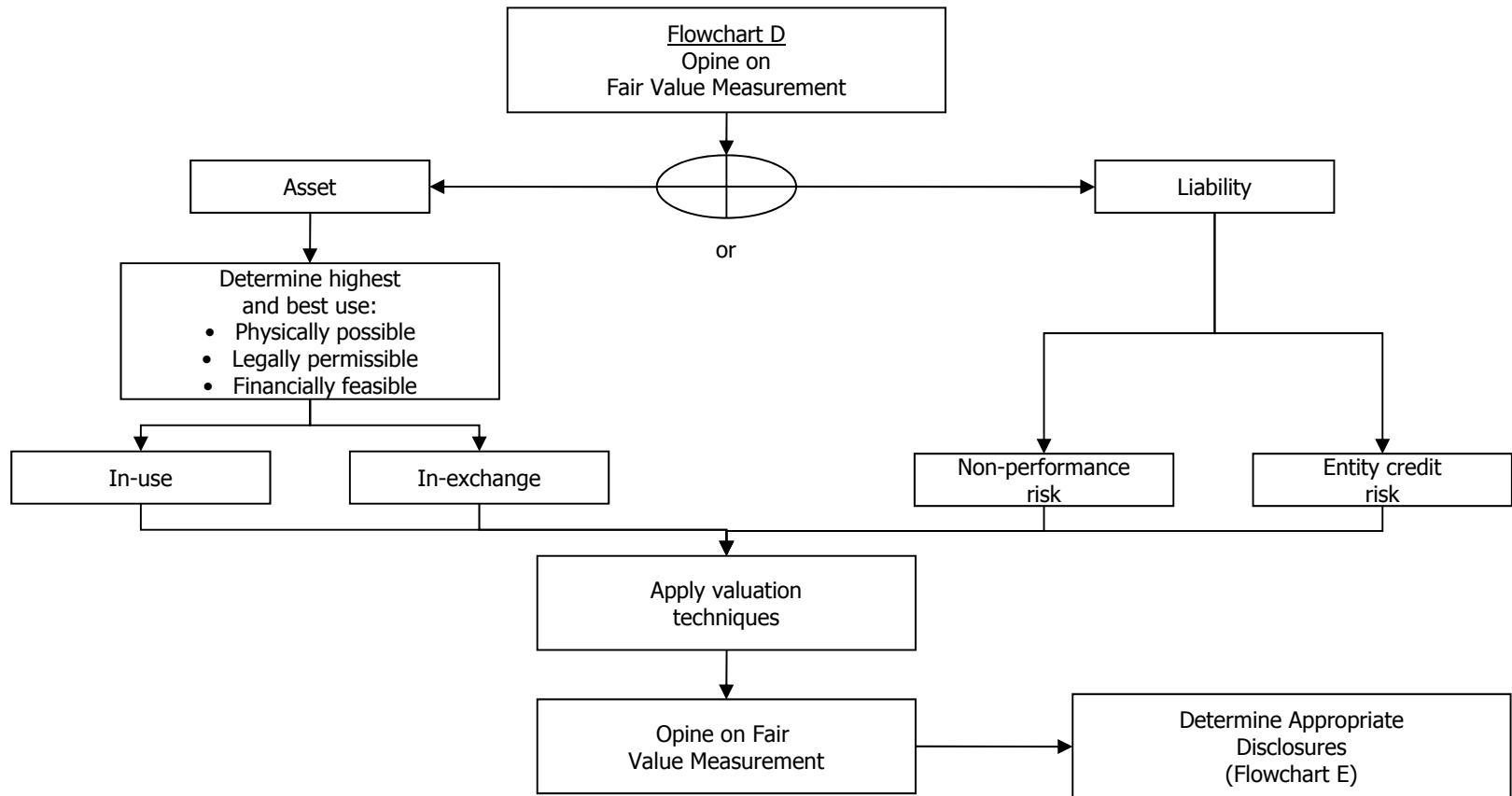
Note: per ASU 2011-04, highest and best use should only be applied when measuring the fair value of nonfinancial assets



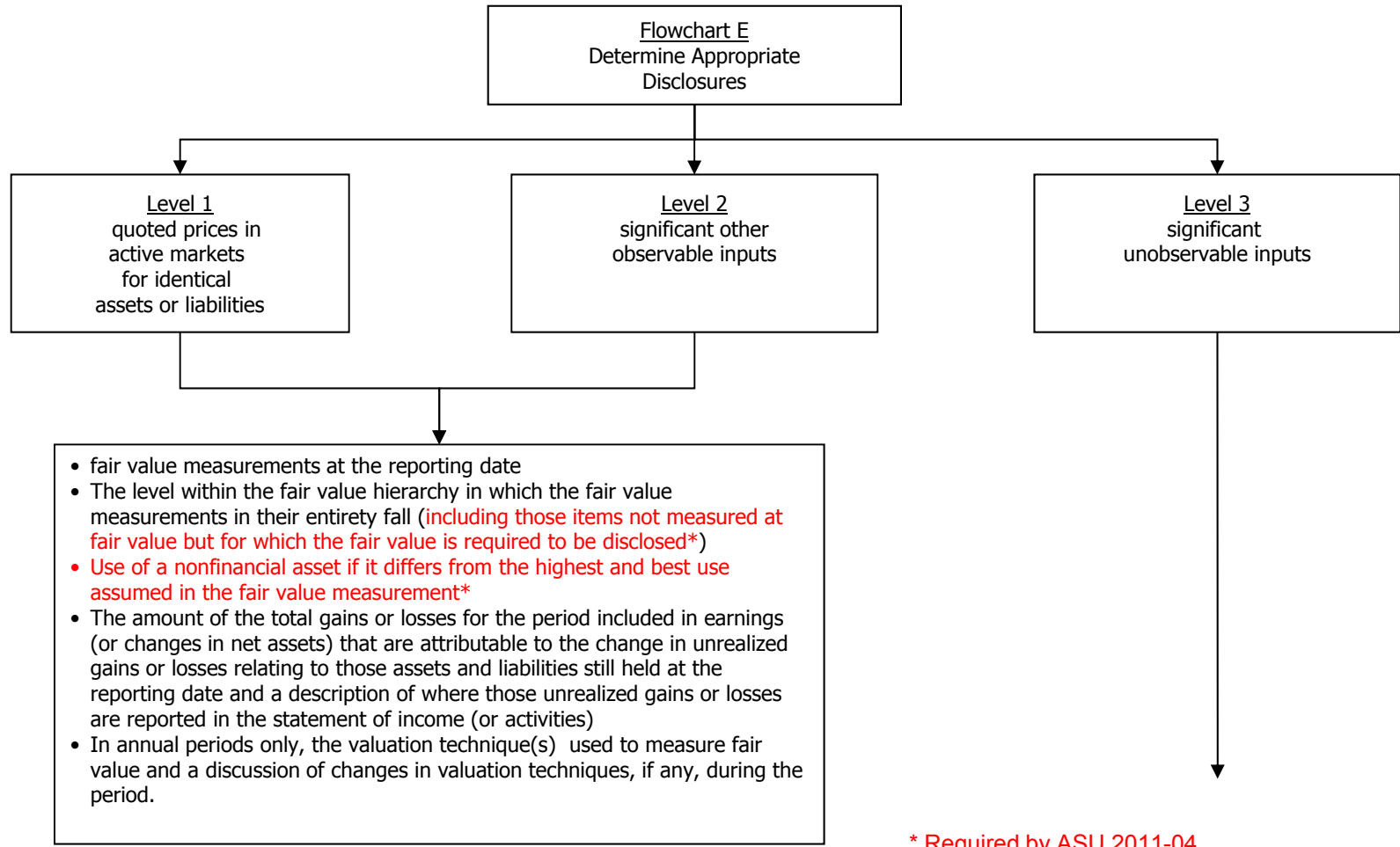
Fair Value Flowchart



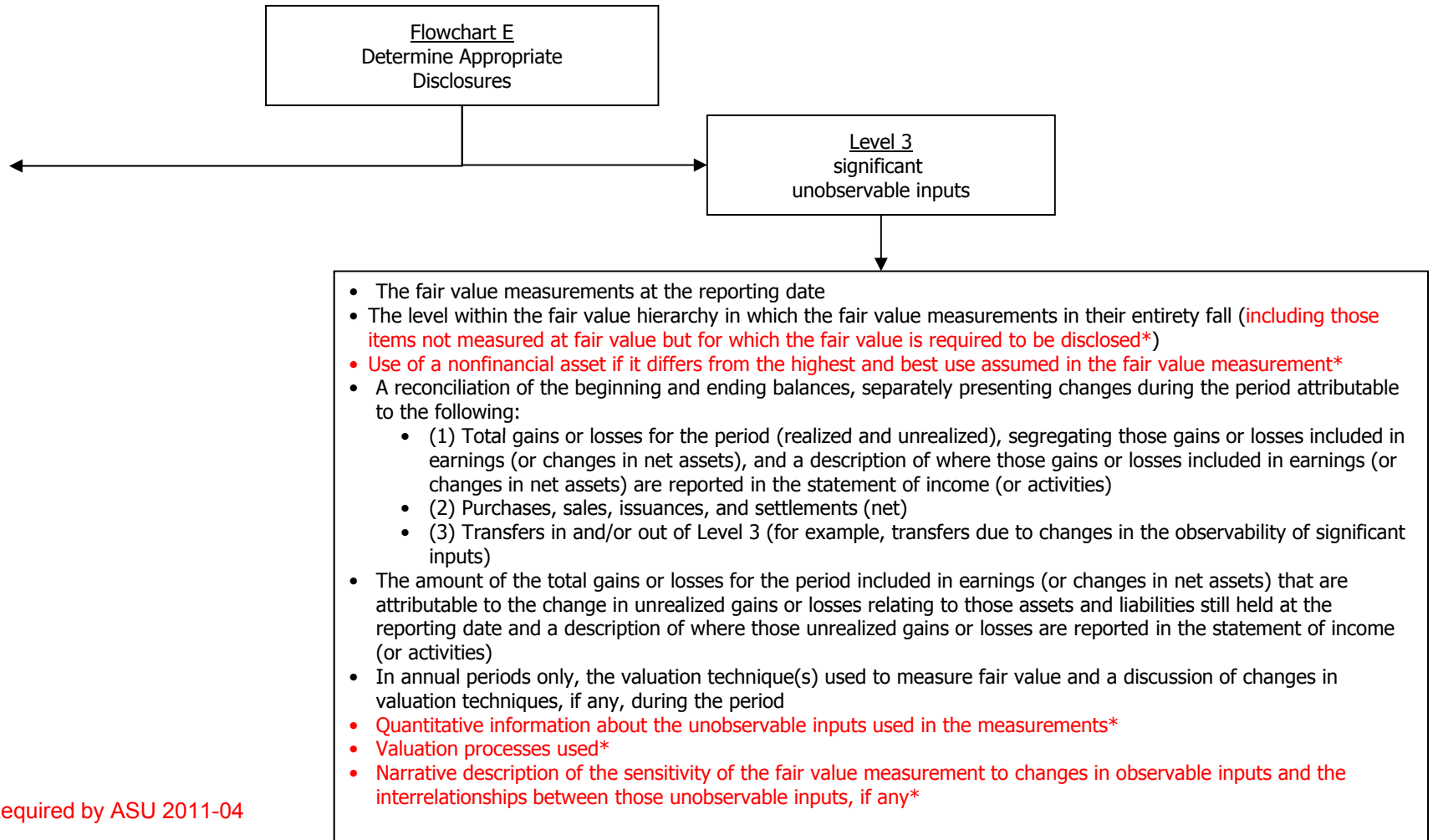
Fair Value Flowchart



Fair Value Flowchart



Fair Value Flowchart



* Required by ASU 2011-04

Royalty Rate Research Available

All Trademarks

	Percent			Dollar		
	Flat	Low	High	Flat	Low	High
Mean:	7.2041%	4.7698%	10.2336%	\$6,256,208.22	\$378,655.68	\$1,665,128.76
Median:	5.0000%	3.9000%	6.1250%	\$300,000.00	\$25,000.00	\$35,000.00
Low:	0.0500%	0.0500%	0.1000%	\$0.02	\$0.02	\$0.04
High:	50.0000%	25.0000%	80.0000%	\$300,000,000.00	\$3,780,000.00	\$12,600,000.00

Q & A

Michael J. Mard, CPA/ABV/CFF, ASA



Michael J. Mard, CPA/ABV/CFF, ASA has been a full-time business appraiser and expert witness for over 25 years with a broad range of experience from small companies to very large billion dollar companies, both private and public. He has developed analyses that have been reviewed and accepted by the Securities and Exchange Commission, major accounting firms, the IRS and the courts. Mr. Mard has provided expert testimony approximately 100 times, in both Federal and state courts, related to intangible assets, intellectual property, business damages, marital dissolution, shareholder disputes and IRS matters.

Mr. Mard is lead author of eight books, most recently *Valuation for Financial Reporting: Fair Value Measurements and Reporting, Intangible Assets, Goodwill, and Impairment, Third Edition* (November 2010), published by Wiley & Sons, Inc. He is a co-author of three additional books, all published by John Wiley & Sons, Inc. Mr. Mard has co-authored over 20 courses and published over 75 articles. He has been a presenter, speaker and instructor more than 125 times.

In 1998, Mr. Mard was asked by the AICPA to assist the Financial Accounting Standards Board (FASB) staff in its research and development of procedures for valuing intangible assets including two educational presentations to the full Board. For the last twelve years, he has worked with various task forces of the FASB and he has served on the FASB's Valuation Resource Group since inception, 2000.

Mr. Mard has a Masters of Accountancy from the University of South Florida and is a Florida CPA. He has been elected into the AICPA Business Valuation Hall of Fame and holds the AICPA's Accreditation in Business Valuation (ABV) and Certified in Financial Forensics (CFF) specialty designations and the Accredited Senior Appraiser (ASA) with the American Society of Appraisers.