

Change in Requirements for Reporting Intangible Assets/Brand Value

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MASB Comment Letter on the IASB's Agenda Consultation

- Revision to IAS 38 *Intangible Assets* to bring it into line with IFRS 3 *Business Combinations*
 - Current inconsistency in accounting for acquired brands versus those which are internally generated
 - Argument for a consistent, standardized approach to the valuation of brands at their fair value
 - Further standardization should occur around the handling of long versus short-term value of the brand and the time-value expenses associated with maintaining it

Microsoft Comment Letter on the IASB's Agenda Consultation

- Important that the IASB add a comprehensive project to its agenda on intangible assets
 - Intangible assets are an increasingly significant class for a wide range of entities across many jurisdictions
 - Important that the IASB approach an intangible asset project in a holistic manner
 - Answer may be that more key performance indicators need to be provided

IASB Staff's Preliminary Comment Letter Analysis

- Key messages

- Many respondents believe that the Board should complete the four current projects (financial instruments, insurance, leases and revenue recognition) as a priority
- The last 10 years represent a time of significant change with the emphasis on developing IFRS, most respondents believe the balance should now instead be on maintaining IFRSs.
- The conceptual framework is seen by many respondents as a priority

IASB Staff's Preliminary Comment Letter Analysis

- Key messages (cont.)
 - There are widespread request for a period of calm
 - Generally, respondents do not advocate adding standards-level projects to the agenda
 - Many respondents believe that the Board's agenda was too ambitious in the past
 - Board should plan for a level of unallocated resource to allow it to address unexpected issues as they are identified

IASB Staff's Preliminary Comment Letter Analysis

- Priorities of Standards-level projects
 - Intangible assets ranked 10th out of their list of 22 projects
 - Of the 54 respondents that specifically addressed intangible assets:
 - 35% thought it was a high priority
 - 22% thought it was a medium priority
 - 43% thought it was a low priority
 - Some respondents believe that the Board should first consider the conceptual framework, specifically, what the terms 'asset' and 'liability' encompass, before tackling this project

IASB Staff's Preliminary Comment Letter Analysis

- User Online Survey Feedback
 - Intangible assets ranked as a medium priority, ranked 6th out of 23 projects
 - Of the 63 survey respondents:
 - 21% thought it was important and urgent
 - 36% thought it was important but not urgent
 - 32% thought it was not important
 - 11% indifferent/don't know
 - Of the 14 comment letters from users, only six specifically mentioned intangible assets – 1 important and urgent; 3 important but not urgent; 2 not important

IASB Staff's Preliminary Comment Letter Analysis

- User Online Survey – Selected Comments
 - Why it should be done
 - Because intangible assets are of increasing importance, it is important that they are accounted for appropriately and that narrative information about the reported amounts is disclosed
 - Why it is not necessary
 - Some investors would not like to see a project on intangibles added to the agenda because they are concerned that this would result in more intangible assets being recognized. The concern stems in part from the view that some of “new” intangible assets would be like internally generated goodwill which in their view does not reflect “real” economic benefits.

What About the FASB?

- SEC still needs to make their decision about incorporation of IFRS into U.S. GAAP
- FAF/FASB comments about incorporation of IFRS into U.S. GAAP
 - FASB and IASB would continue to work together to complete the projects under joint development on their memorandum of understanding
 - The FASB would refrain from separately engaging in standard setting on new technical projects added to the IASB's agenda, U.S. would look to the IASB to set the standards with FASB's active involvement
 - FASB would retain the authority to set its own technical agenda for projects of considerable importance to the U.S. capital markets that are not active projects on the IASB's technical agenda

Q&A