

accounting guideline

PSG-8

purchased intangibles

This Guideline is to be read in conjunction with the Introduction to Accounting Guidelines contained in the CPA Canada Public Sector Accounting Handbook.

Basis for Conclusions

November 2020 *

- 1 **Purchased intangibles** are identifiable non-monetary economic resources without physical substance acquired through an arm's length exchange transaction 1 between knowledgeable, willing parties who are under no compulsion to act.
- 2 Intangibles acquired through a transfer, 2 contribution or inter-entity transaction, 3 are not purchased intangibles. 4 [Former paragraph PSG-8.2, amended by 2022-2023 annual improvements, retained in Archived Pronouncements.]
- 3 Software is accounted for in accordance with TANGIBLE CAPITAL ASSETS, Section PS 3150. Intangibles acquired as part of a public private partnership arrangement are purchased intangibles and are accounted for in accordance with PUBLIC PRIVATE PARTNERSHIPS, Section PS 3160. [Former paragraph PSG-8.03 retained in Archived Pronouncements.]
- 4 Purchase premiums arising on acquisition of a government organization are accounted for in accordance with:
 - (a) ADDITIONAL AREAS OF CONSOLIDATION, Section PS 2510, when the entity acquired is a governmental unit; and
 - (b) INVESTMENTS IN GOVERNMENT BUSINESS ENTERPRISES, Section PS 3070, when the entity acquired is a government business enterprise.(paragraph PSG-8.5 deleted) [Former paragraph PSG-8.5, amended by the amendments to TANGIBLE CAPITAL ASSETS, Section PS 3150, which become effective on or after April 1, 2030, retained in Archived Pronouncements.]
- 6 Purchased intangibles are recognized as assets in financial statements when they meet the asset definition and the general recognition criteria in Chapters 8 and 9 of the Conceptual Framework. The general application standard, ASSETS, Section PS 3210, provides guidance for applying the asset definition. [Former paragraph PSG-8.6, amended by the Conceptual Framework, retained in Archived Pronouncements.]
- 7 In determining how to account for purchased intangibles, similar to other items not specifically addressed in the PSA Handbook, an entity would consider:
 - (a) the definition of an asset in Chapter 8 of the Conceptual Framework;
 - (b) the guidance elaborating on the asset definition in Section PS 3210;
 - (c) the recognition, measurement and disclosure concepts in Chapters 9 and 10 of the Conceptual Framework; and
 - (d) the GAAP hierarchy in GENERALLY ACCEPTED ACCOUNTING PRINCIPLES, Section PS 1150.[Former paragraph PSG-8.7, amended by the Conceptual Framework, retained in Archived Pronouncements.]
- 8 Consistent with the current classification of software as a non-financial asset, purchased intangibles recognized as assets are normally classified as non-financial assets.
- 9 Applying the requirement to recognize in financial statements purchased intangibles that meet the definition of an asset and the recognition criteria is effective for fiscal years beginning on or after April 1, 2023. Earlier adoption is encouraged.
- 10 Application may be retroactive or prospective in accordance with ACCOUNTING CHANGES, paragraph PS 2120.13.

Footnotes

*Guideline revised December 2022.

1. Exchange transactions are defined in REVENUE, paragraph PS 3400.05(a).
2. Transfers are defined in GOVERNMENT TRANSFERS, paragraph PS 3410.04.
3. Inter-entity transactions are defined in INTER-ENTITY TRANSACTIONS, paragraph PS 3420.04(g).
4. Except as noted in paragraph PS 3420.09.

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