

9.1 According to IAS 38 *Intangible assets*, which of the following statements about research and development expenditure are correct?

- 1 Research expenditure, other than capital expenditure on research facilities, should be recognised as an expense as incurred.
 - 2 In deciding whether development expenditure qualifies to be recognised as an asset, it is necessary to consider whether there will be adequate finance available to complete the project.
 - 3 Development expenditure recognised as an asset must be amortised over a period not exceeding five years.
- A 1, 2 and 3
B 1 and 2 only
C 1 and 3 only
D 2 and 3 only

(2 marks)

9.2 According to IAS 38 *Intangible assets*, which of the following statements about research and development expenditure are correct?

- 1 If certain conditions are met, an entity may decide to capitalise development expenditure.
 - 2 Research expenditure, other than capital expenditure on research facilities, must be written off as incurred.
 - 3 Capitalised development expenditure must be amortised over a period not exceeding 5 years.
 - 4 Capitalised development expenditure must be disclosed in the statement of financial position under intangible non-current assets.
- A 1, 2 and 4 only
B 1 and 3 only
C 2 and 4 only
D 3 and 4 only

(2 marks)

9.3 According to IAS 38 *Intangible assets*, which of the following statements concerning the accounting treatment of research and development expenditure are **true**?

- 1 Development costs recognised as an asset must be amortised over a period not exceeding five years.
 - 2 Research expenditure, other than capital expenditure on research facilities, should be recognised as an expense as incurred.
 - 3 In deciding whether development expenditure qualifies to be recognised as an asset, it is necessary to consider whether there will be adequate finance available to complete the project.
 - 4 Development projects must be reviewed at each reporting date, and expenditure on any project no longer qualifying for capitalisation must be amortised through the statement of profit or loss and other comprehensive income over a period not exceeding five years.
- A 1 and 4
B 2 and 4
C 2 and 3
D 1 and 3

(2 marks)

9.4 According to IAS 38 *Intangible assets*, which of the following statements is/are correct?

- 1 Capitalised development expenditure must be amortised over a period not exceeding five years.
 - 2 If all the conditions specified in IAS 38 are met, development expenditure may be capitalised if the directors decide to do so.
 - 3 Capitalised development costs are shown in the statement of financial position under the heading of non-current assets.
 - 4 Amortisation of capitalised development expenditure will appear as an item in a company's statement of changes in equity.
- A 3 only
B 2 and 3
C 1 and 4
D 1 and 3

(2 marks)

9.5 According to IAS 38 *Intangible assets*, which of the following are intangible non-current assets in the accounts of Iota Co?

- 1 A patent for a new glue purchased for \$20,000 by Iota Co
 - 2 Development costs capitalised in accordance with IAS 38
 - 3 A licence to broadcast a television series, purchased by Iota Co for \$150,000
 - 4 A state of the art factory purchased by Iota Co for \$1.5million
- A 1 and 3 only
B 1, 2 and 3 only
C 2 and 4 only
D 2, 3 and 4 only

(2 marks)

9.6 According to IAS 38 *Intangible assets*, which of the following statements about intangible assets are correct?

- 1 If certain criteria are met, research expenditure must be recognised as an intangible asset.
 - 2 If certain criteria are met, development expenditure must be capitalised
 - 3 Intangible assets must be amortised if they have a definite useful life
- A 2 and 3 only
B 1 and 3 only
C 1 and 2 only
D All three statements are correct

(2 marks)

9.7 According to IAS 38 *Intangible assets*, which of the following statements concerning the accounting treatment of research and development expenditure are true?

- 1 If certain criteria are met, research expenditure may be recognised as an asset.
 - 2 Research expenditure, other than capital expenditure on research facilities, should be recognised as an expense as incurred.
 - 3 In deciding whether development expenditure qualifies to be recognised as an asset, it is necessary to consider whether there will be adequate finance available to complete the project.
 - 4 Development expenditure recognised as an asset must be amortised over a period not exceeding five years.
 - 5 The financial statements should disclose the total amount of research and development expenditure recognised as an expense during the period.
- A 1, 4 and 5
B 2, 4 and 5
C 2, 3 and 4
D 2, 3 and 5

(2 marks)

9.8 According to IAS 38 *Intangible assets*, which of the following statements are correct?

- 1 Research expenditure should not be capitalised.
 - 2 Intangible assets are never amortised.
 - 3 Development expenditure must be capitalised if certain conditions are met.
- A 1 and 3 only
B 1 and 2 only
C 2 and 3 only
D All three statements are correct

(2 marks)

The following information is relevant for questions 9.9 and 9.10.

The following balances existed in the accounting records of Koppa Co, at 31 December 20X7.

	\$'000
Development costs capitalised, 1 January 20X7	180
Research and development expenditure for the year	162

In preparing the company's statement of profit or loss and other comprehensive income and statement of financial position at 31 December 20X7 the following further information is relevant.

- (a) The \$180,000 total for development costs as at 1 January 20X7 relates to two projects:

	\$'000
Project 836: completed project (balance being amortised over the period expected to benefit from it. Amount to be amortised in 20X7: \$20,000)	82
Project 910: in progress	98
	<u>180</u>

- (b) The research and development expenditure for the year is made up of:

	\$'000
Research expenditure	103
Development costs on Project 910 which continues to satisfy the requirements in IAS 38 for capitalisation	59
	<u>162</u>

9.9 According to IAS 38 *Intangible assets*, what amount should be charged in the statement of profit or loss and other comprehensive income for research and development costs for the year ended 31 December 20X7?

- A \$123,000
B \$182,000
C \$162,000
D \$103,000

(2 marks)

9.10 According to IAS 38 *Intangible assets*, what amount should be disclosed as an intangible asset in the statement of financial position for the year ended 31 December 20X7?

- A \$219,000
B \$180,000
C \$160,000
D \$59,000

(2 marks)

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- 9.11 Theta Co purchased a patent on 30 November 20X3 for \$25,000. Theta Co expects to use the patent for the next ten years, after which it will be valueless. According to IAS 38 *Intangible assets*, what is the value of the patent in Theta Co's statement of financial position as at 30 November 20X5?

A \$25,000
B \$20,000
C \$5,000
D \$15,000

(2 marks)

- 9.12 PF purchased a quota for carbon dioxide emissions for \$15,000 on 30 April 20X6 and capitalised it as an intangible asset in its statement of financial position. PF estimates that the quota will have a useful life of 3 years. What is the journal entry required to record the amortisation of the quota in the accounts for the year ended 30 April 20X9?

A	Dr Expenses	\$15,000	
	Cr Accumulated amortisation		\$15,000
B	Dr Expenses	\$5,000	
	Cr Accumulated amortisation		\$5,000
C	Dr Intangible assets	\$5,000	
	Cr Accumulated amortisation		\$5,000
D	Dr Accumulated amortisation	\$15,000	
	Cr Intangible assets		\$15,000

(2 marks)

(Total = 24 marks)
