

Similarities between us gaap and ifrs for impairment of intangible assets - resea...

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IFRS and U. S. GAAP, both define the impairment indicators in similar manner to assess the impairment of intangible asset. It is the requirement in both, IFRS and US GAAP that the intangible assets which have long life or indefinite life should be reviewed every year to assess the impairment. This should be done irrespective of the presence of the indicators for impairment. Moreover, Both GAAP and IFRS require that when the asset is recognized to be impaired then the asset has to be written down and the impairment loss should be recognized. IAS 6 for Impairment of Assets and FAS 142 and FAS 144 for Accounting for the Impairment of Disposal of Long-Lived Assets hold validity for most intangible and long-lived assets. The scope of both IFRS and GAAP standards differs, however the overall objective remains similar. The difference is present in the manner in which impairment is recognized, reviewed and measured.

Answer 2 a) U. S. Generally Accepted Accounting Principles (GAAP) has many prevailing standards for the accounting of R&D costs (research and development). These allow for precise accounting treatment in definite limited scenarios; nevertheless the common rule is to expense development and research costs when they occur. If it can be proven that the capitalized development cost has some alternative usage, then it is not required to be expensed. The same principal allows for Nokia's capitalized development costs.

b) In IFRS's IAS 38 "Intangible assets" some internal development costs are capitalized upon the demonstration of it generating the possible economic benefits in future to the company. Additionally, IAS 38 requires the company to have specific resources to complete, deploy and harness benefits from the

intangible asset. The internally created intangible asset is amortized for its anticipated life.

Under U. S. GAAP, costs for research and development are expensed except for the condition where intangible asset has an alternative use.