

New standard FAS 14/2022 "Intangible Assets"

29.09.2022

Dear customers and partners!

We would like to bring to your attention that [the order of the Ministry of Finance dated 30 May 2022 N 86n](#) approved the new standard FAS 14/2022 "INTANGIBLE ASSETS" (registered with the Ministry of Justice of Russia 28 June 2022, no. 69031).

The beginning date of application of the standard is the accounting period of 2024, with early application permitted.

Simultaneously with the adoption of the new standard, RAS 14/2007, "Accounting of intangible assets", will be discontinued with effect from 1 January 2024.

Before adopting the new standard, we recommend the following actions:

- Conduct an inventory of the organisation's intangible assets (hereinafter, IA) that could be classified as IA in accordance with FAS 14/2022;
- Establish a limit on the value of IA in order to classify acquisition and creation costs as IA, or recognise them as expenses for the period;
- Make changes to the company's accounting policies;
- Determine the useful life expectancy of IA and the terms of annual useful life assessment for relevance;
- Choose the method of subsequent accounting of IA (after initial recognition), at initial or revalued cost (applicable if there is an active market for IA in accordance with IAS 38);
- Determine the residual value of IA on the company's balance sheet and the terms of its annual valuation;
- For the method of valuation of IA at revalued cost, determine the frequency of revaluation for each group of IA;
- Reflect changes in the organisation's balance sheet as at 01.01.2024 using incoming adjustments;
- Disclose information in the notes to the company's accounting (financial) statements.

SWILAR 000

CEO
Daria Pogodina
ul. Lesnaja 43
127055 Moscow
Tel.: +7 (495) 648-69-44

swilar GmbH

CEO
Tobias Schmid
Erikaweg 32
D-86899 Landsberg / Lech
Tel.: +49 8191 9898377

CEO
Dr. Georg Schneider
Schlehenweg 14
D-53913 Swisttal
Tel.: +49 2226 908258

What does this mean in practice?

For accounting purposes, intangible assets are to be classified by type (electronic computer programmes (ECPs); databases; inventions; utility models; industrial designs; production secrets (know-how); selection achievements; licences and permits) and group.

The unit of accounting for intangible assets is an inventory item.

An inventory object of intangible assets is a set of rights to it arising in accordance with contracts or other documents confirming the existence of the organisation's rights to such an asset.

A complex object that includes several protected results of intellectual activity (e.g., a multimedia product, a single technology) may also be recognised as an inventory object of intangible assets.

Under the new standard, an entity has the right to independently set a value limit on the attribution of an item to either IA or expenditure for the period upon completion of capital expenditures related to the acquisition, creation of the assets ([paragrath 7 FAS 14/2022](#)).

The standard introduces the concept of residual value - the amount that an organisation would receive if the item were disposed of. The residual value of an IA is deemed to be zero, except in the following cases:

- a contract requires another party to purchase the intangible asset from the organisation at the end of its useful life;
- there is an active market for the item, from which its residual value can be

determined;

- it is highly probable that an active market for the item will exist at the end of its useful life.
(paragraph 36 FAS 14/2022).

Depreciation elements such as the residual value, useful life and depreciation method should be reviewed systematically (at least at the end of each year) for changes and, if necessary, adjusted (paragraph 42 FAS 14/2022).

Transition period

Under paragraphs 52-54 of FAS 14/2022, the effects of a change in accounting policy arising from the adoption of the new standard should be recognised retrospectively - as if the standard had been applied from the start of the acquisition of IA.

However, an organisation has the option not to restate comparative amounts for periods prior to the reporting period, but to reflect the changes in carrying amounts resulting from the adoption of the standard through the organisation's retained earnings.

Prospective application of the standard, without incoming adjustments at the beginning of the year is only possible for organisations that have the right to apply simplified accounting methods, including simplified (financial) reporting (paragraph 55 of FAS 14/2022).

We will be happy to answer your questions!

Contacts:

Eugenia Chernova, Project Leader Controlling and Reporting **swilar** OOO
M: eugenia.chernova@swilar.ru, T: +7 (495) 648 69 44 (ext. 310)

Olga Kireyeva, Deputy Project Leader, **swilar** OOO
M: olga.kireyeva@swilar.ru, T: +7 (495) 648 69 44 (ext. 311)