

Full Length Research

Intangible Resources in Mexican Accounting Standards Recognition and Concealment

José G. Vargas-Hernández and José Andrés Flota Rosado

Centro Universitario de Ciencias Económico Administrativas, Universidad de Guadalajara, Periférico Norte 799 Edif. 201-7; Núcleo Universitario Los Belenes. C.P. 45100, Zapopan, Jalisco, México

Accepted 14 October, 2014

In the strategic discipline, resourced based view is widely accepted to explain the source of competitive advantage, it notes that the success of a company lies in the heterogeneity of the internal means are there to carry out their activity. The intangible resources have greater strategic potential. Other disciplines related to firm performance have lagged behind in considering the true value of intangible resource; this is the case of accounting. This work is based on analysis of Mexican financial reporting standards on intangibles; the goal is to identify what is the status of recognition. The results show that there is still a gap between the value shown in the financial statements of companies and their true value in light of the theory of resources and capacities.

Key words: Accounting recognition, financial reporting standards, good weal, hidden assets, Intangibles, resource-based view.

INTRODUCTION

Accounting information is used by various users; among them are the shareholders and investors also known Shareholders. These users are interested to know the state of company's assets and its generating profit capacity. This is where the management strategy objectives are intertwined with accounting. An adequate knowledge of the firm allowing the development of successful strategies is linked to the existence of reliable information for decision making. Currently, given the regulations of different countries, the result of accounting financial statements, do not wholly reflect the monetary value of resources and capabilities that make a company more competitive compared to others with which it interacts in its market. These resources are commonly called intangible.

Justification

The extent of Knowledge to which the regulations apply in Mexico enables reflect the true value of intangible assets is important because it creates more certainty for decision-making and facilitate the development of strategies, in addition to serve as a basis for future adequacy of the valuation, presentation and disclosure.

THEORETICAL BACKGROUND

For three decades, strategic management has focused on the study of the competitive behavior of the firm and the determinant factors of its success. Together these factors are called competitive advantage. Two approaches that have emerged to explain the existence of this advantage are the structural theory also known as the industry-based approach and the theory of resources and capacities. Fong (2005) mentions that the first theory is based on industrial organization while the second theory breaks with the emphasis that is given to the

*Corresponding author. Email: jvargas2006@gmail.com,
jgvh0811@yahoo.com, josevargas@cucea.udg.mx Tel.
+523337703340 Ext. 25685
JEL: G300, M210, M410.

industry and focuses on the company itself.

Of the two theories, the resources and capabilities is widely accepted as the empirical evidence shows that internal company factors explain a larger percentage of the differences between the average profits of firms (Wernerfelt, 1989). Although the resource-based theory has its origin in the strategic management their main base consists of microeconomic theory. In this sense, Penrose (1959) argues that the existence of producing agents that achieve extraordinary long-term benefits can be explained by differences between their resources and capacities as well as its long-term maintenance. Meanwhile Wernerfelt (1989), the precursor of this theory suggests that the most important tools to dominate the market are strongly related to the resources of the company in terms of strengths and weaknesses.

The resource-based theory based on the aforementioned idea argues that the source of competitive advantage is in the internal means by which the company has to carry out its activity. The difference between firms lays in the resource class and capabilities that count, its accumulation and especially the way in which they are used to achieve success.

In the same order, Barney (2008), one of the principal authors addressing this approach, states that two key aspects about the point of view based on resources and capabilities are the heterogeneity and immobility of resources. The first aspect is that different companies also have different endowments of means with which to carry out its production. The second aspect, the immobility, is a concept related to having the ability to control the company and to exercise ownership over the media.

Although there is no formal definition of resource bringing together all the different positions of representative authors of this current, Peng (2010) notes that resources are the tangible and intangible assets used by a firm to design and implement their strategies. Intangible resources are those that can be seen and quantified, while intangibles are those who lack physical substance and therefore are not easily identifiable. Furthermore, capabilities are "the very ability of each company to the strategic use of resources" (Peng, 2010).

In terms of the theory, not any resource is generating success. This potential depends on its intrinsic nature and the way it is used depending on entrepreneurial skills. Therefore, an action considered strategic for a company may not be for another. Barney (2008) points out that the key to this strategic resource to meet the characteristics of value, rarity, difficulty of imitation and organization. This set of specifications is called VRIO framework.

Moreover there is a consensus on the idea that intangible assets have a greater strategic potential because they have certain special characteristics and they are difficult to trade in what in microeconomic terms

is called immobility. Barney (2008) argues that intangible by nature represents many times more generating potential of competitive advantage to meet VRIO aspects of the framework. In this sense the intangible mostly generate value, are particularly rare since they arise from particular ways in which the company has to conduct their operations. They are difficult to imitate, as there is difficulty of identifying and quantifying and most intangibles are related to the social complexity of the business.

For these reasons it is not surprising that current academic efforts focus on the source of strategic resources. In this sense, Fong (2005) indicates that the most recent phase of development of the theory of resources and capabilities emphasize show in which the company makes and develops its superior assets from knowledge management.

The identification of the origin of the position of competitive advantage of a firm by its possession of strategic resources and capabilities is complex from the economic point of view. The aforementioned is derived from the same reasons that leads to qualify as source or as a strategic capacity. This is more complicated in the case of intangibles, which as mentioned there are not easily quantified. This fact is closely related to the lack of an observable market from which a price can be obtained for exchange. However, just from a strategic approach with the identification of their existence and control a company exercises over them to make it the subject of its conclusions about causal relationship to competitive advantage.

At present much of the work within the strategic research focuses on the recognition of the value of intangibles. The issue has become more important by the increasing use of information systems and the increasing importance of knowledge economies. Peset (2011) noted that the increased importance of information and knowledge modifies the structure of traditional resources of a firm in which the ratio of tangible assets to intangible was greater, in which the value of latter ones was not transcendental regarding its generator potential of competitive advantage.

LITERATURE REVIEW

As mentioned, the strategic discipline using microeconomic theory has managed to obtain and apply its conclusions regarding the resources and capabilities by linking to the source of competitive advantage. However, other related disciplines to company performance have lagged behind in regard to the inclusion of resources and capabilities in theoretical treatments. This is the case of the accounting discipline, which to be governed by a set of rules whose objective is the consistent reporting and in order not to lose objectivity has neglected the importance

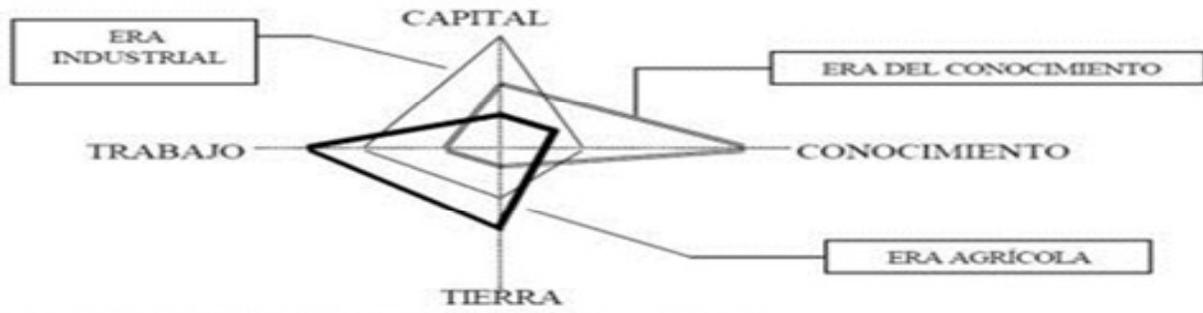


Figure 1. Change in production factors.

of recognizing the true value of resources and capabilities for a momentous undertaking, which are mostly intangible.

Peset (2011) has analyzed the importance of the recognition of intangibles for several Spanish companies. He mentions that it is pertinent to make two groups of authors. A group is formed by those who conceptualize intangibles from an accounting approach and identify the problems of their registration and disclosure. Another group is composed of those from a point of view of the strategy discussed the generation of the value and knowledge. This subdivision helps to understand the different research objectives which are different in nature but end up agreeing on the same axis, the performance of the firm.

From an accounting approach it is observed that at the same time it has been increased in the last two decades the importance of intangibles in the business world and its recognition has also become important. The focus is on the different actors involved in the business dynamics that are aware of the value of a firm. Mesa (2012) assures that currently intangible assets are more important than tangible assets, because economies are shifting from a production to a service base, making the man indispensable tool for the generation of value (Figure1).

One idea concatenated with the above is the one of Peset (2011) who states that in an economy in which knowledge has become the main competitive advantage for firms, the resources on which it is based have acquired primary importance level, both in their assessment and in their management.

Malgioglio, Carazay, Suardi *et al.* (2001) mentioned that the idea has been generalized in recent years that the usual way to accomplish the task within the accounting firm and the information emanating from it, does not meet the goal of being a useful tool for decision-making. This focuses on a novel paradigm termed by some as "utility of the decision maker." The lack of income is derived from the recognition that traditional accounting discipline cannot provide those resources that

are strategic source of competitive advantage.

Regarding Morettini (2010) ensures that the financial statements to be a really useful instrument for decision-making should recognize the existence of intangible assets whose relevance is important in any organization. Despite the above within the accounting rules governing the preparation of financial information there are still weaknesses that result in some cases in partial recognition of intangible and other in its full concealment. Peset (2011) notes that despite the growing importance of intangible resources, the information provided by companies about those is scarce and biased, which has resulted in making the biggest difference between the value shown in the balance sheet and considered by investors when making decisions.

Within the category of intangibles are commonly found software, research and development costs, patents etc. (Peset, 2011). However, under the strategic focus of resources and capabilities other transcendental assets are found, between creative abilities, innovation, human and intellectual capital, social capital of the company, etc. among others. However, the implications for the recording of such economic impacts are resulting today difficult to imagine given the rules of quantification. Malgioglio, Carazay, Suardi *et al.* (2001) argue that the reason why intangibles are not recognized in its entirety is impossible to assign are liable financial value, but this does not as it's an excuse in the case of assets determinants of success in today's market.

While accounting has advanced through the times in measurement and recognition of the tangible and intangible elements that make up the heritage of an organization, and also accounting theory partly admitted the undeniable value of hidden assets also known as goodwill on generating results, according to Innocente, Castroand and Jerez (2004) the accounting discipline has not been able to specify the most appropriate way in which these resources can be incorporated into heritage.

With respect to good will other authors more focused on business management such as Edvinsson and Malone (1997) used only the term intellectual capital.

These authors define it as "the possession of knowledge, applied experience, organizational technology, customer relationships and skills professionals who give the company a competitive advantage in the marketplace" (Edvinsson and Malone, 1997, p26).

The concept of intellectual capital is wide and it's circumscribed in the field of knowledge. Edvinsson and Malone (1997) specify that this capital is not financial, represents the hidden value between the market value and book value, i.e. everything that is not included in the accounts but is valued in the market. In the same way, Sveiby (1997) states that in the balance sheet of a company there is a visible and an invisible part, the latter is comprised of tangible and intangible assets that are financed by a person who also has a component visible and one invisible.

RESEARCH METHODS

This research uses the analysis of information mainly from the rules of financial information for Mexico. This analysis is focused on identifying deficiencies recognition of the value of intangible assets, based on the features and guidelines identified by the theory of resources and capabilities with reference to previous work reviewed as literature.

Regulations concerning the accounting for intangibles in Mexico

Within the financial sector, the recognition of an action can be performed primarily in the pursuit of two objectives: Determining the market value of a company and making decisions for different users related thereto. The first objective is served in different models, which by default on certain requirements of the regulations are not accepted within the recognition criteria of accounting.

As has been stated, the purpose of the accounting work is to produce information for decision-making. It is derived from the recording of transactions, changes and other economic events affecting the company. To meet this end, the accounting is based on a structured and legally regulated language. The characteristic rigidity of the regulatory system finds that the information produced is reliable, objective and comparable, since its use is public and is an instrument for a set of important decisions by various users found among shareholders, prospective investors, employees, regulators and law enforcement agencies.

In Mexico the Mexican Council of Financial Reporting Standards (CINIF) is responsible for the investigation and issuance of financial reporting standards that provide the basis for valuation, presentation and disclosure of transactions, other events and transformations of

economic entities. Most of the standards are converging with international standards (IFRS). The financial reporting standards area set of normative, conceptual and individuals released or transferred to the Mexican Board for Research and Development of Financial Reporting Standards, which regulate the information contained in the financial statements and its notes in one determined place and date, which are widely accepted by the financial and business community(CINIF, 2014).

Within this framework the NIF C-8, which converges with IAS-38, and entered into force for 2009, focuses particularly on addressing the accounting treatment of intangible assets, just as the NIF B-7 is related specifically those originated with an acquiring business. The provisions of these rules apply to all types of entities that issue financial statements under the terms established in NIF A-3 User needs and objectives of financial statements, and acquiring or internally generated intangible assets. NIF C-8 has an objective to establish general guidelines for initial and subsequent recognition of intangible assets obtained individually through a business acquisition, or internally generated through a process of research and development in the normal course of operations of the entity (CINIF, 2014).

According to the standard valuation, initial recognition is defined as the process of determining the monetary value of an intangible input to the accounting system, moreover subsequent recognition is understood by the reduction of the registered value of an asset arising from loss or earning potential to generate future economic benefits that the intangible has given the passage of time or its deterioration. (Figure 2)

NIF C-5 defines an asset as a resource controlled by an entity, identified, quantified in monetary terms and reasonably expected, future economic benefits arising from transactions occurred in the past, which have affected the entity financially (CINIF, 2014). NIF C-8 defines intangible assets as "non-monetary identifiable, without physical substance, which will generate future economic benefits controlled by the entity" (CINIF, 2014). An entity in accounting terminology is an independent unit that performs economic activities, which consists of a number of resources that are managed and controlled to achieve the objectives for which it was created.

From the definition indicated above lines identifies that there are three prerequisites for an intangible asset is regarded as such by the NIF.

- i. Must be identifiable.
- ii. Be expected to provide future economic benefits and
- iii. Should be control over such benefits.

According to the rule for an asset to be identifiable must meet criteria of separation, i.e. can be removed or divided by the company to be sold, transferred, licensed, rented or exchanged, either individually or together with a

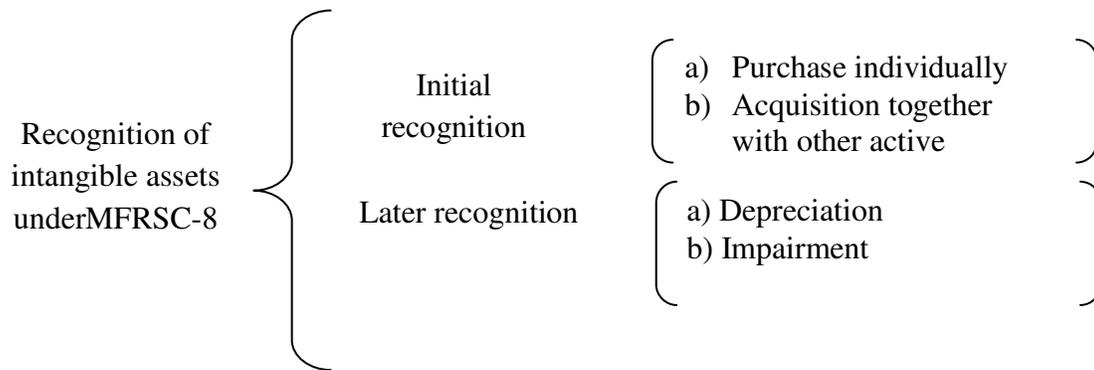


Figure 2. Recognition of intangible
Source: Authors' calculations based on FRS C-8

related contract. Another form of identification is when an intangible arises from contractual or other legal rights, regardless of whether those rights are transferable or separable from the entity or from other rights and obligations. The second condition implies that the highly probable future economic benefits flowing from an intangible asset may be present in the income derived from the activity of the company, or as cost savings or other benefits resulting from the use.

The control condition is defined as the power of the entity to obtain future economic benefits originated by assets, which gives the possibility to restrict access to others on the benefits. This ability usually comes from legal rights. With respect to its valuation in the initial recognition NIF-C8 mentions that this depends on the institution to demonstrate that an item meets the definition and conditions as such are described in this statement for an asset to be considered intangible.

Specific procurement

In some cases, an intangible asset may be acquired free of charge from the government. This occurs when a government transfers or allocates to an enterprise intangible assets such as: Airport landing rights, rights to use roads and transport, licenses to operate radio or television stations, timber rights to exploit forests or in general rights to access other restricted resources to third parties. According to NIF C-8 these concessions without cost to the entity should not be recognized as an intangible asset and must be disclosed only

Intangibles in a business combination and goodwill

As noted NIFC-8 provides several ways of origin of intangible assets, one of which is through purchasing together with a complete business. In this case, the acquirer should recognize all identifiable intangible

assets, although the acquired business had not previously recognized because it is internally generated assets that did not qualify for recognition based on the provisions of this standard, in the event that the cost of the asset cannot be determined reliably in value reasonably be recognized within goodwill.

Similarly within the particular definitions of the standard is found on the goodwill which is "the excess of the consideration over the fair or specific value of net assets in a business acquisition" (CINIF, 2014). It is an asset that represents future economic benefits arising from other assets acquired which cannot be individually identified and separately recognized. Internally generated goodwill should not be recognized as an asset, since its future economic benefit cannot be controlled by the entity and its cost cannot be reliably valued.

Internally generated intangibles

CINIF (2014) points out that in evaluating whether internally generated intangible assets qualify for recognition first require identifying its existence, then define the point in time at which it will generate probable future economic benefits and finally quantify its cost reliably. As the basis of the aforementioned process the standard recommends that an entity should classify the generation active in the research phase and the development phase.

Subsequent recognition

As noted later recognition includes determining the gain or loss of value of an intangible asset arising from its generator potential benefits, this includes two points, first the amortization is the systematic allocation of the cost of an intangible asset over of their useful lives and second recognition of the impairment loss, which quantifies the amount that the future economic benefits of the intangible

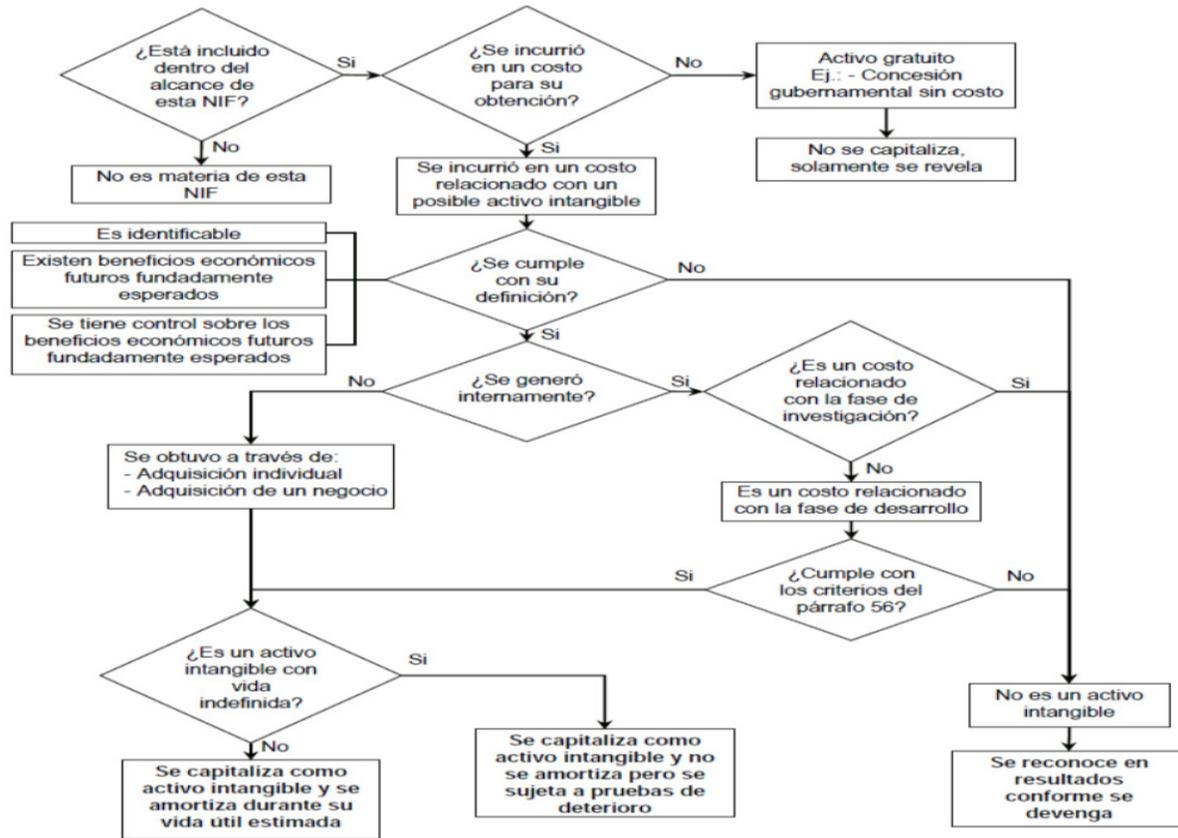


Figure 3. Diagram of criteria for identifying existence of an intangible asset and its recognition. Source: NIF C-8 Appendix A issued by CINIF 2014.

assets are less than its carrying value on books.

Standards of disclosure related to other assets

NIF C-8 recommends, but is not obliged to include information on entities to include information on fully amortized intangible asset that are still in use; and a description of the intangible assets still being controlled by the entity, not recognized as such for not meeting the criteria established and described above. Finally, a diagram for the identification and recognition of an intangible asset is included (Figure 3) and a list of assets commonly recognized on accounting basis in Mexico starting from the NIF C-8 describing its base recognition.

ANALYSIS RESULTS

Based on the analysis of financial reporting standard C-8 which regulates the accounting treatment of intangible assets, it was found that the general idea that the standard handles of these assets does not differ materially from those in strategic management that

means intangible resource, both disciplines agree define them as those who bring economic entity resulting from its use and control benefits.

Although from the accounting approach is an emphasis on the quantification of these benefits and the fair value of the intangible, both disciplines refer to the same concept. The indicator of this is the relationship with economic fundamentals which is identified from the two approaches, which deals with the economic impact that an intangible produce in a company or entity.

However NIF C-8 is strict regarding the accounting for an intangible, unlike the definition of these from a strategic point of view. To be valued and presented in the financial statements these must be clearly identifiable or separable. The condition of identification is the point that defines the separation between what is considered an intangible resource in the light of the theory of resources and capacities, and one that can be presented in the financial statements.

The distance between concepts derived from the identification condition, affects the lack of usefulness of accounting information, and resources strategically to create competitive advantage to the company following the theory of resources and capacities are exactly those

Table 1. Comparison between the methods of VRIO frame with the requirements for recognition of intangible assets of NIFC-8.

NIF C-8	Framework VRIO			
	Value	Rarity	Imitation	Organization
Identifiable intangible assets	OK	X	X	OK
Hidden intangible assets	OK	OK	OK	OK

Source: Own elaboration.

that are difficult to identify or quantify these features is where its success potential generator arises

According to the framework VRIO a strategic resource must meet the characteristic difficulty of imitation. This requirement collides with the prospect of NIFC-8, because as an identifiable and transferable asset as of the norm, the asset loses generator capacity of competitive advantage to be the imitation object by other companies or market transactions. Under these circumstances the competitive advantage is not sustainable, precluding the continuation of the extraordinary economic benefits in the long term.

Traditionally, the Mexican applied rules allow the recognition of intangible assets that have a physical component or derived from an acquisition, which involves having a cost or market value. The need for an existing observable market for determining an exchange price that intangible asset does not comply with another feature of the framework VRIO, rarity; because if there is a whole market to make transactions with the same means that the intangible is not rare.

The recognition of the monetary value of resources is done by the financial statements. However, given the rigidity of accounting standards based on the reasonable and objective criteria many of the assets are not recognized what some authors call hidden assets. Therefore, they are unidentifiable intangibles also called the hidden matching aspects of the framework VRIO (Table 1).

From the considerations given in standard which most resembles an intangible resource from the resource-based theory is the Goodwill, as this does not require a particular identification based on the difference between the price paid in an acquisition of business and the book value of all total tangible and intangible assets recognized by the seller, but the inability of internally generated goodwill can be recognized by the entity makes an impossible representation of the goodwill of the company through this channel.

Goodwill recognized in a business combination is an asset representing future economic benefits attainable that does not originate from other assets obtained in the purchase of a business, which is not individually identifiable and recognized separately. The future economic benefits in a business acquisition may result from

synergy between the identifiable or other assets that, individually, do not qualify for recognition in the financial statements acquired assets.

NIFC-8 makes some considerations which opens the way to recognition of certain intangibles that are normally hidden. A non-separable intangible asset can be recognized along with the contract for use of other intangible assets; e.g. production knowledge related to the use of a patent maybe separately recognized with the use of the patent. However, the fact that an entity has a working structure to carryout its activities does not mean it has an identifiable value to be recognized as an intangible asset, such as the labor force. Only it will have as it relates to intellectual capital, i.e. the knowledge to perform some activity and mediate this contract.

Finally one of the biggest differences between the strategic vision and resource accounting is called subsequent recognition, as this represents the decline in value of an asset overtime which is incompatible with the vision it has of a strategic resource, since from this approach a valuable, rare and difficult to imitate, rather than lose value, the same resource increases overtime and the benefits it brings to the firm are long term, hence generate competitive advantage.

Conclusions and Recommendations

The results of the analysis of the regulations applicable in Mexico regarding recognition of intangibles show that there is still a gap between the value shown in the financial statements of companies and their true value in light of the theory of resources and capacities. In this regard, it is recognized that the work of generating rules on the one hand preserves the characteristics of objectivity, reliability and comparability of information and on the other hand allows valuation, presentation and disclosure of the value of a set of assets and no clearly identifiable and without observable market is a colossal task. However, given the objective of financial statements to be a useful tool for decision making, is more than justified the task of finding the optimal point at which real value of intangibles is rendered without put aside objectivity.

Derived from this work, clearly insufficient criteria to the

inclusion in the accounts of the number of strategic resources of economic entities are identified, so future research may aim to cover nearby methods from a financial or mathematical approach that can represent options for greater usefulness of financial information. Examples of these are the use of a strategic state (Morettini, 2010) and the use of fuzzymath (Mallo, Artola, Morettini *et al.*, 2008).

REFERENCES

- Barney, J. (2008). Capítulo 3: Evaluating a firm's internal capabilities. En Barney, J. (ed.), *Strategic Management and competitive advantages*, Pp.72-144. New Jersey: Pearson.
- CINIF (2014). *Normas de información financiera*. México, D.F.: Consejo Mexicano para la Investigación y Desarrollo de Normas de Información Financiera e Instituto Mexicano de Contadores Públicos.
- Edvinsson, L., Malone, M. (1997). *Intellectual Capital. Realizing your company's true value by finding its hidden brainpower*, Harperbusiness, New York.
- Fong, C. (2005). *La teoría de los recursos y capacidades. Fundamentos microeconómicos*. México: Ediciones la noche-UDG.
- Innocente, R.C., Castro, I., Jerez, S. (2004). Reconocimiento contable de la llave de negocio autogenerada. *Revista de la Facultad de Ciencias Económicas* 1(2): 1-9.
- Mallo, P.E., Artola M.A., Morettini, M. (2008). Valuación de activos intangibles con matemática difusa y su adecuación a normas contables españolas e internacionales. *Estudios de economía aplicada*. 26(2): 139-160.
- Mesa, V.G. (2012). Medición de los activos intangibles, retos y desafíos. *Cuadernos de contabilidad*. 13(33): 319-335.
- Malgioglio, J.M., Carazay, C. Suardi, D. (2001). *Capital intelectual: el intangible generador de valor en las empresas del tercer milenio*. Sextas Jornadas "Investigaciones en la Facultad" de Ciencias Económicas y Estadística, noviembre de 2001.
- Morettini, M. (2010) Valuación de activos intangibles en torno a los objetivos de los estados contables: Unapropuesta de cambio. *Revista Fasces de la facultad de ciencias económicas y sociales* 16(34-35): 5-38.
- Peng, M. (2010). Capítulo 3: Leveraging resources and capabilities. En Peng M. (ed.), *Global Strategy* (pp. 62-83). Cincinnati: Thomson South-Western.
- Penrose, E. (1959). *The Theory of the Growth of the Firm*. New York: John Wiley & Sons.
- Peset, G.M. (2011). *La Información Financiera sobre Intangibles en las Empresas Biotecnológicas Españolas*. Tesis doctoral. Universidad Carlos III de Madrid.
- Sveiby, K. (1997). *The Invisible Balance Sheet: Key Indicators For Accounting, Control and Evaluation Of Know-How Companies*, The Konrad Group, Suecia.
- Wernerfelt, B. (1989). A resource-based view of the firm. *Strateg. Manage. J.* 5: 171-180.

APPENDIX

A. Intangible assets and basis of their recognition

Type of asset	Recognition base
Registered trademarks, commercial brands, and service and certification brands.	Legal and contractual rights.
Market image: Colors of identification, forms of packaging and design, advertisement spots, periodicals headers, presence on geographical and market localities	Legal and contractual rights.
Portal names or network sites in internet	Legal and contractual rights
Agreements of not competition: With sellers of acquired entity.	Legal and contractual rights
Customer lists such as distributors, by mail, subscriptions, advertisement and others, including the clients' base.	No contractual
Contracted production and final orders (backlog)	Contractual
Contracts with clients and the corresponding relationships with clients, such as depositors in banks or relationships with creditors.	Contractual
No contractual relationships with clients, such as sales routs to clients, delivery systems, distribution channels, capabilities to customer service, back up of product service.	No contractual
Plays, opera plays, ballets, etc.	Contractual
Books, magazines, periodicals, manuscripts and other literary material	Contractual
Musical plays, such as compositions, musical scores, song and music propaganda	Contractual
Paints and photographs	Contractual
Audiovisual material, videos, films, musical videos and television programs	contractual
Construction permits	Legal law
Franchises	Contractual
Permits, concessions, transmission rights of cable, radio, television and tele diffusion.	Legal law
Permits or rights of water supply, energy, gas distribution, landing, rents, miners, etc.	Legal law
Technological patents	Legal law
Research and development in process	Legal law
Computing systems (software) and licenses, programs of computing, systems of information, formats, etc.	Contractual
No patented technology. Technical knowledge	Use in practice
Data base, plant titles	Contractual
Confidential processes and formulas	Contractual
Technical drawings, manuals of technical procedures, plans.	Legal law
Creation of manufacture processes, procedures, production lines	Legal law

Source: NIF C-8 Appendix A issued by CINIF 2014.

B) Some examples that originate intangible assets based on their recognition

Description of intangible assets	Acknowledgement
Technical knowledge, such as plant engineering and scientific research, whose reasonable values are not quantifiable in reliable form in the business acquisition	Recognized and deteriorates as part of goodwill.
In the business acquisition it is included a list of clients of one entity of direct marketing by mail, waiting to generate future cash flows for seven years. Given that there is an observable market for the list, the entity has no plans to sell the asset.	This asset is acknowledged by separate and amortized in seven years of economic useful life.
A patent expires in fifteen years and it is expected to be a source of cash flows for at least these years	It is recognized separately and it is depreciated in fifteen years of useful economic life.

B) Some examples that originate intangible assets based on their recognition

<p>An acquired registered trademark in the business acquisition has a remnant life of twelve years and it is renewed for an indefinite period at a cost that is expected to be very low. The name protects a product brand, a leader in consumption, which has been the leader in market share for the past eight years. An analysis of studies of the life cycles of product, market, competition, environmental trends and opportunities to expand the brand, indicates that generate cash flow for thirty-five years.</p>	<p>This asset is recognized separately and depreciated over thirty five years of economically useful life.</p>
<p>Acquired exclusive rights granted to generate electrical power for sixty years. The cost of generating hydro electrically force is much lower than those obtain by alternative sources. Is expected to have a significant demand for electric power in the geographic area surrounding the power plant, for at least sixty years.</p>	<p>This asset is recognized separately and depreciated over sixty years of economically useful life.</p>
<p>License for the radio transmission was paid a large sum expires in five years, but is renewable indefinitely for little cost. Acquirer tries to renew the license indefinitely and there is evidence supporting its ability to do so. Cash flows relating to this license are expected to continue indefinitely.</p>	<p>Separately recognized intangible asset and not amortized until its useful life know. Will be tested annually on existence of indicators of impairment of intangible value.</p>
<p>A trademark acquired in the acquisition of a business has a remaining life of twelve years and is renewable by a period indefinitely at a cost that is expected to be very low. The name protects a product brand, leader in consumption, which has been the leader in market share for the past eight years. An analysis of studies of the life cycles of products, market, competition, environmental trends and opportunities to expand the brand, indicates that generate cash flow for thirty-five years.</p>	<p>This asset is recognized separately and amortize on an economically useful life of thirty-five years.</p>
<p>Acquired exclusive rights granted to generate hydroelectric power for sixty years. The costs of generating hydroelectric power are much lower than those obtain by alternative sources. It is expected to have a significant demand for electric power in the geographic area surrounding the power plant, for at least sixty years.</p>	<p>This asset is recognized separately and depreciated in sixty years of economically useful life.</p>
<p>A radio broadcasting license, for which a large sum was paid expires in five years, but is renewable indefinitely for low cost. Acquirer tries to renew the license as undefined and there is evidence that supports its ability to do so. Cash flows relating to this license are expected to continue effectively.</p>	<p>Separately recognized intangible asset and not amortized until its useful life definitely know. It will be tested annually on the existence of indicators of impairment of intangible value.</p>
<p>An entity will develop software for internal use and incurs disbursements in the preliminary phase of the project where conceptually formulated alternatives, evaluates, determines the existence of necessary technology and makes a final selection of the technology.</p>	<p>The amounts incurred in this phase are recognized in expenses this period, as they are related to a preliminary development of a project (research phase) stage.</p>
<p>Conversion or adaptation of the above information to be used in a new system.</p>	<p>The amounts incurred in this process are recognized in the period expenses.</p>

Source: Norm of financial information C-8.