M6D2 Intangible Assets

 Intangible assets are a specialized area of accounting wherein an entity finds and declares value in things like intellectual property and branding.  AccountingTools.com has a far simpler and more layman-friendly (though hardly as in-depth or well-referenced) definition than the course-provided reader (Rechtman, Y., 2001) description easily presented in this list:

* *Artistic assets. This can include photos, videos, paintings, movies, and audio recordings.*
* *Defensive assets. You may acquire an intangible asset so that others may not use it. Its useful life is the period over which it is of value in being withheld from the competition.*
* *Leasehold improvements. These are improvements to a leaseholding, where the landlord takes ownership of the improvements. You amortize these improvements over the shorter of their* [*useful lives*](http://www.accountingtools.com/dictionary-useful-life) *or the lease term.*
* *Software developed for internal use. This is the cost of software developed for internal use, with no plan to market it externally. You amortize these costs over the useful life of the asset.*
* *Internally developed and not specifically identifiable. If there is not a specifically identifiable intangible asset, then you should charge its cost to expense in the period incurred.*
* *Goodwill. When an entity acquires another entity, goodwill is the difference between the purchase price and the amount of the price not assigned to assets and liabilities acquired in the acquisition that are specifically identified. Goodwill does not independently generate cash flows.*

([www.accountingtools.com](http://www.accountingtools.com))

In short, under GAAP, a great deal of latitude is given to assess and evaluate intangible assets.  It is a highly subjective activity, dependent on the knowledge and integrity of the entity performing the valuation.  (Harrison, Horngren, & Thomas, 2013)

As an accountant or bookkeeper, it is imperative that one maintain careful records and references demonstrating sources for comparisons or other methods of determination.  As an internal executive, external stakeholder, or stockholder; it is imperative to understand what intangibles are given what value and why in a financial statement.

 References:

Rechtman, Yigal. (2001) *Accounting Treatment of Intangible Assets.* Retrieved from <http://www.rechtman.com/acc692.htm>.

AccountingTools.com (n.d.) *Intangible Asset Accounting. | Amortization* Retrieved from <http://www.accountingtools.com/intangible-assets-accounting>

Harrison, W., Horngren, C., & Thomas, C. (2013). *Financial accounting.* (9th ed.). Pearson Education, Inc.