Intangible Assets - Copyrights and Trademarks

Intangible assets are defined by GASB 51 as assets that have all of the following characteristics:

1. Lacking physical substance. Being contained in/on an item having physical substance does not give an intangible asset physical substance, as in the case of computer software (an intangible asset) contained on a compact disc.
2. Non-financial in nature (not in monetary form or representing a claim to assets in a monetary form similar to receivables).
3. Having a useful life of more than one year (beyond a single reporting period).

Examples of intangible assets include easements; land rights (water, mineral and timber rights); computer software; and patents, copyrights and trademarks if acquired for the purpose of enhancing the quality of UTSA operating services. For more information see Patents, Copyrights and Trademarks (Intellectual Property).

1. Capitalization

Subject to the thresholds below, intangible assets are capitalized as follows:

a. Purchased: Acquisition cost plus costs necessary to obtain and/or put the asset into service.

b. Licensed: The amount of the license fee if the license is for more than one year. See Internally-Generated Computer Software for detailed guidance on internally-generated software.

c. Acquired through non-exchange transaction: Estimated fair value at the time of acquisition plus ancillary charges, if any.

d. Internally generated: Intangible assets are considered internally generated if they are:

Produced by UTSA; or

Acquired from a third party, but they require more than minimal incremental effort to achieve the expected level of service.

NOTE: This category could include assets such as patents, copyrights, trademarks, and computer software.

Development costs for identifiable, internally-generated intangible assets are capitalized if incurred after all of the following have occurred:

Determination of the specific objective of the project and the nature of the expected service capacity of the asset;

Demonstration of the technical or technological feasibility for completing the project; and

Demonstration of the current intention, ability, or presence of effort to complete or continue development of the intangible asset (budget commitment for funding, reference to the project in strategic planning documents, etc.).

For guidance on capitalization of specific costs associated with internally-generated software see Internally-Generated Computer Software.

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The following capitalization thresholds apply to intangible assets:

Asset	Acquisition Value Threshold
Perpetual easements	No threshold (all perpetual easements must be capitalized)
Limited term easements and land rights	$100,000
Purchased computer software	$100,000
Patents, copyrights and trademarks (only if acquired for the purpose of enhancing the quality of UTSA operating services) – see GASB 51 Exclusions and Patents, Copyrights and Trademarks (Intellectual Property).	$100,000
Internally-generated computer software (see Internally Generated Computer Software)	$1,000,000

2. Reporting Requirements

GASB 51 requires that intangible assets be classified and reported as capital assets, and as such they are subject to existing accounting and reporting requirements for capital assets in addition to the provisions of this guideline. For more information on accounting and reporting for capital assets see UTSA Financial Management Operational Guideline (FMOG) Financial Management of Capital Assets.

No additional financial statement disclosures are required for intangible assets other than those required for capital assets. For more information see GASB 34.

An intangible asset is recognized in the Statement of Net Assets if it is identifiable (i.e., one of the following conditions is met):

- It is separable (can be separated or divided from UTSA and sold, transferred, licensed, rented, or exchanged); or
- It is the result of contractual or other legal rights (regardless of whether the rights are transferable or separable from UTSA or from other rights/obligations).

3. GASB 51 Exclusions

The following are excluded from GASB 51 and this guideline:

a. Assets acquired for the primary purpose of obtaining income or profit, such as copyrights for which the primary purpose is royalty income, or mineral rights acquired for the primary purpose of obtaining income (follow authoritative guidance for investments).

b. Assets resulting from capital lease transactions reported by lessees (accounted for as required by National Council of Governmental Accounting Statement 5, Accounting and Financial Reporting Principles for Lease Agreements of State and Local Governments, as amended).

c. Goodwill created jointly by UTSA and another entity (accounting and reporting for combination transactions extends beyond issues related to intangible assets).