



## Solution 122.4

<b>Component</b>	Telecommunication entities
<b>Index</b>	Intangible assets – telecommunication licences
<b>Short title</b>	Period of license amortisation

**Attention:** This guidance is based on the revised standards and interpretations that are mandatory for accounting periods commencing 1 January 2005. A company may early adopt an individual revised standard, but only in its entirety. Guidance based on the previous version of the standards is included in the “Applying IFRS 2004” guidance.

### Issue

The depreciable amount of an intangible asset with a finite useful life shall be allocated on a systematic basis over its useful life [IAS38R.8]. An intangible asset’s useful life is the period over which the asset is expected to be available for use, or the number of production or similar units expected to be obtained from it [IAS38R.97].

Rights with a limited term that can be renewed may have a life longer than the original contractual period. The intangible asset’s useful life includes the renewal periods only if there is evidence to support that it can be renewed without significant cost [IAS38R.94].

Over what period should an operator amortise its telecom licence?

### Background

Operator D purchased a telecom licence in 2000 for 1 billion. The licence has an initial term of 10 years. The licence agreement is silent about D's right to renew the licence. While D expects to be able to renew its licence at the end of its initial term, it is not known what charge, if any, the government would make for such a renewal.

### Solution

Operator D should amortise the full value of the licence on a straight-line basis over 10 years. D plans to renew the licence, but it has no experience of the government renewing telecom licences. It cannot reliably determine what amount, if any, would be payable to the government for the renewal of the licence, the likelihood of renewal or any related costs.