IPSASB International Public Sector Accounting Standards Board®

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Meeting: International Public Sector Accounting Standards Board

Meeting Date: December 8–10, 2026

Agenda Item 8

INTANGIBLE ASSETS RESEARCH PHASE

Project summary	This phase is examining public sector financial reporting issues and relevant standard-setting developments to inform future research priorities and consideration of a potential Project Brief.	
Meeting objective	Obtain IPSASB members' questions or comments on the research objective, activities and initial topics, and on the illustration of the research approach to a Software as a Service (SaaS) fact pattern.	
Project staff lead	• João Fonseca, Principal	
	Topic	***Agenda Item***
Essential Documents (Required Reading)	Research Approach and Initial Illustration	8.A.1
Supporting Documents (Encouraged Reading: Posted Separately on Meeting Page)	Supporting Document 1—Intangible Assets Research Phase Dashboard	8.B.1

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Research Approach and Initial Illustration

Questions for the IPSASB

1. Does the IPSASB have any questions or comments on:

   (a) The research objective, activities and initial research topics; and

   (b) The use of a Software as a Service (SaaS) fact pattern to illustrate the research approach?

Context

2. At its September 2026 meeting, the IPSASB decided to add a Research Phase on Intangible Assets to its Work Program as resources become available, in response to stakeholder feedback on challenges applying the current intangible assets guidance in the public sector and the importance of maintaining alignment with IFRS Accounting Standards as the IASB's work develops.

3. Staff have commenced research to gather and analyze information to inform potential future standard-setting activities. Starting the research now allows the IPSASB to consider current and emerging public sector issues alongside developments in the IASB's project and to be prepared to consider future project work, if appropriate.

4. This paper seeks IPSASB input on the research approach, illustrated through a SaaS fact pattern.

Analysis

Research Objective

5. The following objective will guide the research and inform a potential Project Brief:

> To prepare the IPSASB to undertake future standard-setting activities on intangible assets, if deemed appropriate, informed by public sector financial reporting issues identified through the IPSASB's own research and by developments in international and national standard setting.

Research Activities

6. Staff are undertaking two complementary research activities:

   (a) **Activity 1: Identify and analyze public sector financial reporting issues related to intangible assets.** Research will identify prevalent, significant and emerging intangible-related transactions and activities in the public sector and document relevant fact patterns, current accounting outcomes and implementation experience.

   (b) **Activity 2: Monitor and analyze relevant international and national standard-setting developments.** Research will monitor relevant work of the International Accounting Standards Board (IASB) and national public sector standard-setting bodies and consider their potential implications for future IPSASB work.

7. The two activities will be applied together. Staff will first analyze relevant public sector fact patterns under IPSAS requirements and the IPSASB Conceptual Framework, and then consider external standard-setting developments to identify similarities, differences and broader questions for further IPSASB research. Findings from both activities will inform future research priorities and consideration of a potential Project Brief.

Initial Research Topics

8. Staff have identified the following initial research topics:

   (a) Cloud computing, including SaaS arrangements, configuration and customization;

   (b) Software developed using agile or iterative methods;

   (c) Data resources, including data collected, generated or acquired by public sector entities, and Artificial Intelligence-related activities; and

   (d) Other intangible-related topics identified through the research.

9. These topics provide starting points rather than define the scope of the research, and staff may refine or supplement them as the research identifies prevalent and significant public sector financial reporting issues.

Illustrating the Research Approach: SaaS

10. Staff are using a typical SaaS fact pattern to illustrate the research approach in practice. In this fact pattern, a customer pays for access to software hosted, operated and controlled by a supplier. The customer accesses the software as needed but does not control the underlying infrastructure or software code. The supplier may also perform configuration and customization activities to adapt the software to the customer's needs. SaaS arrangements can vary, and the analysis below relates only to the fact pattern considered. The IASB research similarly identifies a range of cloud arrangements and notes that differences in contractual rights and delivery models can affect the accounting judgements.

Activity 1: IPSASB Research

11. Staff analyzed this fact pattern under IPSAS 31, *Intangible Assets*, and the IPSASB Conceptual Framework, considering the underlying resource, the rights obtained, unit of account, control, recognition and service potential.

12. Staff's preliminary analysis indicates that the supplier-controlled software does not give rise to a software intangible asset of the customer because the customer does not control the software itself. For the fact pattern analyzed, the customer has a contractual right to receive access to the supplier's software over the contract term. Staff have not identified a separate right-to-access intangible asset at contract commencement when applying the existing IPSAS requirements to this fact pattern; instead, the customer receives access as the supplier performs over the contract term.

13. Related configuration and customization expenditure gives rise to an intangible asset only when the activities create a separate identifiable resource controlled by the entity that meets the IPSAS 31 recognition criteria. For example, customization may create separate code controlled by the entity. If no intangible asset arises, the expenditure relates to services and the entity recognizes an expense when it receives those services.

14. Where configuration or customization is performed by the SaaS supplier, staff consider whether those activities represent a service distinct from the SaaS access. IPSAS 31 requires an entity to recognize expenditure on services as an expense when it receives those services (see IPSAS 31.67–68). Where IPSAS 31 does not specify how to identify the services received, staff consider the accounting policy hierarchy in paragraphs 12 and 14 of IPSAS 3, *Accounting Policies, Changes in Accounting Estimates and Errors*. Through that hierarchy, staff consider the requirements in IPSAS 47, *Revenue*,

that a supplier applies to identify distinct goods or services in a binding arrangement, because those requirements deal with a similar and related issue from the supplier's perspective.

15. The timing of expense recognition depends on the service identified. If the configuration or customization service is distinct from the SaaS access, the entity recognizes the expense when the supplier performs that service. If the service is not distinct because it is not separately identifiable from the SaaS access, the entity recognizes the expense as the supplier provides access to the software over the contract term. A payment made before the related service is received is recognized as a prepayment (see IPSAS 31.69).

16. Staff therefore preliminarily consider that existing IPSAS requirements provide an appropriate basis for accounting for the fact pattern considered and that the resulting accounting reflects its economic substance.

Activity 2: Monitor Other Standard-Setting Developments

17. The IFRS Interpretations Committee's 2019 and 2021 agenda decisions reached accounting outcomes corresponding to staff's preliminary IPSAS analysis for the fact pattern considered. The underlying IFRS requirements are also relevant to current IPSAS practice because, when developing an accounting policy under the hierarchy in IPSAS 3, entities may consider pronouncements of other standard-setting bodies, including IASB pronouncements, provided they do not conflict with the higher-ranking sources in that hierarchy.

18. In 2019, the Committee concluded that a contract conveying only a right to receive future access to supplier-controlled software is a service contract because the customer does not control the software; the Committee also concluded that IFRS Standards provide an adequate basis for accounting for the arrangement. If the customer pays before receiving the service, the prepayment represents an asset in the form of a right to future service.

19. In 2021, the Committee concluded that configuration or customization often does not result in an intangible asset because the customer does not control a separate resource, although an intangible asset may arise when the activities create, for example, separate identifiable code controlled by the customer that meets the IAS 38 recognition criteria.

20. IASB's stakeholder feedback on these IFRS accounting outcomes has been mixed. Some stakeholders said the agenda decisions provided clarity, while others questioned whether the resulting accounting reflects the economics of some SaaS arrangements. In particular, some stakeholders consider SaaS arrangements economically similar to on-premises software despite the different accounting outcomes, and question the immediate expensing of significant configuration and customization expenditure expected to provide benefits over multiple periods. These concerns do not establish that the existing requirements are deficient, but they identify questions for further research.

21. The IASB's subsequent research therefore goes beyond determining the accounting outcome under existing requirements by considering more broadly what economic resource the customer obtains. The research explores the underlying item, the rights obtained, unit of account and control, including whether a contractual right to access supplier-controlled intellectual property could itself be an asset.

22. The IASB is drawing on updated Conceptual Framework concepts that focus on identifying the rights that constitute the economic resource, determining whether those rights are controlled, and determining whether individual rights or groups of rights should be treated as the unit of account.

These concepts are also relevant to IPSASB research because the updated IPSASB Conceptual Framework uses a substantially similar rights-based approach, with service potential as an additional public sector dimension.

Initial Findings

23. The initial SaaS research shows how the two research activities work together. **Activity 1** indicates that existing IPSAS requirements provide an appropriate accounting basis for the fact pattern considered and that the resulting accounting reflects its economic substance. **Activity 2** identifies corresponding accounting outcomes under IFRS Accounting Standards and considers related stakeholder concerns and broader conceptual questions that may warrant further IPSASB research.

24. Staff will consider those questions under IPSAS requirements as the research continues. The findings from the fact pattern analyzed do not determine the accounting for other SaaS arrangements, which may involve different rights, resources or control characteristics.

Staff View

25. Staff consider that:

    (a) The objective and activities provide a clear direction for the Intangible Assets Research Phase, while the initial topics provide starting points that staff will refine as the research identifies prevalent and significant public sector financial reporting issues.

    (b) The SaaS fact pattern illustrates how the research approach operates in practice and, for the fact pattern considered, the initial research indicates that existing IPSAS requirements provide an appropriate accounting basis and reflect the economic substance of the arrangement.

    (c) Monitoring other standard-setting developments can identify relevant stakeholder concerns and broader conceptual questions that may warrant further IPSASB research, without presuming the need for changes to existing requirements.