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Effective date: this interpretation becomes effective on 31 December 2001. Changes in accounting policies should be accounted for according to the transition requirements of IAS 8.46.

**STANDING INTERPRETATIONS COMMITTEE INTERPRETATION  
SIC-32**

**Intangible assets — web site costs**

Paragraph 11 of IAS 1 (revised 1997), presentation of financial statements, requires that financial statements should not be described as complying with International Accounting Standards unless they comply with all the requirements of each applicable standard and each applicable interpretation issued by the Standing Interpretations Committee. SIC interpretations are not expected to apply to immaterial items.

Reference: IAS 38, intangible assets.

*Issue*

1. An enterprise may incur internal expenditure on the development and operation of its own web site for internal or external access. A web site designed for external access may be used for various purposes such as to promote and advertise an enterprise's own products and services, provide electronic services, and sell products and services. A web site designed for internal access may be used to store company policies and customer details, and search relevant information.
2. The stages of a web site's development can be described as follows:
  - (a) planning — includes undertaking feasibility studies, defining objectives and specifications, evaluating alternatives and selecting preferences;
  - (b) application and infrastructure development — includes obtaining a domain name, purchasing and developing hardware and operating software, installing developed applications and stress testing;
  - (c) graphical design development — includes designing the appearance of web pages;
  - (d) content development — includes creating, purchasing, preparing and uploading information, either textual or graphical in nature, on the web site before the completion of the web site's development. This information may either be stored in separate databases that are integrated into (or accessed from) the web site or coded directly into the web pages.
3. Once development of a web site has been completed, the operating stage begins. During this stage, an enterprise maintains and enhances the applications, infrastructure, graphical design and content of the web site.
4. When accounting for internal expenditure on the development and operation of an enterprise's own web site for internal or external access, the issues are:
  - (a) whether the web site is an internally generated intangible asset that is subject to the requirements of IAS 38; and
  - (b) the appropriate accounting treatment of such expenditure.
5. This interpretation does not apply to expenditure on purchasing, developing, and operating hardware (e.g. web servers, staging servers, production servers and Internet connections) of a web site. Such expenditure is accounted for under IAS 16, property, plant and equipment (revised 1998). Additionally, when an enterprise incurs expenditure on an Internet service provider hosting the enterprise's web site, the expenditure is recognised as an expense under IAS 8.7 and the framework when the services are received.
6. IAS 38 does not apply to intangible assets held by an enterprise for sale in the ordinary course of business (see IAS 2, inventories, and IAS 11, construction contracts) or leases that fall within the scope of IAS 17, leases (revised 1997). Accordingly, this interpretation does not apply to expenditure on the development or operation of a web site (or web site software) for sale to another enterprise. When a web site is leased under an operating lease, the lessor applies this interpretation. When a web site

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is leased under a finance lease, the lessee applies this interpretation after initial recognition of the leased asset.

*Consensus*

7. An enterprise's own web site that arises from development and is for internal or external access is an internally generated intangible asset that is subject to the requirements of IAS 38.
8. A web site arising from development should be recognised as an intangible asset if, and only if, in addition to complying with the general requirements described in IAS 38.19 for recognition and initial measurement, an enterprise can satisfy the requirements in IAS 38.45. In particular, an enterprise may be able to satisfy the requirement to demonstrate how its web site will generate probable future economic benefits under IAS 38.45(d) when, for example, the web site is capable of generating revenues, including direct revenues from enabling orders to be placed. An enterprise is not able to demonstrate how a web site developed solely or primarily for promoting and advertising its own products and services will generate probable future economic benefits, and consequently all expenditure on developing such a web site should be recognised as an expense when incurred.
9. Any internal expenditure on the development and operation of an enterprise's own web site should be accounted for in accordance with IAS 38. The nature of each activity for which expenditure is incurred (eg training employees and maintaining the web site) and the web site's stage of development or post-development should be evaluated to determine the appropriate accounting treatment (additional guidance is provided in the appendix to this interpretation). For example:
  - (a) the planning stage is similar in nature to the research phase in IAS 38.42 to 44. Expenditure incurred in this stage should be recognised as an expense when it is incurred;
  - (b) the application and infrastructure development stage, the graphic design stage and the content development stage, to the extent that content is developed for purposes other than to advertise and promote an enterprise's own products and services, are similar in nature to the development phase in IAS 38.45 to 52. Expenditure incurred in these stages should be included in the cost of a web site recognised as an intangible asset in accordance with paragraph 8 of this interpretation when the expenditure can be directly attributed, or allocated on a reasonable and consistent basis, to preparing the web site for its intended use. For example, expenditure on purchasing or creating content (other than content that advertises and promotes an enterprise's own products and services) specifically for a web site, or expenditure to enable use of the content (e.g. a fee for acquiring a licence to reproduce) on the web site, should be included in the cost of development when this condition is met. However, in accordance with IAS 38.59, expenditure on an intangible item that was initially recognised as an expense in previous financial statements should not be recognised as part of the cost of an intangible asset at a later date (e.g. when the costs of a copyright have been fully amortised, and the content is subsequently provided on a web site);
  - (c) expenditure incurred in the content development stage, to the extent that content is developed to advertise and promote an enterprise's own products and services (e.g. digital photographs of products), should be recognised as an expense when incurred in accordance with IAS 38.57(c). For example, when accounting for expenditure on professional services for taking digital photographs of an enterprise's own products and for enhancing their display, expenditure should be recognised as an expense as the professional services are received during the process, not when the digital photographs are displayed on the web site;
  - (d) the operating stage begins once development of a web site is complete. Expenditure incurred in this stage should be recognised as an expense when it is incurred unless it meets the criteria in IAS 38.60.
10. A web site that is recognised as an intangible asset under paragraph 8 of this interpretation should be measured after initial recognition by applying the requirements of IAS 38.63 to 78. The best estimate of a web site's useful life should be short.

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Date of consensus: May 2001.

Effective date: This interpretation becomes effective on 25 March 2002. The effects of adopting this interpretation should be accounted for using the transition requirements of IAS 38.118 to 121. Therefore, when a web site does not meet the criteria for recognition as an intangible asset, but was previously recognised as an asset, the item should be derecognised at the date when this interpretation becomes effective. When a web site exists and the expenditure to develop it meets the criteria for recognition as an intangible asset, but was not previously recognised as an asset, the intangible asset should not be recognised at the date when this interpretation becomes effective. When a web site exists and the expenditure to develop it meets the criteria for recognition as an intangible asset, was previously recognised as an asset and initially measured at cost, the amount initially recognised is deemed to have been properly determined.

**▼ M5****▼ M4***IFRIC INTERPRETATION 1***Changes in Existing Decommissioning, Restoration and Similar Liabilities****REFERENCES**

- IAS 1 *Presentation of Financial Statements* (as revised in 2003)
- IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*
- IAS 16 *Property, Plant and Equipment* (as revised in 2003)
- IAS 23 *Borrowing Costs*
- IAS 36 *Impairment of Assets* (as revised in 2004)
- IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*

**BACKGROUND**

1. Many entities have obligations to dismantle, remove and restore items of property, plant and equipment. In this Interpretation such obligations are referred to as 'decommissioning, restoration and similar liabilities'. Under IAS 16, the cost of an item of property, plant and equipment includes the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located, the obligation for which an entity incurs either when the item is acquired or as a consequence of having used the item during a particular period for purposes other than to produce inventories during that period. IAS 37 contains requirements on how to measure decommissioning, restoration and similar liabilities. This Interpretation provides guidance on how to account for the effect of changes in the measurement of existing decommissioning, restoration and similar liabilities.

**SCOPE**

2. This Interpretation applies to changes in the measurement of any existing decommissioning, restoration or similar liability that is both:
  - (a) recognised as part of the cost of an item of property, plant and equipment in accordance with IAS 16;
  - and
  - (b) recognised as a liability in accordance with IAS 37.

For example, a decommissioning, restoration or similar liability may exist for decommissioning a plant, rehabilitating environmental damage in extractive industries, or removing equipment.