

CONCEPT: INTANGIBLE ASSETS AND AMORTIZATION

- **Intangible Assets** – Long-lived assets with no _____ form offering special rights to the company.
 - Intangible assets with _____ lives are **amortized** → Amortization = _____ for intangibles
 - Amortization expense is usually on a straight-line basis. This is actually super easy!
 - There is no Accumulated Amortization account; we directly decrease the value of the intangible asset
 - Intangible assets with _____ lives are **not amortized** → Annual test for impairment of value
- There are many different intangible assets, let's discuss the most common ones:
 - **Patents** – the exclusive right to _____ and _____ an invention for _____ years
 - The useful life of a patent may be _____ than twenty years. This will be given in the problem.

Technocorp purchased a patent from Inventocorp for \$170,000 on January 1. Technocorp believes it will be able to produce the product for five years before competition renders the patent obsolete. Journalize the purchase of the patent and amortization expense for the year.

<u>Assets</u>	=	<u>Liabilities</u>	+	<u>Equity</u>
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- **Copyrights** – the exclusive right to sell a _____, such as books, music, or _____
 - Copyrights last for _____ years beyond its creator's life
 - Copyrights may be purchased (i.e. by a publishing company) and amortized over its useful life
- **Trademarks** – the exclusive right to use a _____, _____, or _____
 - Some trademarks have contracted finite lives; while others have indefinite lives (must be given)
 - Trademarks will have the TM symbol or ® symbol associated with them
- **Franchises/Licenses** – Privileges granted by a private business to sell its product or service under conditions
 - Many McDonald's restaurants are operated by franchisees that pay fees to operate as a McDonald's
 - Generally, franchises and licenses have infinite lives
- **Goodwill** – The value above the Market Value that you pay when you purchase a company
 - Example: Customers are happy with the company's "green" efforts
 - Goodwill has an infinite life (tested for _____ annually)
- **Research and Development Costs** – costs incurred in creating new products
 - In general, R&D costs must be _____ as incurred. They do not become intangible assets.