8 Lecture - MGT401

Important Subjective

1. What are intangible assets, and how are they defined under the Companies Ordinance 1984?

Answer: Intangible assets are non-physical assets that lack physical substance but have value to a company. They are defined under the Companies Ordinance 1984 as assets that do not have a physical existence but can be measured reliably.

2. Why is it important to properly account for intangible assets in a company's financial statements?

Answer: Proper accounting for intangible assets is important because it helps investors make informed decisions about a company's financial health and potential for future growth.

3. What is the process for impairment testing of intangible assets, and why is it necessary?

Answer: The process for impairment testing of intangible assets involves comparing the carrying amount of the asset to its recoverable amount. This is necessary to ensure that the carrying amount of the asset is not overstated and that any impairment loss is recognized in the financial statements.

4. Can acquired goodwill be amortized for a period longer than 10 years? If so, under what circumstances?

Answer: Acquired goodwill can be amortized for a period longer than 10 years if the company can justify the longer period based on a change in business strategy.

5. What are some examples of intangible assets that are commonly found on a company's balance sheet?

Answer: Examples of intangible assets include patents, trademarks, copyrights, and goodwill.

6. How is acquired goodwill accounted for under the Companies Ordinance 1984?

Answer: Acquired goodwill must be amortized over a maximum period of 10 years, unless a longer period can be justified based on a change in business strategy.

7. Can intangible assets be revalued under the Companies Ordinance 1984?

Answer: No, intangible assets cannot be revalued under the Companies Ordinance 1984.

8. What is the difference between an intangible asset and a tangible asset?

Answer: A tangible asset has a physical existence, while an intangible asset does not.

9. How are intangible assets measured under the Companies Ordinance 1984?

Answer: Intangible assets are measured at cost less any accumulated amortization and impairment losses.

10. How does the proper accounting of intangible assets benefit a company's stakeholders?

Answer: Proper accounting of intangible assets benefits a company's stakeholders by providing transparency and clarity about the value of the company's assets and potential for future growth.