



# Sharing Best Practices on Reporting R&D Statistics

**Measuring R&D Expenditure in Knowledge Intensive Services (KIS)**

## Accountability – Key issues



## Summary

1. Research and Development Reporting  
- an Overview of IAS (IAS 38).
2. Accounting methodologies for report R&D expenses.
3. Problems arised by functional accounting.
4. R&D as a part of the value chain.



## *Concepts:*

**Research** is the original and planned investigation carried on to obtain new scientific or technical's knowledge

**Development** is the application of the research' findings and other knowledge in a plan for production of new or improved materials, equipments, processes, services or systems, before the beginning of their production, sale or use.



### *Initial Recognition:*

No intangible asset arising from research (or from the research phase of an internal project) shall be recognized.

Expenditure on research (or on the research phase of an internal project) shall be recognized as an expense when it is incurred.



An intangible asset arising from development (or from the development phase of an internal project) shall be recognized if, and only if, an entity can demonstrate all of the following:

- (a) the technical feasibility of completing the intangible asset so that it will be available for use or sale.
- (b) its intention to complete the intangible asset and use or sell it.
- (c) its ability to use or sell the intangible asset.

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An intangible asset arising from development (or from the development phase of an internal project) shall be recognized if, and only if, an entity can demonstrate all of the following:

- (d) how the intangible asset will generate probable future economic benefits. Among other things, the entity can demonstrate the existence of a market for the output of the intangible asset or the intangible asset itself or, if it is to be used internally, the usefulness of the intangible asset.
- (e) the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset.
- (f) its ability to measure reliably the expenditure attributable to the intangible asset during its development.



## *Subsequent Expenditure*

Subsequent expenditure on an intangible asset after its purchase or completion should be recognized as an expense when it is incurred, unless:

- ✓ it is probable that this expenditure will enable the asset to generate future economic benefits in excess of its originally assessed standard of performance; and,
- ✓ the expenditure can be measured and attributed to the asset reliably.



## ***Disclosure***

For each class of intangible asset (for ex: R&D capitalized), disclose:

- useful life or amortization rate and method

....

- reconciliation of the carrying amount at the beginning and the end of the period showing:

- additions
- retirements and other disposals
- . amortization

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## ***Additional disclosures are required about:***

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- the amount of research and development expenditure recognized as an expense in the current period





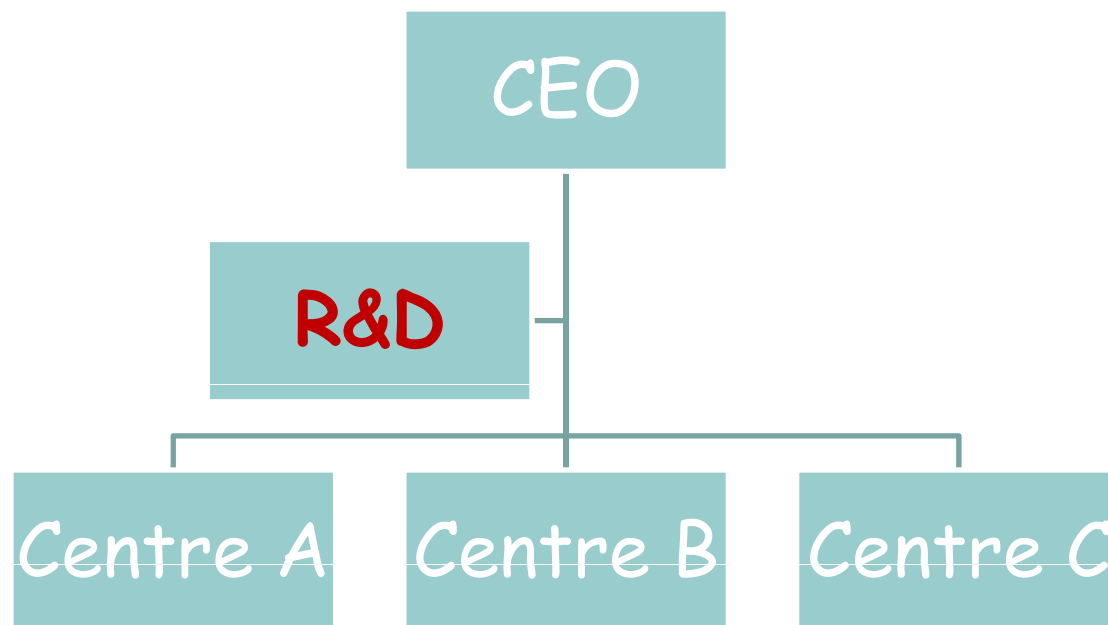
*Accounting methodologies for collect data and report expenses in R&D activities:*

**FUNCTIONAL PERSPECTIVE**

**PROCESS PERSPECTIVE**

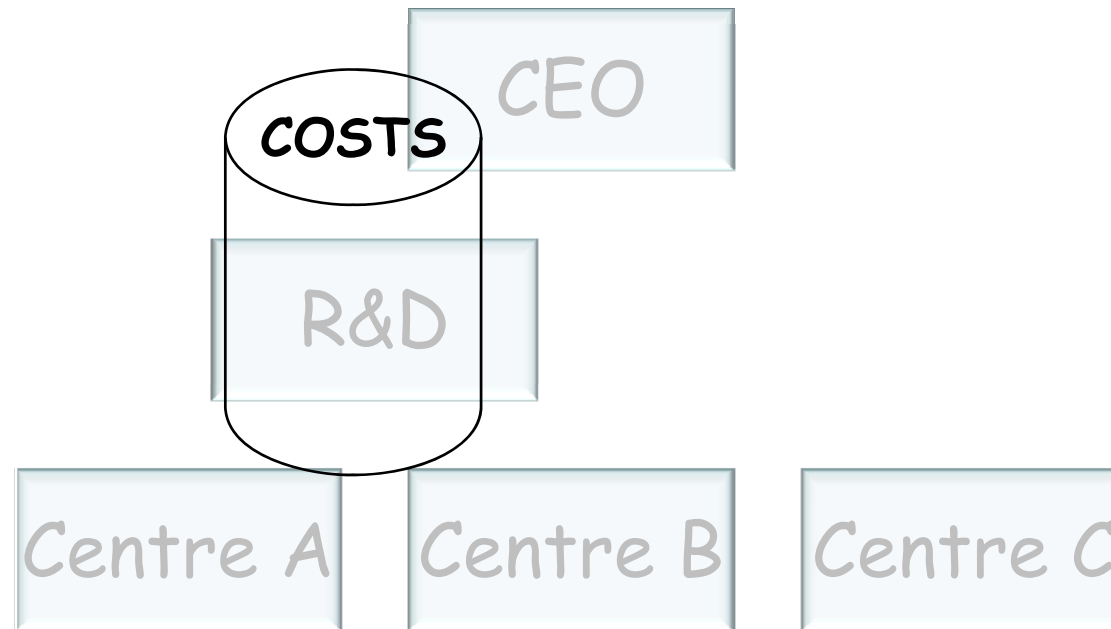


## R&D is a part of the Entity Structure (Cost Centre)



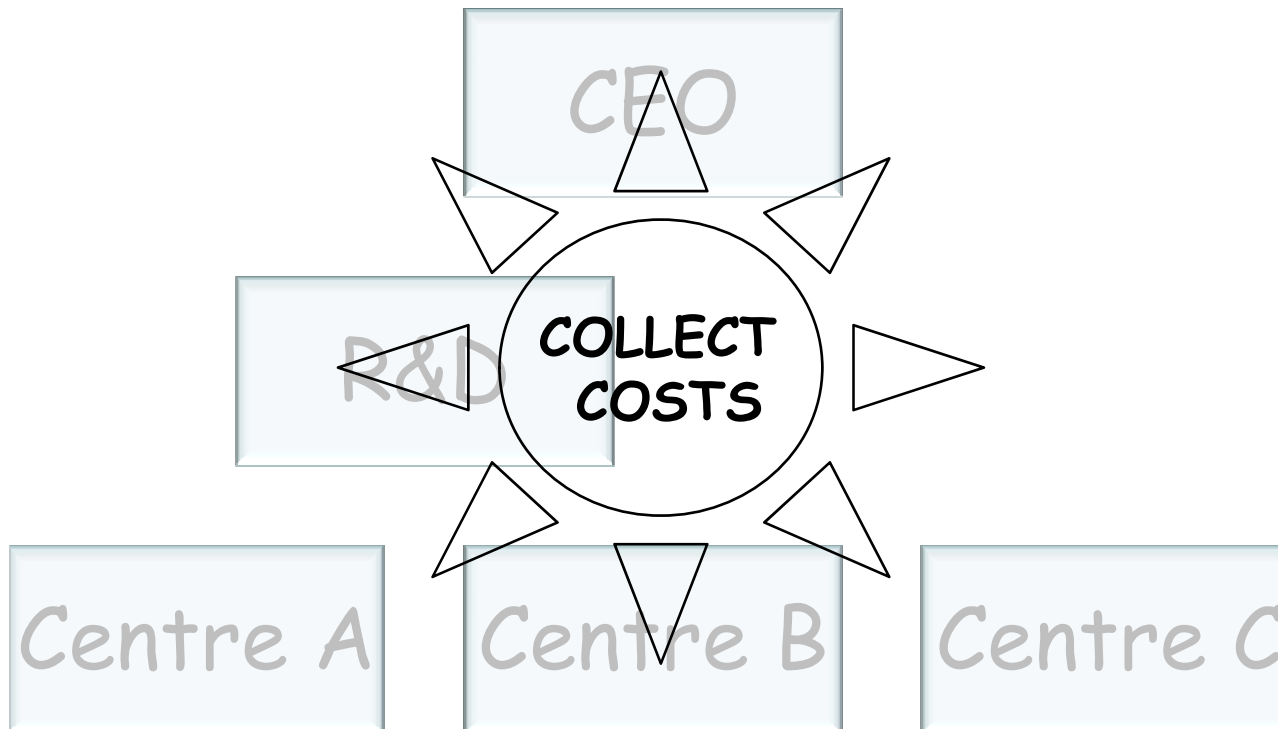


**R&D is seen as vertical “collector” of data (costs)**





**Problem:** R&D is transversal in most Entities  
and can have several centres involved





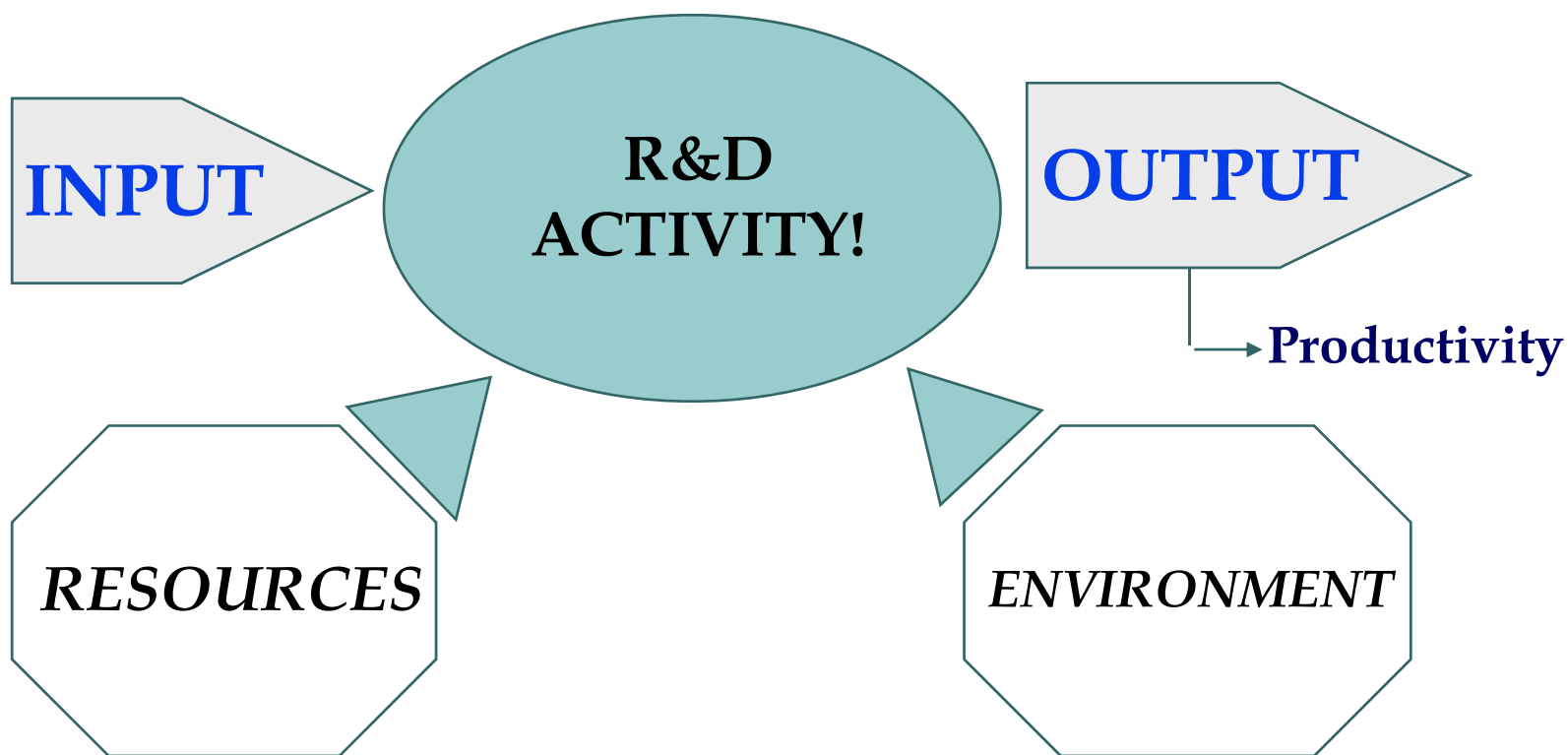
**Problem:** Risk of under value the efforts with  
R&D activities

**Problem:** Complexity of the accounting systems,  
particularly in managing the OVERHEADS  
COSTS, that can lead to:

Difficulties in **Comparability**;  
Lack of **Coherence**;  
Absence of **Transparency**;  
etc..



## R&D is a part of the Entity VALUE CHAIN





**If R&D is a part of the Entity VALUE CHAIN, then:**

**Must be integrated with the others Entity activities;**

**Must be related by the only one accounting system;**

**Must be possible identify the resources consumed,  
that is:**

- **Trace resources to activities (technologic systems);**
- **Define the resources unit measure;**
- **Calculate the cost per unit**
- **Accomplish allocations and results along the  
processes.**



**CHANGE THE OVERVIEW:**

**FROM**

**FOCUS ON THE COST OF OUR  
DISPENDITURES (RESOURCES OPTICAL)**

**TO**

**FOCUS ON THE COST OF WHAT WE  
REALLY DOING (ACTIVITY OPTICAL)**





***END***

**THANK YOU FOR YOUR ATTENTION**  
**Attention ss**