



State of Arizona Accounting Manual

Topic 25 Long-lived Resources

Issued 07/01/15

Section 65 Intangible Assets Other than Software

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INTRODUCTION

Amortization is the method of recovering the acquisition cost of capitalized assets whose economic lives are determined by law or legal agreement rather than by deterioration or obsolescence. Amortization is therefore applied to intangible assets, such as copyrights, and to a limited number of tangible capital assets, such as leasehold improvements.

The most commonly encountered intangible capital assets are represented by software, which is dealt with in SAAM 2515. Here is discussed other types of intangible assets.

POLICY & PROCEDURES

1. Intangible resources acquired from an external entity by way of purchase, license or donation are to be either capitalized or expensed depending upon their cost.
 - 1.1. If the cost of these types of intangible resources meets or exceeds the monetary thresholds contained in SAAM 2590, these intangible resources are to be capitalized and their cost amortized over their applicable useful lives.
 - 1.2. If the cost of these types of intangible resources is less than the monetary thresholds contained in SAAM 2590, these intangible resources are to be expensed for financial reporting purposes.
 - 1.3. Software is an IT resource as described in SAAM 2515 and will be treated as a memo asset in AFIS if its cost is less than the amortization threshold set forth in SAAM 2590.
2. Unless specifically excepted, all intangible capital assets are to be amortized over the shorter of their legal or useful lives.
3. Internal development of intangible assets other than software should generally follow accounting procedures similar to those outlined for software and set forth in SAAM 2515.
4. Agencies need to be aware that there may exist specific circumstances (such as the terms of a Federal grant) that would dictate the application of a shorter useful life than one established by the table contained in SAAM 2590.
5. Agencies may request the State Comptroller in writing to grant permission to adopt lower capitalization thresholds than those prescribed in the Intangible Resource

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Capitalization table, if operations or the accuracy of financial reporting purposes are thus better served. The use of higher capitalization thresholds is prohibited.

- 5.1. The use of a lower capitalization threshold than that set forth in SAAM 2590 will require manually overriding the amortization threshold contained in FAM.
6. Agencies may request the State Comptroller in writing to grant permission to adopt longer useful lives than those prescribed in the Intangible Resource Capitalization table, if operations or the accuracy of financial reporting purposes are thus better served. The use of shorter useful lives, except as may be expressly directed elsewhere herein, is prohibited.