**Intangible Assets: Amortizations, Reconciliations, Reports and Centralized Functions**

1. Amortization is the systematic allocation of the amortizable amount of an Intangible Asset over its useful life. Amortization expenses the cost of the asset in equal installments (Straight line method of amortization) over the life of the asset, rather than when the asset is paid.

1. Amortization is the systematic allocation of the amortizable amount of an Intangible Asset over its useful life. Amortization expenses the cost of the asset in equal installments (Straight line method of amortization) over the life of the asset, rather than when the asset is paid for. Amortizable amount is the cost of an asset, or other amount substituted for cost, less its residual value and Residual value of an asset is the estimated amount that would currently be obtained from disposal of the asset, after deducting the estimated costs of disposal, if the asset were already of the age and in the condition expected at the end of its useful life. In UNDP all intangibles will have a zero residual life.

1. Since the Amortization expense will be posted against the Chart of Accounts within which an asset is recorded, it is important that temporary COAs are not used as amortization charges will be against these temporary COAs necessitating a series of corrective journal entries when the asset is finally recorded against the correct and final COA.

1. The Amortization expense does not impact resources (budget) as the initial cost of the Intangible Asset is fully charged to budget. It is a non-cash expense that allocates this cost over the life of the Intangible Asset.

1. The estimated useful lives for intangible assets are as follows:

|  |  |  |
| --- | --- | --- |
| **Class** | **Estimated useful life (years)** |  |
| Software acquired | 3-6 |
| Internally developed software | 3-6 |
| Trademarks | 2-6 |
| Copyrights | 3-10 |
| Patents | 2-6 |
| Licenses and other | 2-6 |

# Reconciliation

6. Reconciliation is the accounting process used to compare at least two sets of records to ensure the figures are in agreement and are accurate. Given that the Intangible Assets data will be initiated in one module and ultimately recorded in the Quantum Asset Module as well as the General Ledger Account, there will be a need to reconcile the data and information in the three modules. This will be done by General Operations/BMS. In addition to reconciliations of accounting data, there will also be a requirement to reconcile the physical verification exercise results with Intangible Assets records for each CO or HQ Unit. This will be done by each CO or HQ Unit.

**Reports**

7. Due to the need to verify the accuracy of records through reconciliations and for purposes of preparing accurate assets information for the financial reporting, there will be various reports designed to assist in performing the functions of reconciliation and review of asset records. For example, the transaction detail reports, AM-GL Reconciliation report by department and asset class etc. For more information, pleases refer to the POPP on Furniture and Equipment.

# Centralized Functions

8. Centralized functions are those functions that will be performed only by the Global Shared Services Unit (GSSC) and UNDP NYHQ through Accounts Division, OIMT or General Operations/ BMS. Refer to POPP on Furniture and Equipment for more details.

# Amortization of Intangible Assets

1. Amortization is the provision for the using up of a wasting asset over its predetermined useful life. In UNDP, amortization is applied in equal monthly installments over the useful life of the asset, using the straight-line amortization method (historical cost less residual value, divided by useful life). Amortization is a system process that will be run every month by HQ and posted to the relevant Chart of Account (COA) from which the asset was purchased or otherwise capitalized. For this reason, it is important that temporary COAs are not used for the recording of intangible asset as amortization charges will be against these temporary COAs necessitating a series of corrective journal entries when the asset is finally recorded against the correct and final COA

1. Amortization is applied to Intangible Assets or liabilities whereas Depreciation is applied to Tangible Assets.

# Reconciliation, Reports and Centralized Functions

11. Refer to the POPP on [Furniture and Equipment](https://popp.undp.org/taxonomy/term/446/) to see the list of reports and reconciliations that may be of use. The GSSC will play a key role in the recording of impairments of Intangible Assets where there is a need to readjust the useful life of an Intangible Asset.