Intangible Assets & Goodwill Master Reference Sheet

ASC 350 Amortization Rules, ASC 730 R&D Expensing & Goodwill Impairment Calculations

1. FINITE-LIFE VS. INDEFINITE-LIFE INTANGIBLES

Category	Typical Assets	Amortization Rule	Impairment Testing
Finite Useful Life	Patents (20 yrs), Copyrights (life + 70 yrs), Customer lists, Franchise agreements.	Amortize straight-line over shorter of legal life or economic life. Salvage usually $0.	Tested for impairment only when trigger events indicate carrying value unrecoverable.
Indefinite Useful Life	Trademarks, Internet domain names, Broadcast licenses, **Goodwill**.	**NEVER Amortized!** Carrying amount remains intact on Balance Sheet.	**Annual Impairment Test:** If Fair Value < Carrying Amount, write down immediately.

2. RESEARCH & DEVELOPMENT (ASC 730) VS. ACQUISITION

Under US GAAP, all **Internal Research & Development (R&D)** costs must be expensed immediately as incurred! Only external purchase prices, legal filing costs, and fees to successfully defend a patent in court may be capitalized into the asset account.

3. GOODWILL CALCULATION & IMPAIRMENT (ASC 350)

Step	Core Formula / Accounting Rule	Worked Example Numbers
Step 1: Calculate Goodwill	**Goodwill = Purchase Price Paid** – **Fair Value of Net Identifiable Assets**	Paid $100M for firm with Fair Value of Assets ($120M) – Liabilities ($45M) = $75M. **Goodwill = $25M**.
Step 2: Annual Impairment	If Reporting Unit Fair Value < Carrying Amount → Record Impairment Loss	Carrying Value = $95M; Fair Value drops to $80M. **Impairment Loss = $15M**.
Step 3: Journal Entry	**Dr. Loss on Goodwill Impairment • Cr. Goodwill**	Reported in operating expenses; goodwill cannot be reversed under US GAAP.