

USEFUL LIFE OF INTANGIBLE ASSETS IN BUDGET ORGANIZATIONS

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Abstract:

In this scientific research work, the issues of determining the useful life of intangible assets in budget organizations are highlighted. Determining the useful life of intangible assets in budget organizations and the factors affecting it have been scientifically and practically studied.

Keywords: asset, depreciation, budget organization, income, loss, intangible assets, profit, useful life, serviceability.

Budget organizations should determine whether the useful life of an intangible asset is limited or uncertain. In cases where the useful life is limited, the duration of the period is considered to be the number of production units or the period of serviceability during this period.

If all available factors indicate that it is not possible to determine the income or loss or serviceability of the asset during its service, the financial organizations consider the intangible asset to have an indefinite useful life [1].

The cost of an intangible asset depends on its useful life. Amortization is not calculated for an intangible asset with a finite useful life and, conversely, for an intangible asset with an indefinite useful life.

In determining the useful life of an intangible asset, the following are considered, among many factors:

- the possibility of targeted use and effective use by this active organization;
- application of the service life of products (works, services) to this intangible asset;
- technical, technological and other types of wear and tear;
- stability of the sector in which the specified asset operates or changes in market demand for services or products obtained from this asset;
- intended actions of competitors or potential competitors;



- the ability to maintain the assets and maintain the level of service costs necessary to obtain the expected economic benefits;
- the period of control of the asset and legal or similar restrictions on the use of that asset, such as the validity period of the relevant lease agreements;
- the useful life of the relevant asset depends on the useful life of other assets of the organization [5].

Due to the rapid changes taking place in the field of technology, computer software and similar intangible assets become technologically obsolete quickly, therefore, their useful lives are short.

The useful life of intangible assets arising from transactions should not exceed its useful life, but may be shorter depending on the period of use of the asset by budget organizations. If the contracts are concluded for a limited period with the provision of extension, the useful life of this intangible asset is determined only if it can be realized without costs.

The useful life of an intangible asset is affected by economic, political, social and legal factors. Economic, political or social factors determine the period during which budget organizations can receive economic benefits or service opportunities in the future [2]. Legal factors may limit the period during which these budget organizations can obtain economic benefits or provide services. The useful life represents the shortest of the periods determined by these factors.

Among other factors, the presence of the following factors makes it possible to extend contracts without costs:

- existence of evidence for extending contracts based on previous experience;
- the existence of evidence that all the conditions necessary for the implementation of the extension have been met;
- that the costs incurred by the organization to extend the contract are very small compared to its future economic benefits or the possibility of providing services [4].

If the costs of extending the contract period are greater than the economic benefits to be received or the service opportunity, the costs of the extension are the costs of acquiring a new intangible asset from the date of extension.

The amortization cost of an intangible asset with a finite useful life is regularly allocated over its useful life. Depreciation is calculated from the moment this asset is ready for use [6]. Depreciation of the asset shall be suspended, whichever occurs first, when the asset is sold or the accounting period is suspended.



If the current amortization method is not possible to reliably determine the future economic benefits or serviceability of budget organizations, then the straight-line method of amortization is used.

Different amortization methods are used to regularly distribute the amortized costs over the useful life [3]. These methods include the straight line method, the residual value reduction method, and the production quantity calculation method. The applicable method is determined based on the pattern of consumption of future economic benefits or service opportunities or the service potential of the asset, excluding changes in expected economic benefits or service opportunities.

Depreciation is generally recognized as a profit or loss. However, sometimes the expected economic benefits of an asset are absorbed in the production of other assets. In this case, accumulated depreciation is part of the value of another asset and is included in its balance sheet value. For example, intangible assets used in the production process are included in the balance sheet value of goods and material reserves.

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