ACCOUNTING FOR INTANGIBLE ASSETS IN DIGITAL ACCOUNTING. TECHNIQUES IN THE CONTEXT OF INTERNATIONAL STANDARDS

Axmetova Nasiba Axmetovna
Tashkent State University of Economics
Faculty of Accounting
ORCID: 0009-0007-1874-594X
nasibaaxmetova625@gmail.com

Abstract. This article indicates the intangible asset accounting processes in terms of digital accounting systems. In the context of a business increasingly integrated into the digital economy, intangibles, which include software, patents, trademarks, and various digital content, hold significant value. Unlike tangible assets, intangible assets face unique complexities when it comes to reporting, measuring, and identifying. This research looks at the incorporation of these assets into accounting systems and the implications of IAS 38 within the framework of precise and uniform financial reporting. The article analyzes the practices that prevail in the accounting of intangible assets and the impact of digitalization and attempts to recommend strategies to improve accounting practices. The swift evolution of technology transformed the concept of intangibles to include digital assets, intellectual property, and brand image. This transformation in the global financial market requires precise rules and regulations, especially in a globally interconnected setting, and demands accurate practices for recognition, measurement, and disclosure. This article analyzes the treatment of intangibles under IFRS and the challenges of identification, valuation, and disclosure in contemporary society.

Key words. Intangible assets, digital accounting, IAS 38, IFRS, digital economy, intangible asset valuation, financial reporting, digital transformation, amortization, impairment

Introduction. This article analyzes the accounting of intangible assets within the scope of international accounting principles and standards, focusing on the techniques and strategies applied specifically in digital accounting. As firms increasingly transforming into a digital economy, intangible assets such as software, patents, trademarks, and digital content are becoming important in determining the value of a company. In comparison to tangible assets, intangible assets are more difficult to identify, measure, and disclose. To maintain uniformity, transparency, and reliability in financial reporting, the article discusses the international standards IAS 38 and digital accounting systems to provide a framework on how these assets are captured. The article aims to provide insights and make recommendations based on the contemporary corporate environment to increase the accounting of intangible assets by reviewing current practices to resolve issues arising from digital transformations. Intangible assets are increasingly becoming the cornerstone of a firm's value and competitive edge in today's rapidly evolving digital economy. Different from physical assets such as machinery and structures, intangible assets encompass digital programs, trademarks, and entire value chains. As a result, the need for procedures and methods to guarantee appropriate for asset acknowledgment, measurement, and disclosure has increasingly sophisticated for intangible asset accounting. This complexity is compounded by the international nature of business and

finance, where adherence to internationally accepted accounting frameworks is expected for uniformity. This article aims to study methods of accounting for intangible assets in the context of digital accounting, focusing on the IFRS-dictated methods. It looks at the digitalized complexities and challenges of identifying, measuring, and disclosing intangible assets in the financial statements. This research is tailored internationally, aiming to clarify procedural and policy frameworks within international standards guidelines. The article starts with a theoretical assessment of the literature on intangible assets, and digital accounting and outlines the analytical approaches utilized. The article then focuses on presenting procedural accounting in detail, and the article concludes with the main findings, the provided recommendations, and the future study suggestions.

Literature review. As Sveiby, K. E., & Lloyd, T. (2010) would say, it is usually very hard to value intangible assets. Intangible assets presently cover a substantial portion of the corporate economy (in terms of net present value), accounting for the development of organizational capital and information technology (IT). In particular, it has been discovered that a dollar of IT expenditure is linked with a rise in the market value of the firm of more than $10, while for other tangible assets, the rise is barely in excess of $1 for every dollar. Firms with a vast computer capital stock and investments in organizational capital also trade disproportionately higher on the market. A likely reason that the disparity between "company value according to their accounting records" and "company value according to their market capitalization" occurs would be intangible assets. Based on this reasons, it is important to understand what an accountant actually considers an intangible asset. [1] According to research by A Deshmukh (2006) in the language of computer science, the term "digital" means information represented in 0s and 1s readable, writable, and storable by machines. That is, it signifies numbers or figures. The prefix "e" signifies electronic, by which the use of electricity to power devices like computers is meant. An expression of accounting data in a numerical form that may be electronically altered and transmitted is called digital accounting, or e-ac-counting as a corresponding analogue. Digital accounting refers to the recognition of changes in accounting brought about by the technology of computing and networking; it has no conventional definition. Digital accounting in this book describes the changes in the accounting cycle, processes, and functions due to the Internet and ERP systems. [2] R Brukhansky and I Spilnyk stated that deep evolution of technology and information technology, as well as the evolution of the potential of the digital economy, inspire the modernization of accounting science, evolve the organization and methodology of the accounting process, and solve the issue of where and how to position the accounting activity, the accounting profession, and the accounting science. There are several requirements for the development of a new digital paradigm in accounting in these situations. Thus, new notions, research methodology, the establishment of specific types of accounting, and other scientific studies are significant. [3]

[1] Erik Sveiby, K. A. R. L. (1997). The intangible assets monitor. *Journal of Human Resource Costing & Accounting*, *2*(1), 73-97.

[2] Deshmukh, A. (2006). *Digital accounting: The effects of the internet and ERP on accounting*. IGI Global.

[3] Brukhansky, R., & Spilnyk, I. (2021). Digital accounting: concepts, roots and current discourse. The

Methodology. In regard to the matter of the treatment of intangible assets within electronic accounting systems and more specifically, how they are not in compliance with international financial reporting standards--this investigation employed qualitative research methods. Document analysis of IFRS sources IAS 38, IFRS 3, and IFRS 13 along with relevant literature, trade journals, and corporate reports provided the basis for this analysis. Focused examination regarding the measurement, amortization, impairment, as well as, the recognition of intangible assets revealed how the practice content analysis was employed to demonstrate regulation impact. Comparative analysis which revealed difference in the accounting practices of various firms served to highlight the problem of maintaining uniform standards in a rapidly evolving digital environment. In order to understand the practice of accounting for intangible assets, some digitally driven firms were studied. Intangible assets were measured and assessed in terms of their financial and operational effects with particular focus on the digital asset utilization ratio and the capitalized R&D ratio. A comprehensive and balanced analysis of modern practices that provided theoretical and practical understanding was achieved with these methods.

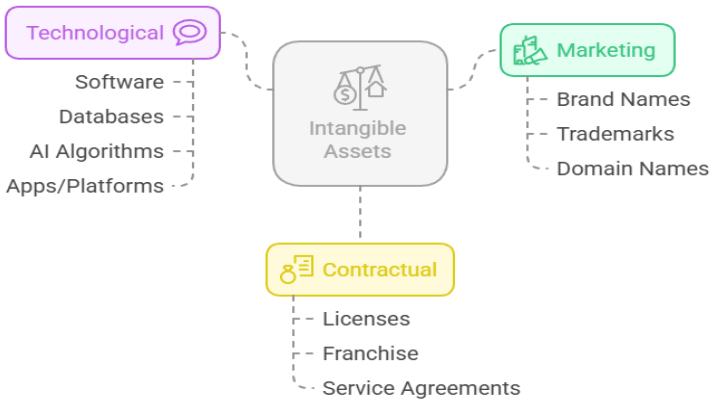

Figure 1. Classification of Intangible Assets

Analysis and results. Based on their purpose and place of origin, intangible assets in the digital economy can be divided into a number of important categories. Brand names, domain names, and trademarks are examples of marketing-related assets that help build consumer loyalty and recognition. Many contemporary firms are built on technological assets, such as databases, digital platforms, proprietary software, and artificial intelligence algorithms. Contractual assets are essential for making money and are frequently obtained through legal arrangements. Examples of this include franchise agreements and licensing rights. It is essential to identify and appropriately categorize these assets in order to guarantee both their correct valuation and adherence to IAS 38.

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Figure 2. Financial metrics of Digital Asset Management

When handled within digital accounting systems, a variety of significant indicators provide insightful data regarding the performance and contribution of intangible assets. The capitalized research and development ratio, which displays the proportion of R&D expenditures that are documented as assets, demonstrates the company's focus on innovation and digital development. The intangible asset turnover, which measures how successfully these assets generate income, provides insight into the efficiency of operations. By assessing their profitability, return on intangible assets offers insight into their financial impact. The amortization expense ratio, which shows the yearly percentage of intangible asset value consumed, gives an idea of asset aging and expense recognition. Impairment loss frequency shows how often the company changes the carrying value of intangible assets by pointing to potential risks or changes in the market. The size of digital asset investment in relation to the complete asset base is shown by the software asset value as a proportion of total assets. Last but not least, the rate of digital asset utilization measures the extent to which digital resources—like platforms and apps—are actively employed in corporate operations, indicating their value and internal integration. By combining financial metrics with operational data, these indicators combine to offer a comprehensive view of intangible asset management, enhancing transparency and decision-making in digital accounting contexts.

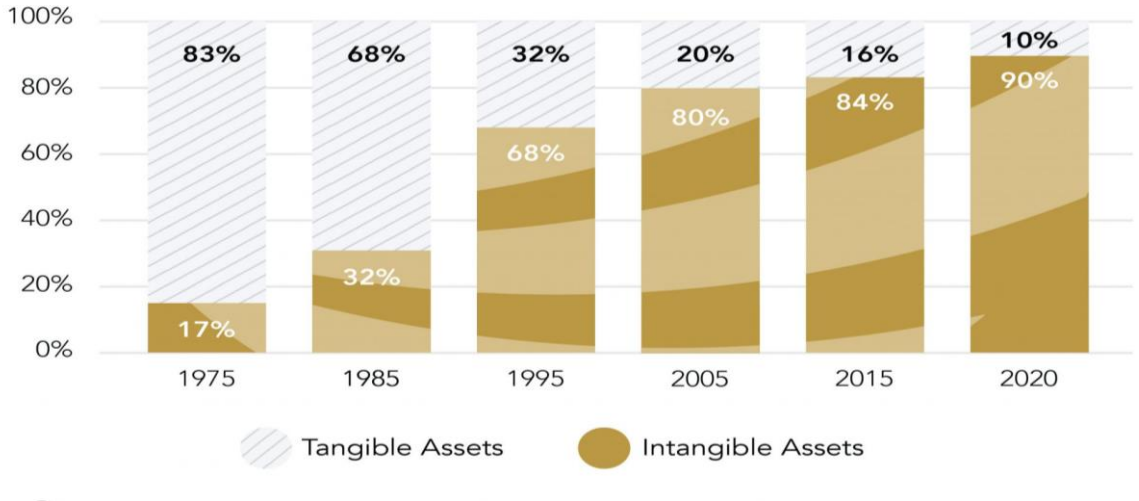

Figure 3. Components of S/&P 500 market value

The chart illustrates the transformation in the composition of the S\&P 500 market value between 1975 and 2020, highlighting the shifting balance between tangible and intangible assets. In 1975, tangible assets, which include physical and measurable resources such as buildings, machinery, and inventory, accounted for 83% of market value, while intangible assets, such as intellectual property, brand reputation, patents, and proprietary technologies, comprised only 17%. Over the subsequent decades, the share of intangible assets rose steadily, reaching 32% in 1985 and overtaking tangible assets by 1995, when they represented 68% of market value. This upward trend continued into the 21st century, with intangible assets accounting for 80% in 2005, 84% in 2015, and an overwhelming 90% by 2020, leaving tangible assets at just 10%. This progression reflects a profound shift in the foundations of corporate value within the S\&P 500, as the modern economy increasingly rewards knowledge, innovation, intellectual capital, and brand strength over traditional physical assets. The data underscores how market valuation has evolved alongside technological advancement, globalization, and the rise of information-driven industries, leading to a business landscape where non-physical resources have become the dominant source of competitive advantage and long-term growth potential.

Discussion of results. The studies categorize the digital economy's intangible assets based on their origin and final destination. Examples of marketing-related assets that encourage customer loyalty and brand identification are trademarks and brand names. Artificial intelligence algorithms, digital platforms, databases, and custom programs are among the technological assets that support the majority of modern organizations. Income is produced through contractual assets like franchise agreements and licensing rights. Accurate identification and classification of such assets is essential for valuation and IAS 38 compliance. A number of important indications in digital accounting systems shed light on how intangible assets are handled. The ratio of R&D displays the attention of a corporation on innovation in the form of how much dollars are being put towards research and development as assets. Profitability from intangible investments is measured by return on intangible assets. The amortization cost ratio indicates the percentage of the asset value that is spent annually on expenses, whereas impairment loss frequency indicates the frequency with which assets are written off due to their declining value. The software asset value as a percentage of total assets captures the extent of digital investments, while the digital asset utilization rate captures the dynamic use of digital platforms and apps in operations. In digital accounting systems, these ratios are complementary to each other to align financial and operational views, maximizing transparency and supporting strategic decision-making.

Conclusion and recommendations. In conclusion, intangible assets are now essential to a company's valuation and competitive edge in the digital economy. Because of their non-physical character and the rapid advancement of digital technologies, these assets pose special accounting challenges. Even while international standards like as IAS 38 provide the framework needed for their identification, measurement, and disclosure, their practical implementation requires ongoing development to address the challenges posed by digitization. Digital accounting systems could be used to improve the accuracy, transparency, and efficiency of intangible asset management. The primary objectives of future research and standard-setting efforts

should be to improve standards for emerging digital assets and create evaluation techniques that more correctly reflect their economic value. By doing so, accounting practices can keep pace with technological advancements and support stakeholders in making informed decisions based on comprehensive and reliable financial information.

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