

# INTANGIBLE ASSETS VALUATION IN NIGERIA: A REVIEW OF THE CONCEPT AND PRACTICE

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Asset valuation is an important aspect of valuation in Nigeria but little or nothing have been heard about the way and manner in which intangible components in such valuations are handled in Nigeria most especially at this time that debate about its value measurement and reporting to external user is gaining renewed interest. This study assesses rate of asset valuation relative to other valuation instructions received by Valuers in the study area, the level of familiarity of the real estate practitioners with various classifications of intangible assets as well as identification criteria, approaches and methods adopted. Structured questionnaire was administered on 300 registered Estate Surveying and Valuation firms in Lagos and Federal Capital Territory out of which 227 were retrieved and found good for analysis. The data obtained were analysed using simple descriptive and weighted mean score. The findings revealed that much importance is not attached to intangible assets in value creation process. Some practitioners are unfamiliar with the criteria for identifying intangible assets while some considered it convenient to summarize intangible assets as goodwill therefore avoiding conduct of in-depth analysis using appropriate valuation approaches and methods. It is therefore suggested that expertise development and specialization should be encouraged in the profession to ensure valuations involving such volatile form of assets are handled by competent and experienced valuation analysts.

**Keywords:** estate surveyors, non-physical asset, valuation approaches, valuation methods, valuers

## INTRODUCTION

The term intangible asset is a concept to which no unanimous agreement exists on its definition. They are non-physical assets which can neither be seen nor felt yet have a value. Their contribution and significance to business organizations and government corporate investments amongst

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others is irrefutable as highlighted by various authors (Hall 2000; Bookstaber, 2007; Lopez & Gomes-Rodrigues, 2007; Namakura, 2008). In fact, many technological and science based organizations derive greater portion of their value from them (Lopez & Gomes-Rodrigues, 2007).

There are different angles to intangible assets discussions depending on who is involved. For Financial Accountants, the subject has been discussed since 1950s (Artsberg & Mehtiyeva, 2010). Meanwhile, Lopez and Gomes-Rodrigues (2007) believed it emerged around two decades ago as an important phenomenon in business organizations, asset valuation discourse and accounting theories. More so, there exist differences in the manner in which some balance sheet elements are considered and treated by Accountants and Valuers. In preparing financial performance and net worth of a business, assets and liabilities are reported at their net book value by the former while the latter reports the assets at their current market value. Accountants treat goodwill as an asset provided it will be written off from the balance sheet but from the point of view of the Valuer, goodwill always remain in the organization unless adverse business conditions turn it to zero or even bad will (Ezeude, 2003).

As important as intangible assets are considered, they are normally excluded in annual financial reports due to the volatile nature of the assets and considerable difficulties in their value measurement thereby providing incomplete information for the users of the document (Lopez & Gomes-Rodrigues, 2007; CGMA, 2012; Omoye, 2013). Meanwhile, some scholars have noted that for financial statement to become value relevant in this modern time, recognition of intangible assets is imperative (Mandel, Hamm & Farrel, 2006; Bookstaber, 2007; Zeghal & Maaloul, 2011). The extent of consideration given to this class of assets in the general valuation practice are shrouded in mist as little have been revealed from available studies. Lately, the topic on intangible assets value measurement and reporting to external users have been gaining renewed interest in financial accounting through a number of relevant studies, hence, the need to assess the general practice in intangible asset valuation among the Valuers with a view to addressing relevant challenges as it affects value measurement.

The aim of the paper is to evaluate the concept and practice of intangible assets valuation among real estate practitioners (ESVs) in Nigeria. Thus, the objectives are to:

- assess rate or volume of asset valuation briefs relative to other valuation instructions received by Valuers in the study area,
- examine the level of familiarity of the real estate practitioners with various classifications and identification criteria relevant to intangible assets, and
- examine the conversance of Valuers with approaches and methods adopted in intangible asset value measurement.

## **LITERATURE REVIEW**

### **Concept of Intangible Asset**

Asset valuations are value estimation of all the tangible and intangible assets of an individual or company including land, building, plant and equipment, furniture and fittings, working capital, goodwill and other intangible assets for a variety of purposes. Such valuation may be required for company asset register, floatation of shares, merger and takeovers, liquidation and tax purposes amongst others. This description of asset valuation explains clearly that the term 'asset' comprises of two broad components, namely: tangible and intangible assets.

Intangible asset which is the focus of this work is defined by SAS 31 and IFRS 3 as "an identifiable non-monetary asset without physical substance". According to Blair and Wallman (2003), they are non-physical factors that contribute to or are used in the production of goods or the provision of services that are expected to generate future productive benefits to the individuals or firm that control their use. Typical intangible asset cannot be bought or sold in an organized market and are sometimes interlinked with a specific activity, product/service or business. The measurement of its value requires many technicalities as it is prone to fluctuations which are not common to physical assets. They cannot be touched, grasped, easily cost, counted and quantified (Blaug & Likki, 2009). Examples of these are brand name, computer software, copyrights, patents, trademarks, internet domain names, mastheads, customers list, books, magazines, pictures, maps, trade secrets etc.

In the work of Ogunba (2013), intangible assets summarily comprise of contract benefits, non-contractual benefits, goodwill and intellectual properties. This explanation about the composition of intangible assets stemmed from and in fact the same as the four categories as provided in IVSC (2007:204), namely: intangible assets arising from rights (contracts), relationships (non-contractual), grouped intangibles (goodwill) and intellectual properties.

Whenever Estate Surveyor and Valuers are commissioned to undertake asset valuation it is implied that regards will be given to the two basic components of assets (i.e. tangible and intangible). According to Ikedianya (2001), tangible components are the static, physical body of a business enterprise whose values are usually deduced through conventional asset valuation methodologies while intangible components are the 'spirit and soul' of the entity determined through her performance of Operation Efficiency Coefficient. This underscores the indispensability of the intangibles in determining the asset value of any business concern. As important as it is, valuation of intangibles usually stretch the professional skills of the valuer who is certainly more at home with the valuation of tangible elements (Ogunba, 2013). Though, the writer noted that recently Estate Surveyors and Valuers are becoming more skilled and experienced in valuing intangible assets, their proficiency is more or less limited to goodwill. Ezeude (2003) posited that more often than not, when

undertaking asset valuation, valuers tend to highlight only the physical assets while de-emphasizing the contribution of intangible assets or summarizing it simply as goodwill.

The concept of goodwill is often confused with intangible asset. Historically, intangible assets have been treated as an aggregated amount which is summarized as goodwill without impact on national wealth included in financial statement of firms (Lopez & Gomes-Rodriguez, 2007). Meanwhile, intangible assets are non-physical resources that can be identified, measured and managed (e.g. corporate brand name). On the other hand, goodwill represents residual intangible factors which cannot be identified or measured separately, e.g. a company's good reputation (Epstein & Mirza, 2005). Therefore, identifiable intangible assets cannot however be combined with goodwill (Grant Thornton, 2008). This obviously relates that goodwill is an intangible resource, but is different and not equal to intangible asset. This, however, questions the valuation practice mentioned by some scholars (Kuye, 2000 and Ezeude, 2003) that deals mainly with the assessment of tangible elements and goodwill as an answer to asset value.

The debate on recognition of intangible is upcoming and heated. Intangible assets have become the point of attraction to many organizations, investors, financial analysts, accountants, valuation analyst and regulations alike in recent times and this has spurred attempts to understand and streamline the gap between company's book of account and market value (Barton, 2005; Omoye, 2013). According to Zeghal and Maaloul (2011), if financial statements must become value relevant in this modern time, recognition of intangibles in the statement must be of essence. In fact, it is further noted by Omoye (2013) that businesses are being challenged by rapid industrialization and globalization to develop and acquire intangible assets as a survival strategy and a means of gaining competitive advantage amidst the dynamic business environment. To buttress this, Bookstaber (2007) gave an illustrative picture about the importance of intangible asset as compared to tangible asset. Summarily, he made manifest that hybrid corn seed, for instance, is *'80 percent science and 20 percent corn'*. That 80 percent of the value of such hybrid corn is constituted in the non-physical substance (science) and 20 percent physical (corn), referring to the extensive lab development behind its creation. In the same vein, Mandel et al (2006) also pointed out that though Apple computers sold more than 40million ipods in 2005 owing to the unique innovation and great design, however, published data did not capture in the value what Apple spent on research and development and brand development, which according to statistics totaled at least \$800million in 2005 rather, they counted ipods. Meanwhile, the market price of ipod holds in it the "great design, technical innovation and brand recognition" which were brought about by research and development. These need to be properly identified and adequately accounted for as part of the effort (intangible assets) that gave the product its market value.

## **Identification and Classification**

Classification criteria can never be true or false, only more or less useful according to suggested purpose (Rosing, 1978). Intangible assets have been variously classified by scholars and standards. The classes of intangible assets based on NAB31 include; brand names, masthead and publishing, computer software, license and franchises, copyrights, patents and industrial property rights, services and operating rights, recipes, formulae, models, designs and prototypes and intangible assets under development. Collings (2011) in his view classify intangible resources to comprise assets such as licenses and quotas, patents and copyrights, computer software, trademarks, franchises and marketing rights. Meanwhile, Wyatt and Abenethy (2003) grouped intangible assets under four broad classifications: acquired intangible assets-this include acquired identifiable intangible asset (e.g. acquired patents and trademarks brand) and purchased goodwill that is acquired in business combination; research and development i.e. expenditures associated with R&D activities performed within the firm, expenditure for exploration, evaluation and development; internally generated intangible asset e.g. identified intangible asset produces by the firm and internal goodwill that is not that easily attributed as to its source of value etc. and intellectual property-which are subset of acquired and internally generated intangible asset e.g. patents, trademarks, designs, licenses, copyrights, firm rights and mastheads.

Levi (2001), writing in the tradition of intellectual capital classifies intangible into four groups namely:

- i. Discovery/learning e.g. research and development
- ii. Customer related e.g. brand, trademarks, distribution channels etc.
- iii. Human resource e.g. education, training and compensation systems
- iv. Organization capital e.g. structural organization design, business processes, unique corporate culture.

Walker (2009) concludes that it is difficult to find any stated purpose for classification in many papers that do classify intangibles. However, one purpose seems to be for management purpose. In order to manage successfully one has to make visible and put labels on different resources (Kaufman & Schneider, 2004). However, for a classification to be useful and accurate, there should rather not be any overlaps between the different categories. The Financial Accounting Standard Board (FASB) classification can be seen as particularly helpful in that regards as well as being more refined. FASB suggested classifications into the following seven categories:

- i. Technology based assets
- ii. Customer based assets
- iii. Market based assets
- iv. Workforce based assets
- v. Contract based assets

- vi. Organization based assets
- vii. Statutory based assets

Identifiability is one unique characteristic that distinguishes intangible assets from goodwill. Only identifiable assets are recognized and accounted for independently while other non-physical unidentifiable assets are subsumed under goodwill. The two basic criteria to identifying intangible assets according to IFRS 3. B33 and IAS 38.12 are:

- i. Capability of being separated or divided from the entity and sold, transferred, rented or exchange individually without selling the entity in its entirety.
- ii. Availability of third party originated evidence of their existence (i.e. originating from legal or contractual right).

If the contractual legal criterion is not met, the intangible assets must be separable in order to be identifiable. Broadly, an asset is considered separable if it is capable of being sold or otherwise transferred without selling the entity. Where separation is possible only as part of a larger transaction, judgment is required to determine whether the items under review constitute the acquired business itself or part of it. For instance, the content of a database used by a provider of business intelligence may not be separable from the business itself- there would be no business remaining if the database content was sold to a third party. By contrast, where the content database is a by-product of the business activity and may be licensed out to a third party on non-exclusive terms, then this indicates separability. It is also relevant to note here that intangible assets are identified and measured individually, however, prevailing circumstances and available facts may make it preferable to combine similar assets for valuation purposes and subsequent accounting (Grant Thornton, 2008). A good example is a number of different patents which relate to same technology and contribute to the same income stream.

The below intangible asset categories highlighted overleaf is exactly similar to what is contained in IVSC (2017). It recognised that there are many intangible assets, but they are often considered to fall into one of the above five categories.

Other intangible resources are commonly found in business combinations, but do not meet the definition of an identifiable intangible asset. Examples are previously recognised goodwill, assembled workforce, synergies, market monopoly, market share, high credit rating amongst others. These resources are not capable of being separated and do not arise from contractual or legal right therefore are not considered as identifiable intangible asset, they are subsumed under goodwill within IFRS 3. Value is sometimes attributed to these items in order to determine the values of some other assets that do need to be recognised.

### Examples of Items that meet Definition of Intangible Asset Based on Two Criteria

Class/Category	Items that meet definition of intangible asset based on two criteria
Market Related Intangible Assets	Trademarks, trade names, service marks, collective marks and certification marks # Internet domain names # Trade dress (unique colour, shape or package design) # Newspaper mastheads # Non-competition agreements #
Customer Related Intangible Assets	Customer lists*  Order or production backlog # Customer contracts and the related customer relationships # Non-contractual customer relationship *
Artistic Related Intangible Assets	Plays, operas and ballets #  Books, magazines, newspapers and other literary works # Musical works such as compositions, song lyrics and advertising jingles # Pictures and photographs # Video and audiovisual material including films, music video and television programmes #
Contract Based Intangible Assets	Advertising, construction, management, service or supply contracts # Licensing, royalty and standstill agreement # Lease agreement # Construction permits # Franchise agreement # Operating and broadcasting rights # Use rights such as drilling, water, air, mineral, timber cutting and route authorities # Servicing contracts such as mortgage contracts # Employment contracts that are beneficial contracts from the perspective of the employer because the pricing of those contracts is below their current market value #
Technology Based Intangible Assets	Patented technology #  Computer software and mask works # Unpatented technology * Databases* Trade secrets such as secret formulas, processes or recipes #

**Note:** # and\* denote items that are identifiable by satisfying the contractual-legal criterion and items that are identifiable by satisfying the separability criterion, respectively

Source: IFRS 3.IE16-44

### Valuation Approaches and Methods

Specific valuation models and techniques have emerged for estimating values of intangible assets. These identifiable assets acquired in business

are recorded by their acquirer at “fair value”, therefore, the general approaches and methods are targeted towards estimating fair value. Fair value is defined as the “amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm’s length transaction” (IFRS 3A). It is an estimate of the amount that would be paid or received on disposal of an item in a hypothetical transaction.

Valuation analysts have been valuing intangible asset independently for many years for the purposes of exchange between owners, estate or gift tax or as part of litigation assignment or for general consulting and transactional support engagements amongst others. Previous studies emphasize three basic approaches towards intangible assets value measurement, namely: cost, income and market approaches (Reilly & Schwechs, 1998; Cohen, 2005; Trugman, 2011; CGMA, 2012; IVSC, 2017). According to Holloway and Reillys (2012), for each intangible asset valuation, the analyst will typically choose the approach (or approaches):

- i. for which there exist highest quantity and quality of data,
- ii. that best reflect the actual transactional negotiation of market participants in the operators’ industry,
- iii. that are most consistent with practical experience and professional judgment of the analyst and,
- iv. That best fit the characteristics (e.g. age, use etc.).

**Market approach methods** are based on economic principles of efficient markets and supply and demand (Holloway & Reilly, 2012). Under this approach, it is assumed that an asset can be related to the value of comparable assets priced in the market place. Market approach methods are particularly applicable when there is sufficient quantity of comparable (almost identical) intangible asset transaction data. E.g. direct market evidence is usually available in the valuation of internet domain names and emission rights amongst other. However, observable market based transactions of identical or substantially similar intangible assets recently exchanged in an arm’s length transaction are often difficult to obtain (CGMA, 2012). The more heterogeneous assets are the more difficult it is to use the market approach and once there is no active market for substantially similar intangible, comparable approach cannot be used (Lopes & Rodriguez, 2007). Some of the market approach methods are sales comparison and market multiples methods amongst others. Sources of market based valuation data are published licensing surveys, published licensing deals, published court cases, license price list or rates offered.

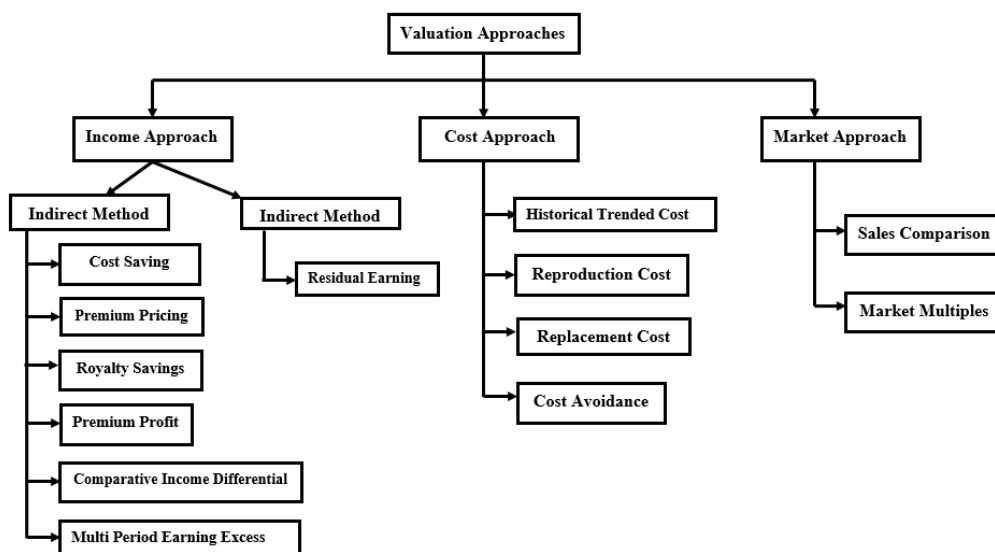
**Cost approach methods** are based on economies principle of substitution, i.e. the value of the subject intangible assets is influenced by the cost to create a new substitute intangible asset (Trugman, 2011; Holloway & Reilly, 2012). The approach seeks to estimate fair value by quantifying the amount of money that would be required to repurchase or reproduce the asset being considered. It takes into consideration physical deterioration (usually has no bearing with intangible asset) as well as



technological and economic obsolescence where applicable. Summarily, cost approach methods are essentially applicable to the valuation of a recently developed intangible asset. In the case of relatively new intangible asset, the owner/operator development cost and effort data may still be available. More so, it is also applicable to valuation of an in-process and non-commercialized intangible assets. The cost approach for intangible is probably the most linear which considers the book cost or the replacement cost (Reilly & Schweih, 1998). There are several cost approach valuation methods (e.g. trended historical cost, reproduction cost new and replacement cost new etc), each valuation method under this approach, use measurement metric. The commonest cost definition is reproduction cost new and replacement cost new. Thus, for intangible asset without an active market or under a comparison limitation, cost approach will be followed on systematic basis. Cost methods are primarily considered while valuing assembled workforce, internally developed software, internet domain names etc.

**Income approach methods** are based on the principle that the value of any investment is the present value of the income that the owner expects to receive on owning that investment. This according to Holloway and Reilly (2012) was called principle of economies of anticipation. Income based models are best used when the intangible asset is income producing or when it allows an asset to generate cash flow. Income approach techniques convert future benefit to a single, discounted amount, usually as a result of increased turnover or cost savings.

The major challenge within income approach method is distinguishing the cash flows uniquely related to the intangible asset to the whole company. Examples of income approach valuation methods are relief from royalty method, premium profit method, premium pricing method, cost savings method or avoided cost method etc. Income approach based methods are given primary consideration while valuing intangible assets as patents, technology, copyrights, brand names and customer relations amongst others.



## RESEARCH METHODOLOGY

Data for this research was obtained from Estate Surveyors and Valuers who are registered with Estate Surveyors and Valuers Registration Board of Nigeria (ESVARBON) and have practicing firms in Lagos and the Federal Capital Territory. According to the information retrieved from the official website of NIESV (in January 2017) there are three hundred and sixty-three (363) and one hundred and eighteen (118) Estate Surveying and Valuation firms in Lagos and Abuja respectively. The most recent directory of the Nigerian Institution of Estate Surveyors and Valuers was published in 2014 which is three (3) years down the line. Therefore, it is believed that the information contained on the official website will be better updated and that it will reflect the firms that have probably changed addresses as well as new comers.

Using Taro Yamane formula for sample determination which is expressed mathematically as:  $n = \frac{N}{1+Nx^2}$  (where  $n$  is the sample size,  $N$  = population size and  $x$  = acceptable margin of error 0.05), the sample size of 281 was arrived at and this was rounded up to 300 firms, representing 62 percent of the population. To use Taro Yamane formula, it is essential that population to be considered should be finite. The result of this formula gives the lowest acceptable number of responses to maintain a confidence level. The sample size of 281 derived above, therefore represent the minimum acceptable number of respondents required to maintain a 95 percent confidence level. This, however, means that the resulting sample size can be increased if so desired, but cannot be reduced. Hence, the need for rounding up to 300 firms. The proportional allocation of sample to Lagos and Abuja was done with the formula:  $n_h = \frac{N_h}{N} \times n$ , where  $N_h$ = population size of each selected location,  $N$  = total population of estate firms in Lagos and Abuja, and  $n$ = total selected sample size of both locations (281 approximated to 300);  $h$  is the location

$$N_{\text{Lagos}} = \frac{363}{481} \times 300 = 226 \text{ firms}$$

$$N_{\text{FCT}} = \frac{118}{481} \times 300 = 74 \text{ firms}$$

The sample was subsequently selected using simple random sampling technique. Out of the 300 questionnaires administered, two hundred and twenty-seven were retrieved (representing 75.7%) and were analysed using simple descriptive statistics and weighted mean score. In the study, weighted mean score was used to analyze responses on factors considered by Estate Surveyors and Valuers in their choice of classification, approach and methods and to test their conversance with same in intangible asset valuation. It is used in this survey to show the weight of each factor or components considered given the distribution of the responses among factors/components and inferences were drawn therefrom. This method is used for its ease of understanding and simplicity of communication of the

study. 3 and 4 points Likert scale were used and options were ranked in their order of strength. The weighted mean score is calculated as follows:

$$\frac{\sum_{i=1}^n (xi * wi)}{\sum_{i=1}^n wi}$$

where x = the value; w = the weight

The research instrument was structured to examine how familiar the Estate Surveyors are with the acceptable classifications, valuation approaches and methods adopted in intangible asset value measurement. Also, it was designed to identify the intangible resources considered while undertaking asset valuation. The findings emanating from the analysis of the data therefore form the basis from which conclusion is drawn.

## RESULTS AND DISCUSSION

**Table 1: Professional Qualification of Respondents**

Probationer (%)	Associate (%)	Fellow (%)
29.1	53.7	17.2

Table 1 shows that 29.1% of the respondents are probationer members, 53.7% are Associate and 17.2% are Fellow of the Nigerian Institution of Estate Surveyors and Valuers. This shows that majority of the respondents are qualified (70.9%) to undertake valuation of properties, therefore, information gotten from them can be relied upon for the purpose of this work and the result emanating therefrom can be reliably generalized.

**Table 2: Frequency at which under listed valuation instructions are received**

Valuation instruction	Very often (%)	Often (%)	Rarely (%)	Never received (%)	Weighted mean score
Land and building	62.6	37.4	0.0	0.0	3.62
Stock	0.0	0.0	79.7	20.36	1.79
Asset	16.7	50.1	33.1	0.0	2.32
Compensation	10.1	26.4	48.9	14.5	2.32

Table 2 indicates that 66.9% of the respondents receive asset valuation instruction frequently while 33.1% rarely received asset valuation briefs. The valuation instruction with highest level of frequency (i.e. very often/often) is land and building valuation with weighted mean score of 3.62 while second to this is asset valuation brief (2.83). This suggests that companies often engage the services of real estate practitioners in the valuation of their assets for different purposes. This confirms that the respondents are conversant with asset valuation and have knowledge of the topic under study. It also reveals that asset valuation is common in valuation practice amongst the valuers in the study area

**Table 3: Factors informing Valuers' choice of classification, approach and methods while undertaking valuation of intangible assets**

Factors	Always	Sometimes	Seldom	Never	Weighted Mean score
Experience	57	148	22	0	3.90
Common sense/rule of thumb	21	23	115	68	2.04
Consultation with Estate Surveyors & Valuers (ESVs)	65	97	48	17	2.92
Opinion of organization's Accountant/Book keepers	0	113	76	38	2.33
Theoretical guidelines from research work	50	101	25	51	2.66
Professional institutions guidelines/standards	28	112	55	32	2.59

Table 3 indicates that Valuers rely largely on experience to identify, classify, and determine approach, methods and procedures to be adopted in their intangible assets valuation exercise as indicated by the weighted mean score of 3.90 which ranked first. This is followed by the advice gotten from consultation with other colleagues in the profession (2.92) while consideration to guidelines established through research ranked third in the six (6) factors considered. Professional guidelines/standards which is expected to be a very essential factor ranked fourth with weighted mean score of 2.59. The implication is that out of the six (6) factors listed, majority of the respondent valuers feel more comfortable to go with their experience and advice from colleagues than relying on professional guidelines and standards to classify or select valuation approach and methodology while carrying out valuation of intangible assets. This suggests the existence of a high level of subjectivity in the choice(s) of the Valuers. Also, there is possibility that where Valuers are faced with some items of intangibles on which they have no prior exposition as well as few other colleagues consulted, the asset may not be properly identified and accounted for in the valuation. This may largely result in inconsistency and diversity in practice.

**Table 4: Familiarity with the criteria for identifying intangible asset**

Criteria	Very conversant	Conversant	Fairly conversant	Not conversant
Contractual-Legal	0 (0%)	25 (11.0%)	127 (55.9%)	75 (33.1%)
Separability	0 (0%)	42 (18.5%)	62 (27.3%)	123 (54.2%)

Table 4 shows the two (2) criteria recognised by IFRS 3 for identifying intangible assets from other intangible resources. It revealed that 11.0% of the sampled respondents are conversant, 55.9% are fairly conversant while 33.1% are not conversant with the contractual-legal criterion (third party originated evidence through contract or license). This altogether means that an overwhelming majority (89%) either has little or no idea about

what the contractual-legal criterion represents. On the other hand, 54.2% of the respondents, which represents a simple majority, are not conversant with separability criterion. None of the respondents is very conversant with the two criteria for recognizing intangible assets. This revealed that to identify intangible assets, use of standard criteria is still a challenge among the Valuers. It is not enough to have some knowledge about the workings of one criterion as the two are used simultaneously. Where this occurs, it means that the resources which are supposed to be identified using the separability criteria will probably be discountenanced and subsumed under grouped intangibles (goodwill).

**Table 5: Valuers conversance with methods of valuation used in intangible asset valuation**

S/N	Methods	Very conversant	Fairly conversant	Not conversant	Weighted mean score
1.	Premium profit	0	91 (40%)	136 (60%)	1.4000
2.	Premium pricing	0	45 (20%)	182 (80%)	1.198
3.	Royalty savings	125	9 (59%)	93 (41%)	2.141
4.	Cost saving	50	51 (45%)	126 (55%)	1.665
5.	Residual earning	46	44 (40%)	137 (60%)	1.599
6.	Comparative income differential	38	14 (23%)	175 (77%)	1.397
7.	Multi period earning excess	15	8 (10%)	204 (90%)	1.167
8.	Reproduction/replacement cost new	191	36 (100%)	0 (0%)	2.841
9.	Cost avoidance	82	21 (45%)	124 (55%)	1.815
10.	Historical trended cost	49	18 (30%)	160 (70%)	1.511
11.	Sales comparison	201	15 (95%)	11 (5%)	2.837
12.	Market multiples	89	8 (43%)	130 (57%)	1.819

Table 5 reveals that majority of the ESVs are only familiar with three (3) of the twelve (12) methods that are relevant to intangible assets valuation while the existence and concept of nine (9) other methods are still not clear to many. The ones they are conversant with are the reproduction/replacement cost new (2.841); sales comparison (2.837) and royalty savings methods (2.141).

All the respondents are familiar with the three common valuation approaches adopted in the valuation of intangible assets, namely: income, market and cost approaches. The principles behind these approaches are essentially similar to what obtain in the methods of valuing other physical assets like land and buildings.

**Table 6: Treatment accorded to intangible resources that are not easily identified by the criteria in Table 4**

Grouped under Goodwill (%)	Not Grouped under Goodwill (%)
57	43

57% of the Estate Surveyors and Valuers said they sometimes subsume intangible resources under goodwill where it is difficult to identify and determine the class of the non-physical asset. The implication is that intangible asset may perhaps be wrongly categorized as goodwill. Where

this occurs, the intangibles will possibly be undervalued and inadequately accounted for.

## **SUMMARY OF FINDINGS**

From the foregoing however, the following findings were made:

- i. That Estate Surveyors and Valuers often receive asset valuation instructions. Next to land and building valuation, asset valuation appears to be the next common instruction they receive.
- ii. That appreciable number of Estate Surveyors and Valuers are not conversant with intangible assets identification criteria, thereby sometimes difficult for them to differentiate intangible assets from goodwill.
- iii. That majority of Estate Surveyors and Valuers are not conversant with the intangible asset valuation approaches and methods. They are very familiar with methods used in regular valuation of land and building and few intangible asset valuation methods that are similar in concept and principle to land and building valuation methods. This corroborates the position of Ogunba (2013) that valuers are “more at home at the valuation of fixed assets” and that intangible asset normally stretches the professional skill of valuers.
- iv. That Estate Surveyors and Valuers rely more on experience and consultation with colleagues without giving cognizance to guidelines contained in international valuation standards while undertaking asset valuation.

## **RECOMMENDATION AND CONCLUSION**

Intangible asset valuation is mostly required by business organizations and as such, conformity with the basic workings and international best practice recognized by the users is key to acceptance. Real estate practitioners from the result need to acquaint themselves more with the criteria for identifying, classifying and methods for measuring values of intangible assets. This will ensure uniformity of procedures and avoid unnecessary discrepancies between Valuers judgment and standards.

Some practitioners consider it convenient to summarize intangible assets as ‘goodwill’ therefore avoiding conduct of in-depth analysis using known valuation approaches and methods. It is therefore suggested that valuation standards should be well considered by valuers as a useful guide in intangible asset valuation to ensure uniform approach to identification, classification and measurement of intangible assets.

Also, expertise development and specialization should be encouraged in the profession to ensure valuation involving such volatile form of assets is handled by competent and experienced valuation analysts.

Valuation curricula in higher institutions should be reviewed to reflect the need for this new reality in real estate profession in Nigeria. The curricula in Nigeria today does not include much on intangible assets. Therefore, there is need to include topics on classification, identification, approaches and methods as well as International Valuation Standards relating to intangible asset valuation in the curriculum at the higher level to enable better understanding and appreciation.

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