KEY FACTORS IN THE MEASUREMENT OF THE FAIR VALUE OF INTANGIBLES

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Overview

- Common Elements Of Intangibles
- Variability Of Intangible Types
- Key Fair Value Elements
- Economics Of Fair Value
- Measurement Of Fair Value
- Measurement Of Risk
- Modeling
Any Asset That Lacks Physical Substance

The Embodiment of Rights & Privileges

All Elements That Exists In Addition To
  - Monetary Assets
  - Tangible Assets

Primary Contributors Of An Earning Process

Requirement For Success
  - Input
  - Process
  - Output
Types Of Intangibles

- Goodwill
  - Enterprise Excess Fair Value Over
    - Tangibles
    - Intangibles
    - Obligations

- Intangibles
  - Legal Rights & Privileges
  - Private Rights & Privileges
  - Relationships
  - Intellectual Property
Elements

- Fair Value
  - The Price Between Market Participants
  - Creates Or Contributes To Earnings
- The Earning Process
  - Inputs
  - Process
  - Output
- Evaluating Risk (CRMA)
  - Expectation
  - Expectation With It’s Utility & Disutility
ECONOMICS OF FAIR VALUE

Level One

Level Two

Level Three

Market Quotes

Observed Inputs

Modeling

Process

Input

Output

Earning Periods

Discount For Risk

Fair Value

Earning Periods

Discount For Risk

Fair Value
Measurement Of Risk

- Insurance Contract Example
  - Model For Profit Recognition Is Changing
- Future Changes
  - Periodic Measurement Vs Single Attempt
  - Expected Risk Adjusted Cash Flows
  - Present Value Of Expected Cash Flows
- Profit Recognized
  - Release of Risk Probabilities
  - Changes In Experience
  - Changes In Expected Cash Flows
Continuous Audit Functional Model
- Periodic Tracking Of Earning Results
- Comparison Of Results To Probability Models
- Periodic Modification Of Utility Risk
- Updating of Risk Discount Rates
- Periodic Measurement of Economic Life
- Probability Models To Test For Impairment

Continuous Reporting Model
- Periodic Report Of Results