ceterus

Bookkeeping 101: The Ceterus Way

Intangible assets are those that lack physical substance. The example we see most often is a franchise agreement. Other common intangible assets include goodwill and start-up costs. These intangible assets have useful lives and are amortized over that life. Some businesses will book amortization monthly, using an average of what was amortized in the prior year. Others will book amortization annually, when the tax return is complete. Amortization year over year rarely changes given intangible assets are usually booked at the inception of a business.

Generally speaking, you will not see these items hitting the profit and loss statement when incurred. The impact on the profit and loss statement comes from the amortization that is booked each year.

If you are a franchisee and don't see a franchise licence agreement on your balance sheet you should investigate further to ensure those transactions were recorded properly.