



IMPAIRMENT OF ASSETS

ALWAYS:

Test the following for impairment:

- Intangible assets with indefinite use / not available for use
- Goodwill obtained in a business combo

Scoped OUT items:

- Inventories
- IFRS15 contract assets
- Deferred Tax Assets
- Financial Assets
- Investment property
- NCA held for sale

Impairment Indicators

- Asset value declined
- Significant changes
- Change to inputs for discount rates
- CA of net assets > Market cap
- Physical evidence

Impairment:

When an assets carrying amount > the recoverable amount. The recoverable amount should only be determined if an indication of impairment is identified



IMPAIRMENT OF ASSETS

Recognition

- In profit and loss unless asset is carried on revaluation model.
- Depreciation is calculated on the CA - Impairment loss

Recoverable Amount:

Higher of:

- Fair value less cost of disposal
 - Value in use.
- Should either amount > the CA then no further calcs are required.

Top Tip

- When calculating your value in use page to paragraph 30 and assess information in the case study to the paragraphs in the standard.

Value in Use:

- Future cashflows (attainable in current condition)
- Discounted at a **pre-tax discount rate** (accounting for risk and time value of money)



YOUR EXAM GAME PLAN

Step 3: Calculate your value in use and FV - COD and select the highest.

Recoverable Amount - CA = Impairment

Step 1: Identify whether an individual exists or a CGU.

Cashflows interdependent = CGU exists

Step 4: If goodwill exists then allocate the impairment to goodwill FIRST. Then allocate the remaining impairment to scoped in assets.

Step 2: Calculate the carrying amounts of the asset / assets in the CGU.

Apply the individual standards to the assets.