



Date: 29 June 2021

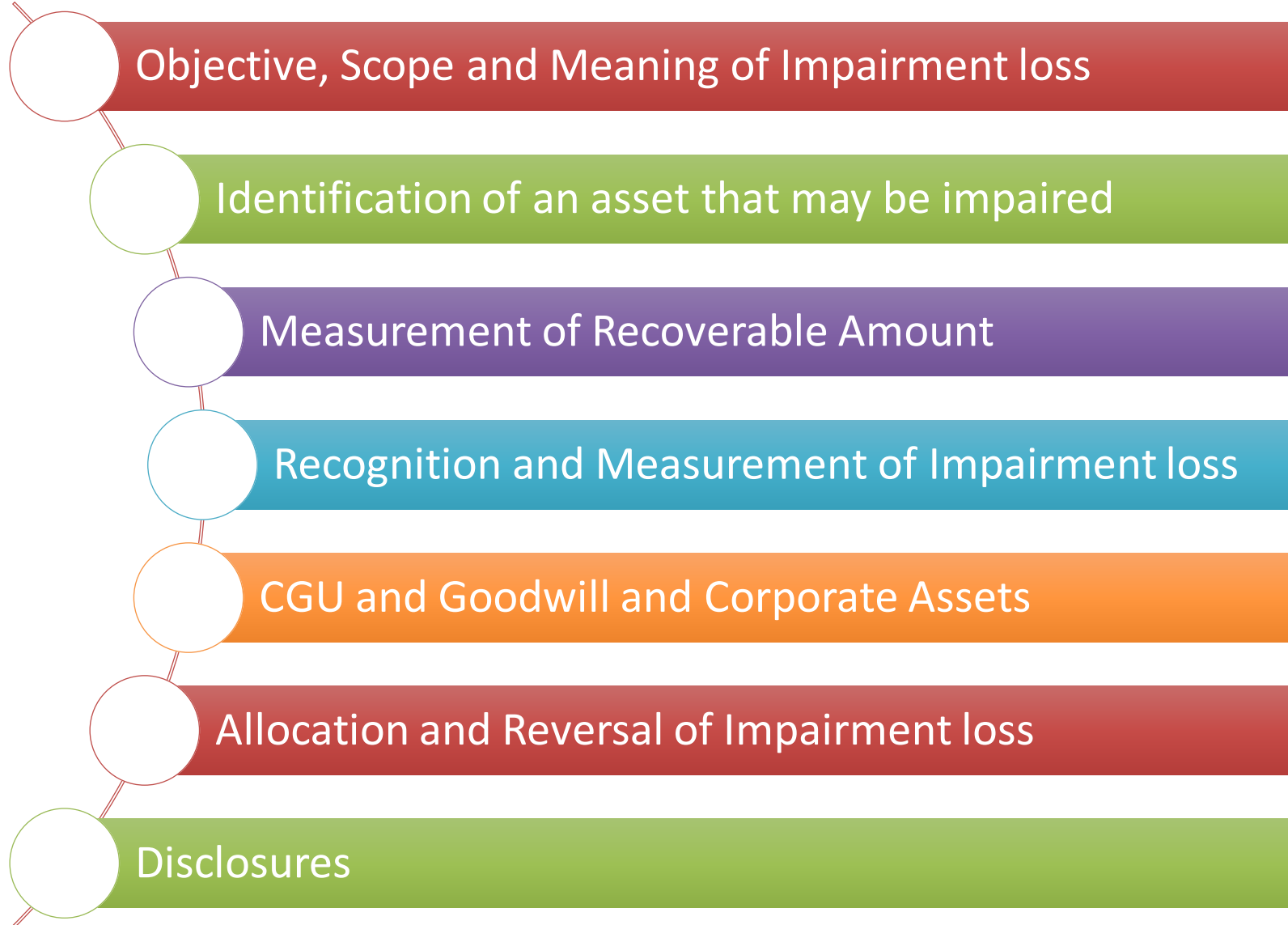
VIRTUAL COACHING CLASSES ORGANISED BY BOS, ICAI

FINAL LEVEL PAPER 1: FINANCIAL REPORTING

TOPIC: IND AS 36 IMPAIRMENT OF ASSETS

Faculty: CA Alok K. Garg

Agenda



Objective

Ensures that assets are carried at no more than their recoverable amount

Determination of
Recoverable Amount

Allocation and
Reversal of
Impairment Loss

Disclosures

Scope

Ind AS 36 applies to all assets except:-

2

- Inventories

115

- Contract Assets and assets arising from Cost to obtain or fulfill a contract

12

- Deferred tax assets

19

- Assets arising from employees benefits

Scope

Ind AS 36 applies to all assets except:-

41

- Biological Assets measured at fair value less cost to sell

104

- Deferred acquisition costs and intangible assets arising from insurance contracts

105

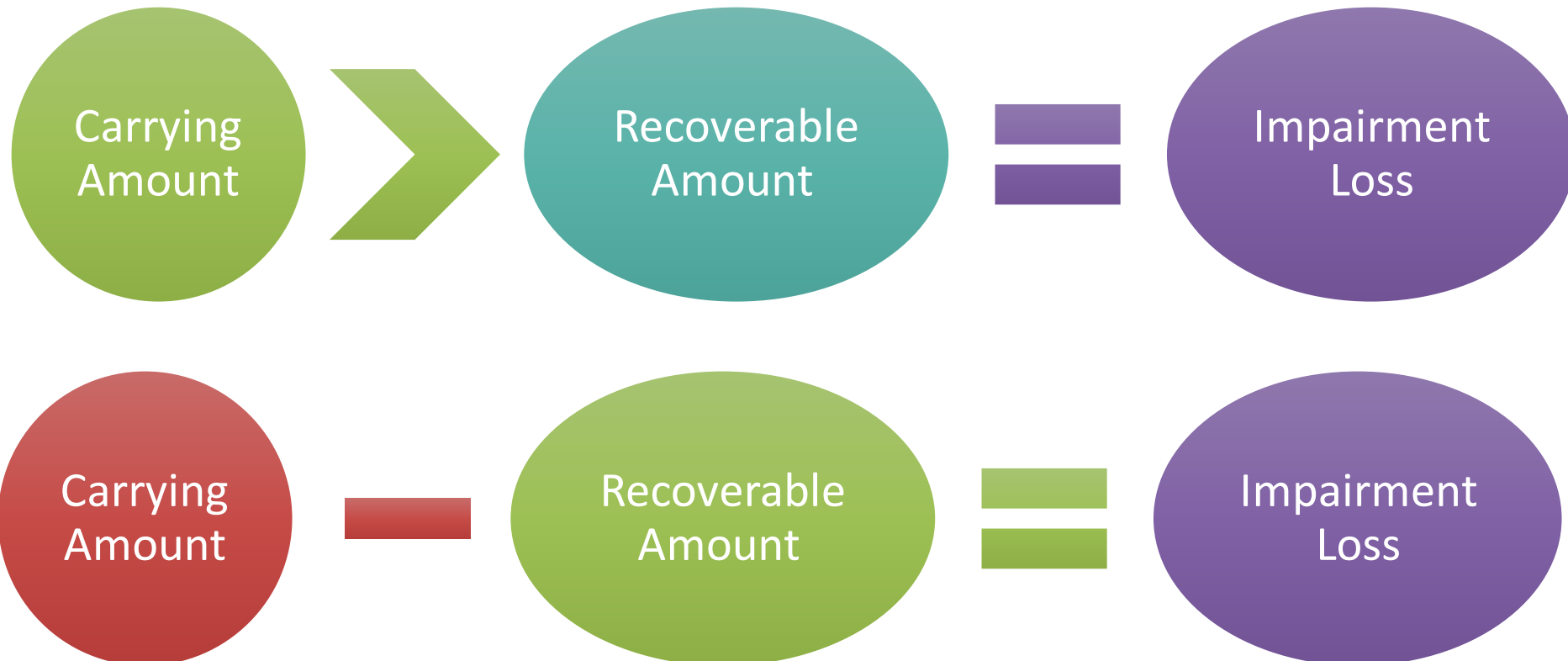
- Non-current assets classified as held for sale

109

- Financial Assets

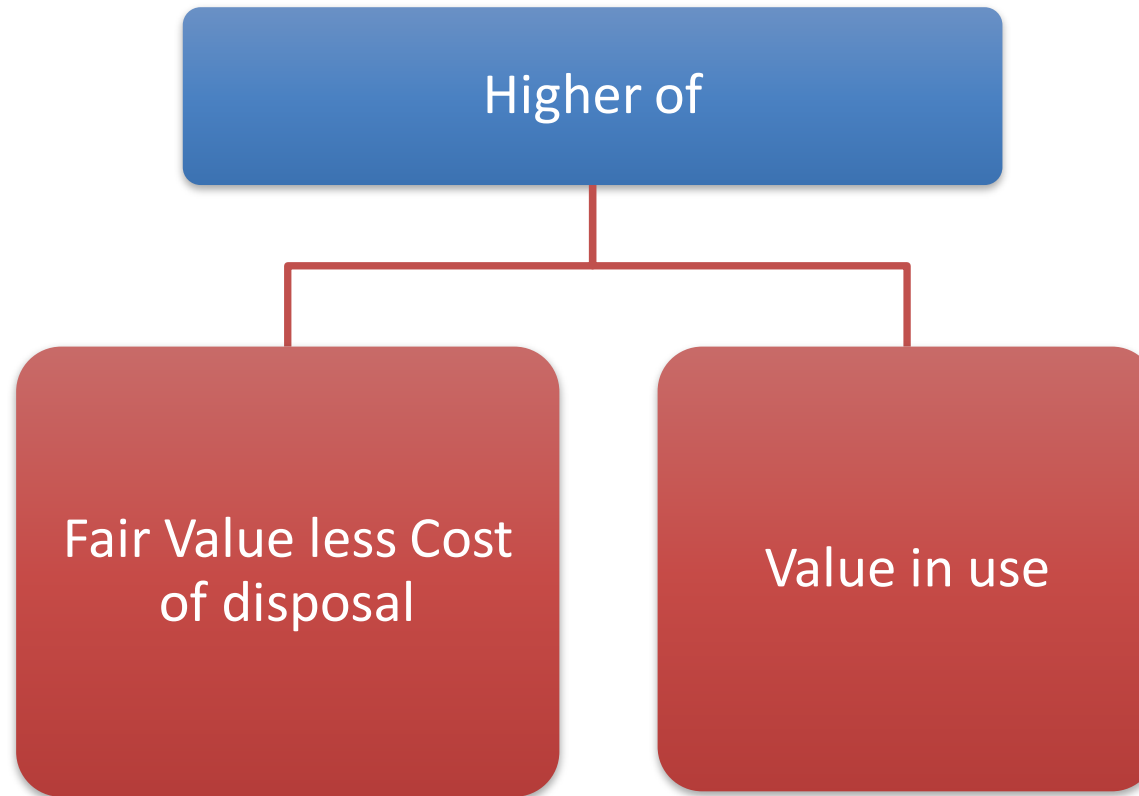
Impairment Loss

Impairment loss is the amount by which the carrying amount of an asset or a cash-generating unit exceeds its recoverable amount.



Recoverable Amount

The recoverable amount of an asset or a cash-generating unit is the higher of its fair value less costs of disposal and its value in use.



Case Study : Impairment Loss

The carrying value of a building in the books of ABC Ltd. as at Mar 31, 2016 is Rs 250 lakhs. As at that date the value in use is Rs 200 lakhs and fair value less cost of disposal is Rs 188 lakhs.

Calculate the Impairment Loss in the books of ABC Ltd.

Solution to Case Study : Impairment Loss

Calculation of Impairment Loss :

Impairment Loss = Carrying Amount – Recoverable Amount

INR, Lakhs

Recoverable Amount =

Higher of:

Fair Value less Cost of Disposal 188

or

Value in Use 200

Recoverable Amount = 200

Impairment Loss = 250-200 50

Identification – Asset to be impaired

- An entity shall assess:
 - *at the end of each reporting period*
 - *whether there is any indication that an asset may be impaired.*
 - *If indications exists, estimate recoverable amount*

Identification – Asset to be impaired

Irrespective of whether there is any indication of impairment, an entity shall test annually for impairment :



Intangible asset
with an indefinite
useful life

Intangible asset
not yet available
for use

Goodwill acquired
in a business
combination

Indicators of Impairment

Internal Indicators

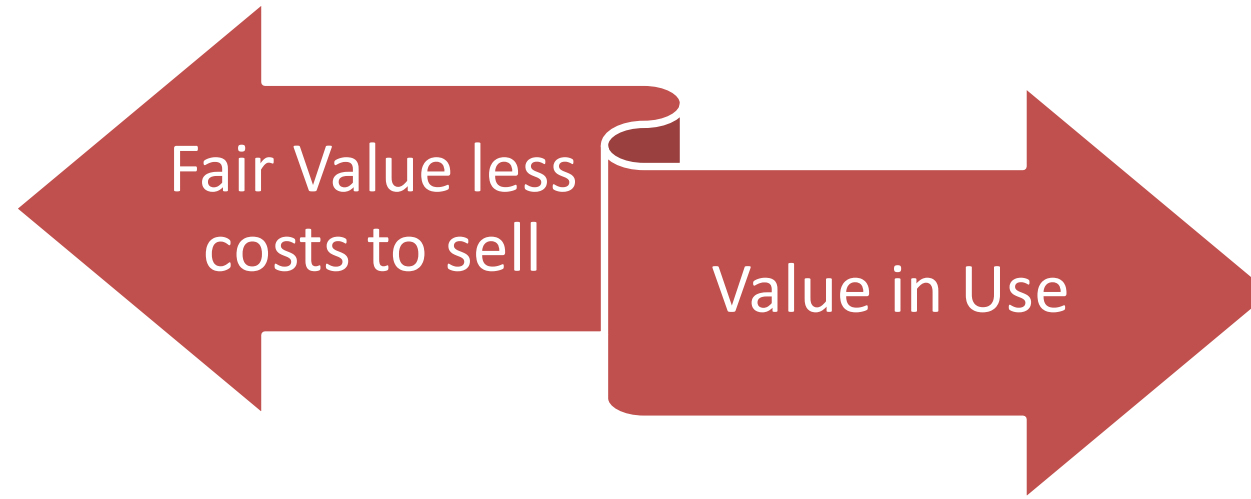
- Evidence of obsolescence or physical damage
- asset remaining idle
- Discontinuance, disposal or restructuring plans
- Declining asset performance

External Indicators

- Significant decline in market value
- Changes in techno, market, economic or legal environment
- Changes in interest rates
- Low market capitalisation

Recoverable Amount

Recoverable amount is the higher of an asset's or cash-generating unit's:



It is not necessary to calculate both an asset's fair value less costs to sell and its value in use. If either of these exceeds with asset's carrying amount, the asset is not impaired.

Case Study: Recoverable Amount

Illustration 1

The carrying value of a building in the books of Sun Ltd. as at 31st March, 20X1 is ₹ 300 lakh. As on that date the value in use is ₹ 250 lakh and fair value less cost of disposal is ₹ 238 lakh. Calculate the Recoverable Amount.

Solution to Case Study: Recoverable Amount

Solution

Recoverable Amount : Higher of Fair Value less Costs of disposal and Value in Use

Fair Value less costs of disposal : ₹ 250 lakh

Value in Use : ₹ 238 lakh

Therefore, Recoverable value will be ₹ 250 lakh

Case Study -Fair value less costs of disposal

Fair value is a price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Cost of disposal is a incremental costs directly attributable to the disposal of an asset or cash-generating unit, excluding finance costs and income tax expense.

Examples of Cost of disposal :

- ✓ legal costs, stamp duty and similar transaction taxes,
- ✓ costs of removing the asset,
- ✓ direct incremental costs to bring an asset into condition for its sale.

Case Study -Fair value less costs of disposal

ABC Limited own a bottling plant located in one of its factory. The professional valuers have estimated that the current market value of plant is 10 lakhs. The valuation fee was Rs. 1 lakh.

ABC need to dismantle the plant and deliver it to the buyer. Dismantling costs Rs. 2 lakhs. Specialised packaging cost would be 1 lakh and legal fees would be 0.5 lakhs.

Determine its Fair value less costs to sell

Solution to Case Study -Fair value less costs of disposal

Particulars	Amount (in lakhs)
Sales price	10
Dismantling cost	(2)
Packaging cost	(1)
Legal fees	(0.5)
FV less Cost of disposal	6.50

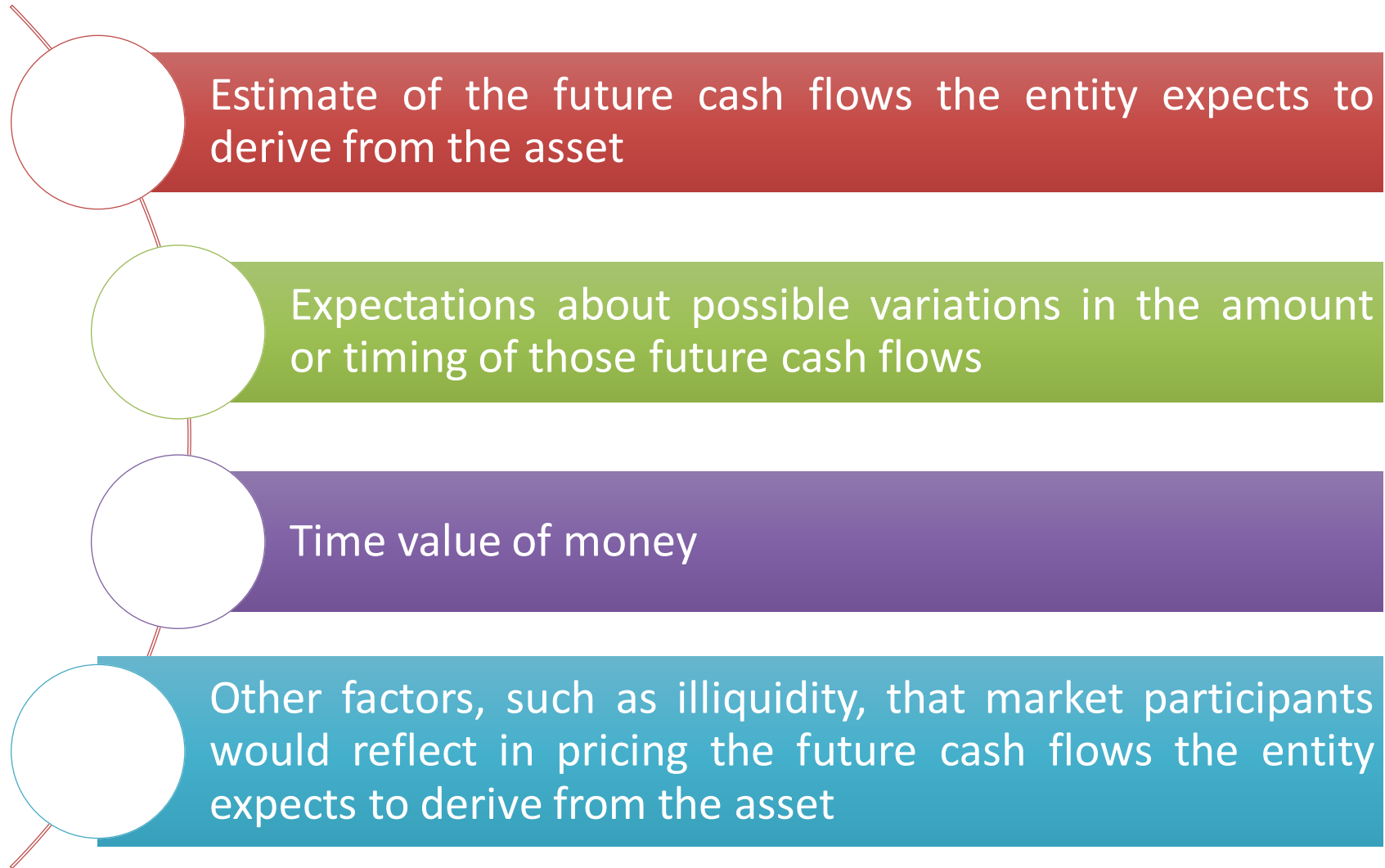
Value in Use

Value in use: Present value of the future cash flows expected to be derived from an asset or CGU.

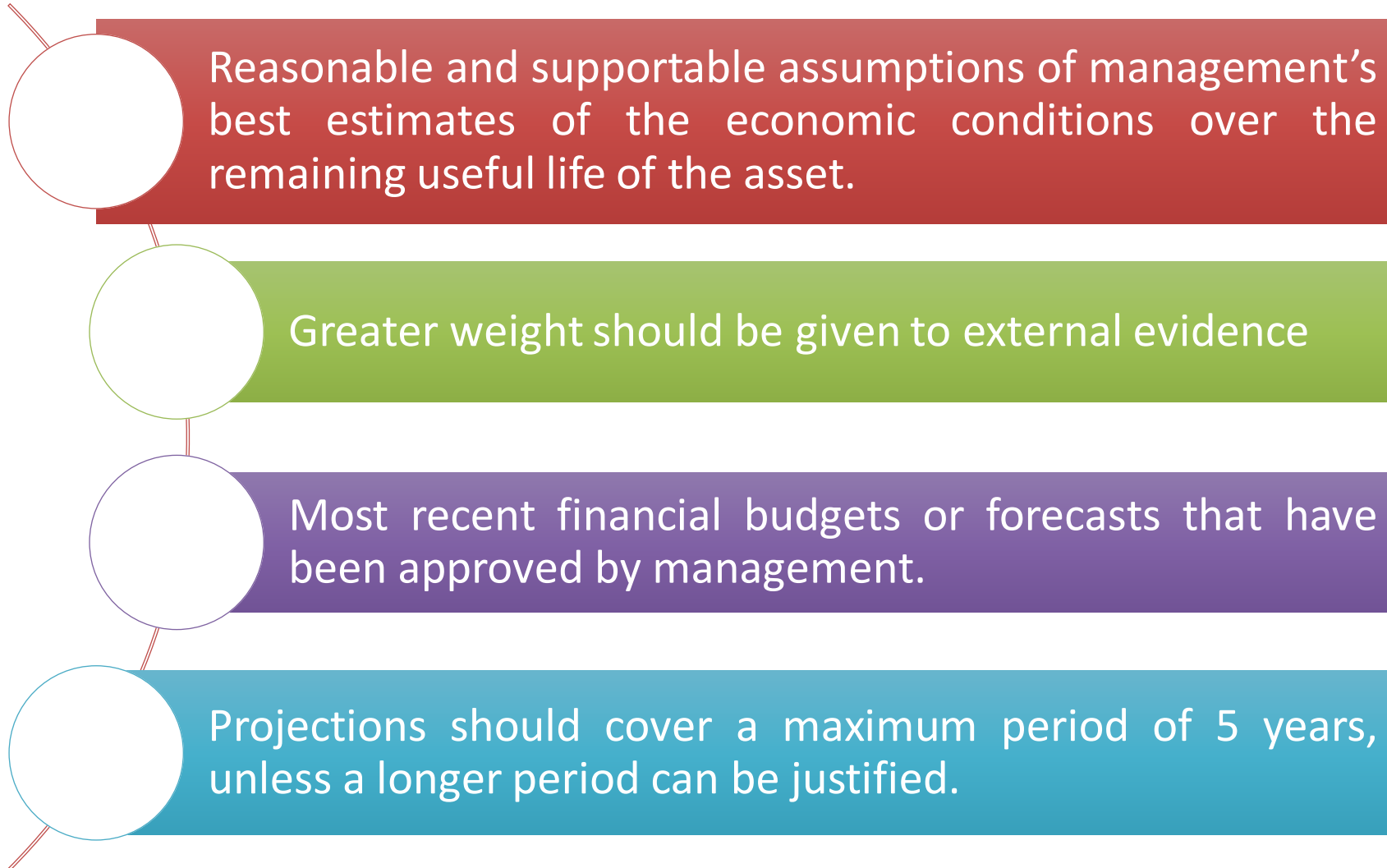
Primarily two key decisions are involved in determining value in use:



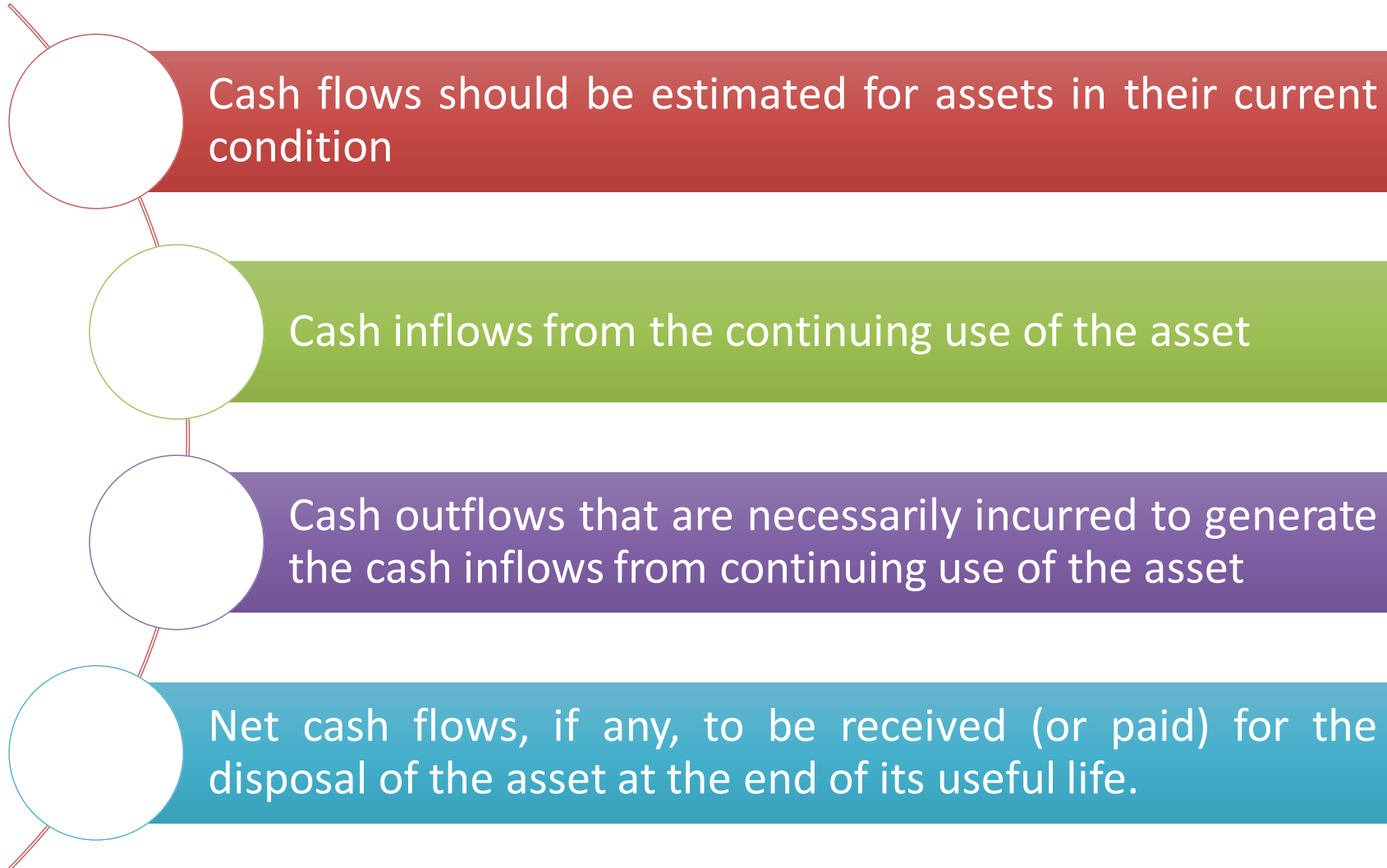
Value in use – Elements to be reflected



Value in use – Basis for estimate

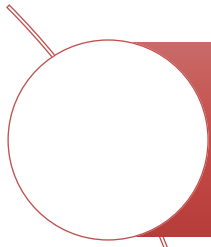
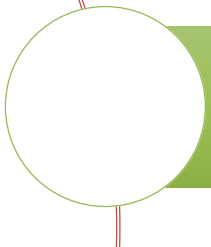
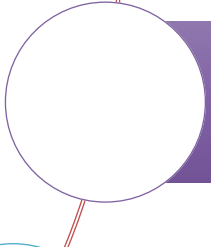
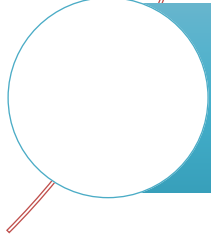


Cash flows – Includes



Cash flows – Does not include



-  Future restructuring to which an entity is not yet committed.
-  Improving or enhancing the asset's performance.
-  Cash inflows or outflows from financing activities.
-  Income tax receipts or payments.

Discount rate

The discount rate should be a pre-tax market rate that reflects current market assessments of the:

- time value of money and
- risks specific to the asset

When an asset-specific rate is not directly available from the market, the entity uses surrogates to estimate the discount rates.

- Entity's weighted average cost of capital
- Entity's incremental borrowing rate and
- Other market borrowing rates.

Value in use: Foreign currency future cash flows

Estimate future cash flows in the currency in which they will be generated



Discount using rate appropriate for that currency



Translate the present value using spot exchange rate

Case Study: Foreign currency future cash flows

On 31st March, 20X1, XYZ Ltd. makes following estimate of cash flows for one of its asset located in USA:

Year	Cash flows
20X1-20X2	US \$ 80
20X2-20X3	US \$ 100
20X3-20X4	US \$ 20

Following information has been provided:

Particulars	India	USA
Applicable discount rate	15%	10%

Exchange rates are as follows:

As on	Exchange rate
31 st March, 20X1	₹ 45/US \$

As on	Expected Exchange rate
31 st March, 20X2	₹ 48/US \$
31 st March, 20X3	₹ 51/US \$
31 st March, 20X4	₹ 55/US \$

Calculate value in use as on 31st March, 20X1.

Solution to Case Study: Foreign currency future cash flows

Year	Cash flows (US \$)	Present value factor @ 10%	Discounted cash flows (US \$)
20X1-20X2	80	0.9091	72.73
20X2-20X3	100	0.8264	82.64
20X3-20X4	20	0.7513	<u>15.03</u>
Total Discounted cash flows in US \$			<u>170.40</u>
Exchange rate as on 31 st March, 20X1, i.e., date of calculating value in use ₹ 45/US \$			
Value in use as on 31 st March, 20X1			₹ 7,668

Case Study: Impairment Loss

Illustration 3

Mars Ltd. gives the following estimates of cash flows relating to property, plant and equipment on 31st March, 20X4. The discount rate is 15%

Year	Cash Flow (₹ in lakh)
20X4-20X5	2,000
20X5-20X6	3,000
20X6-20X7	3,000
20X7-20X8	4,000
20X8-20X9	2,000
Residual Value at 31 st March, 20X9	500

Property, plant & equipment was purchased on 1st April, 20X1 for ₹ 20,000 lakh

Useful Life was 8 Years

Residual Value estimated at the end of 8 years ₹ 500 lakh

Fair value less cost to disposal ₹ 10,000 lakh

Solution to Case Study: Impairment Loss

(a) Calculation of Carrying Amount on 31st March, 20X4

(₹ in lakh)

Particular	Amount
Original Cost on 1 st April, 20X1	20,000
Less: Depreciation $\frac{(20,000 - 500)}{8} \times 3$	<u>(7,313)</u>
Carrying Amount	<u>12,687</u>

(b) Calculation of Value in Use

Year	Cash Flows	P.V.	Amount
20X4-20X5	2,000	.869	1,738
20X5-20X6	3,000	.756	2,268
20X6-20X7	3,000	.658	1,974
20X7-20X8	4,000	.572	2,288
20X8-20X9 (including residual value)	2,500	.497	<u>1,242</u>
Total			<u>9,510</u>

Solution to Case Study: Impairment Loss

(c) Calculation of Recoverable Amount

Particular	Amount
Value in Use	9,510
Fair value less costs of disposal	10,000
Recoverable Amount	10,000

(d) Calculation of Impairment Loss

Carrying Amount – Recoverable Amount

$$12,687 - 10,000 = 2,687$$

(e) Calculation of Revised Carrying Amount

Particular	Amount
Carrying Amount	12,687
Less: Impairment Loss	<u>(2,687)</u>
Revised Carrying Amount	<u>10,000</u>

(f) Calculation of Revised Depreciation

Revised Carrying Amount – Residual Value

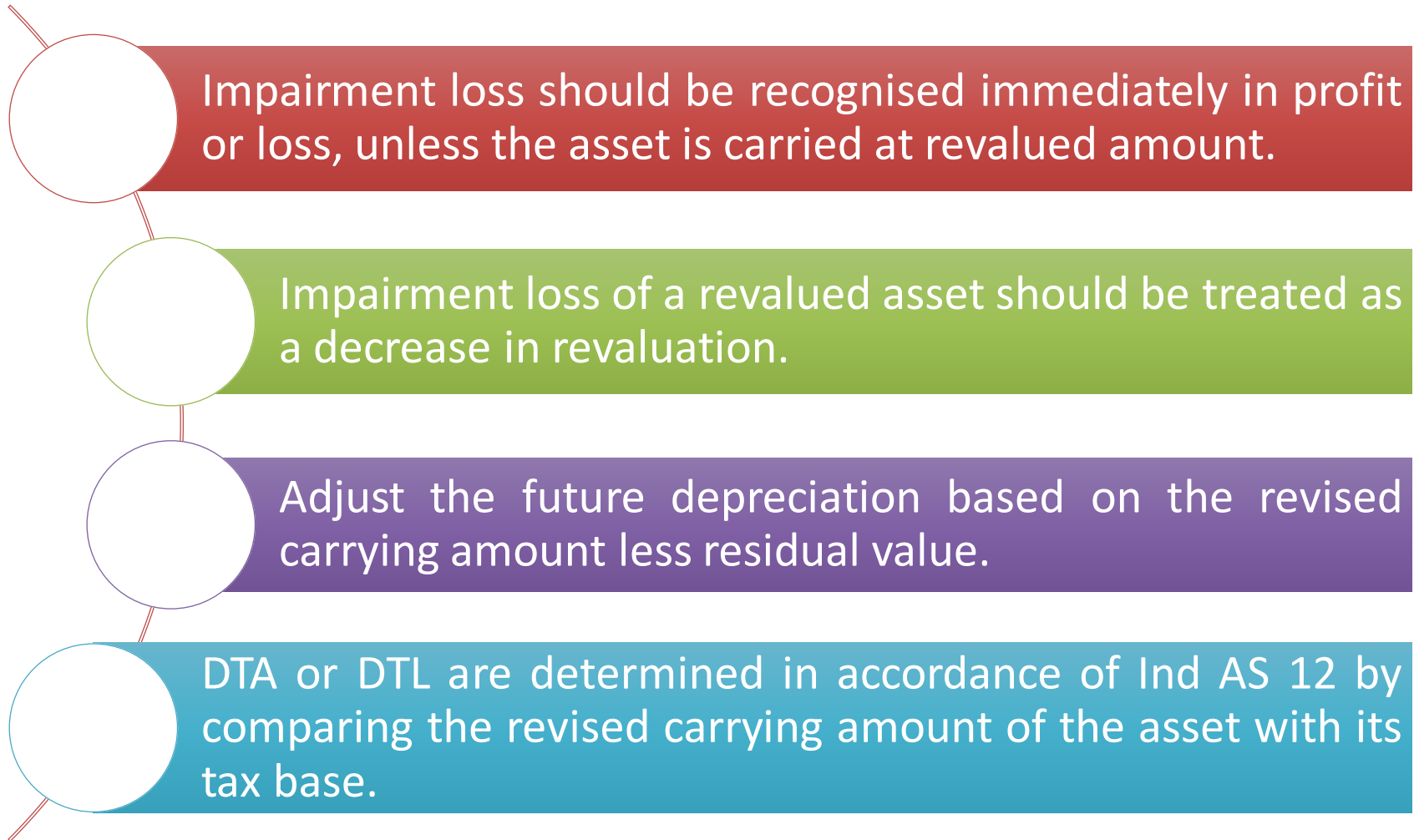
Remaining Life

$$\frac{10,000 - 500}{5} = 1,900$$

Impairment Loss - Measurement



Impairment Loss - Key Points



Case Study: Impairment Loss and Deferred Tax

Illustration 5

Mercury Ltd. has an identifiable asset with a carrying amount of ₹ 1,000. Its recoverable amount is ₹ 650. The tax rate is 30% and the tax base of the asset is ₹ 800. Impairment losses are not deductible for tax purposes. What would be the impact of impairment loss on related deferred tax asset / liability against the revised carrying amount of asset?

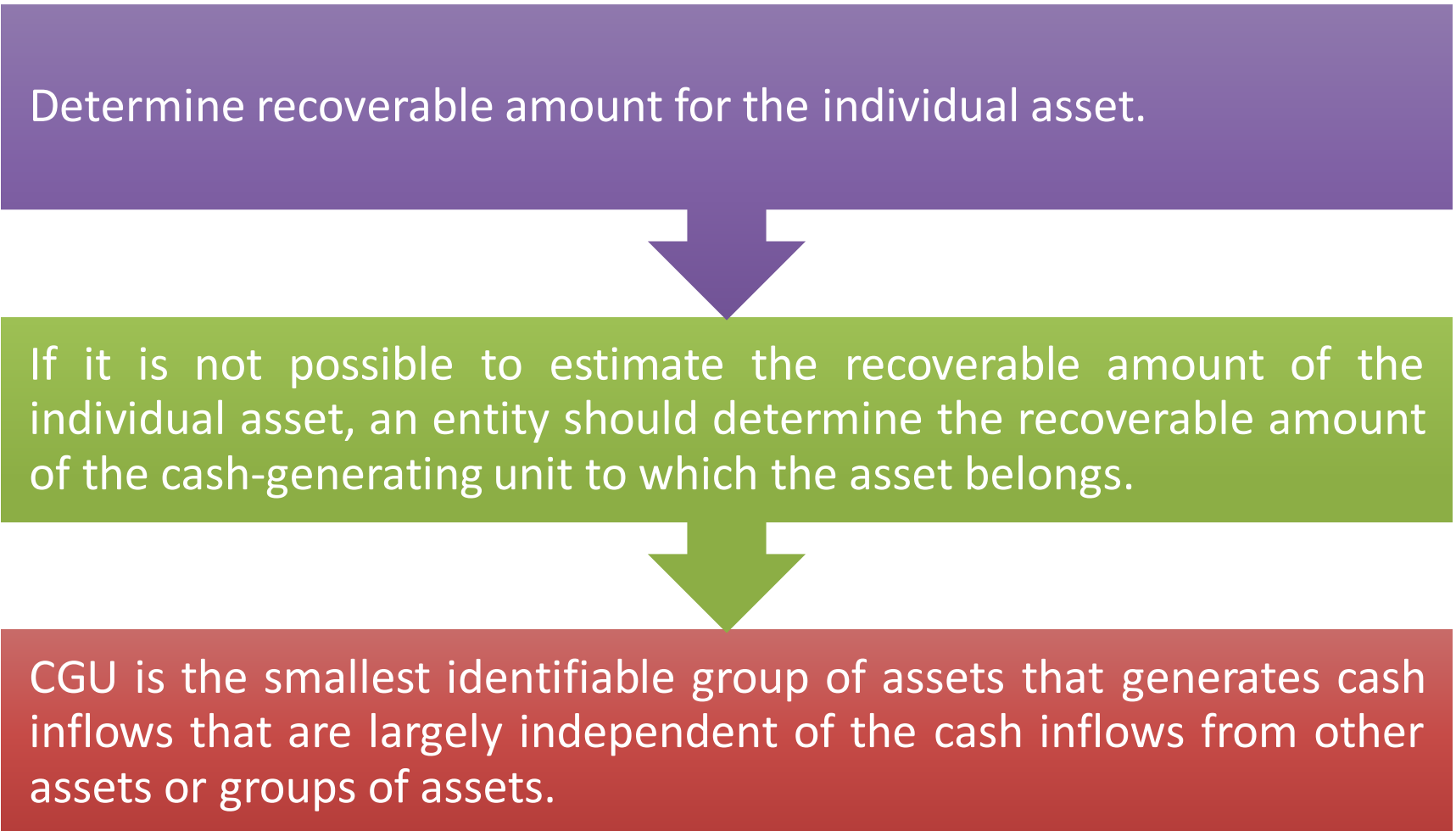
Solution to Case Study: Impairment Loss and Deferred Tax

Solution

	<i>Identifiable assets before impairment loss</i>	<i>Impairment loss</i>	<i>Identifiable assets after impairment loss</i>
	₹	₹	₹
Carrying amount	1,000	(350)	650
Tax Base	800	-	800
Taxable (deductible) temporary difference	200	(350)	(150)
Deferred tax liability (asset) at 30%	60	(105)	(45)

Cash Generating Unit

Determine recoverable amount for the individual asset.



```
graph TD; A[Determine recoverable amount for the individual asset.] --> B[If it is not possible to estimate the recoverable amount of the individual asset, an entity should determine the recoverable amount of the cash-generating unit to which the asset belongs.]; B --> C[CGU is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets.];
```

If it is not possible to estimate the recoverable amount of the individual asset, an entity should determine the recoverable amount of the cash-generating unit to which the asset belongs.

CGU is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets.

Example : Cash Generating Unit

Illustration 16

A bus company provides services under contract with a municipality that requires minimum service on each of seven separate routes. Assets devoted to each route and the cash flows from each route can be identified separately. One of the routes operates at a significant loss. Should the company determine the recoverable amount for an individual asset or for a cash generating unit?

Solution

Because the entity does not have the option to curtail any one bus route, the lowest level of identifiable cash inflows that are largely independent of the cash inflows from other assets or groups of assets is the cash inflows generated by the seven routes together. The cash- generating unit for each route is the bus company as a whole.

CGU - Factors to be considered in identification

Ability to generate independent cash inflows from other assets

- If an active market exists for the output produced by group of assets, that group of assets should be identified as a cash-generating unit, even if some or all of the output is used internally.

How management makes a decisions about continuing or disposing of assets or operations

- How management monitors operations (such as by product lines, businesses, individual locations, districts or regional areas)

CGU – Consistency

CGU should be identified consistently from period to period for the same asset or types of assets, unless a change is justified.

- Carrying amount of a CGU should be determined on a basis consistent with the way the recoverable amount of the CGU is determined.

Case Study: CGU

Illustration 15

A mining entity owns a private railway to support its mining activities. The private railway could be sold only for scrap value and it does not generate cash inflows that are largely independent of the cash inflows from the other assets of the mine. Should the entity determine the recoverable amount for the private railway or for the mining business as a whole?

Solution

It is not possible to estimate the recoverable amount of the private railway because its value in use cannot be determined and is probably different from scrap value. Therefore, the entity estimates the recoverable amount of the cash-generating unit to which the private railway belongs, i.e., the mine as a whole.

Case Study: CGU

Illustration 20

XYZ Limited produces a single product and owns plants 1, 2 and 3. Each plant is located in a different country. Plant 1 produces a component that is assembled in either Plant 2 or Plant 3. The combined capacity of Plant 2 and Plant 3 is not fully utilised. XYZ Limited's products are sold worldwide from either Plant 2 or Plant 3, e.g., Plant 2's production can be sold in Plant 3's country if the products can be delivered faster from Plant 2 than from Plant 3. Utilisation levels of Plant 2 and Plant 3 depend on the allocation of sales between the two sites. If there is no active market for Plant 1's products, what are the cash-generating units for Plant 1, Plant 2 and Plant 3?

Solution to Case Study: CGU

Solution

It is likely that the recoverable amount of each plant cannot be assessed independently because:

- (a) There is no active market for Plant 1's products. Therefore, Plant 1's cash inflows depend on sales of the final product by Plant 2 and Plant 3.
- (b) Although there is an active market for the products assembled by Plant 2 and Plant 3, cash inflows for Plant 2 and Plant 3 depend on the allocation of production across the two sites. It is unlikely that the future cash inflows for Plant 2 and Plant 3 can be determined individually.

As a consequence, it is likely that Plant 1, Plant 2 and Plant 3 together (i.e., XYZ Limited as a whole) are the smallest identifiable group of assets that generates cash inflows that are largely independent.

Goodwill – Allocation to CGU

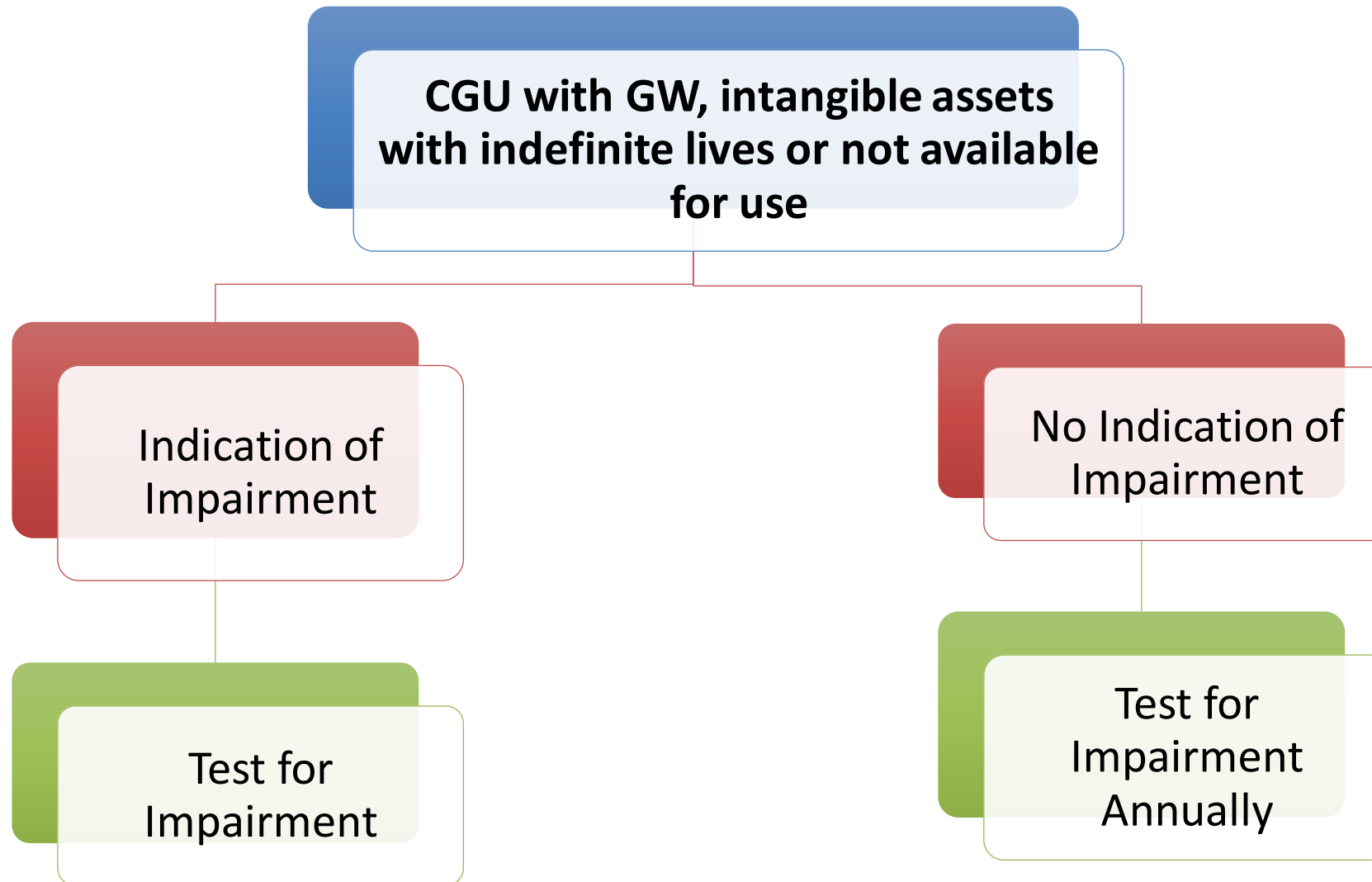
Goodwill acquired in business combination should be allocated, from the acquisition date to each of the acquirer's CGU that is expected to benefit from the synergies of the combination.

- Even if assets and liabilities of the acquiree are assigned to those units or group of units to which the goodwill is so allocated.

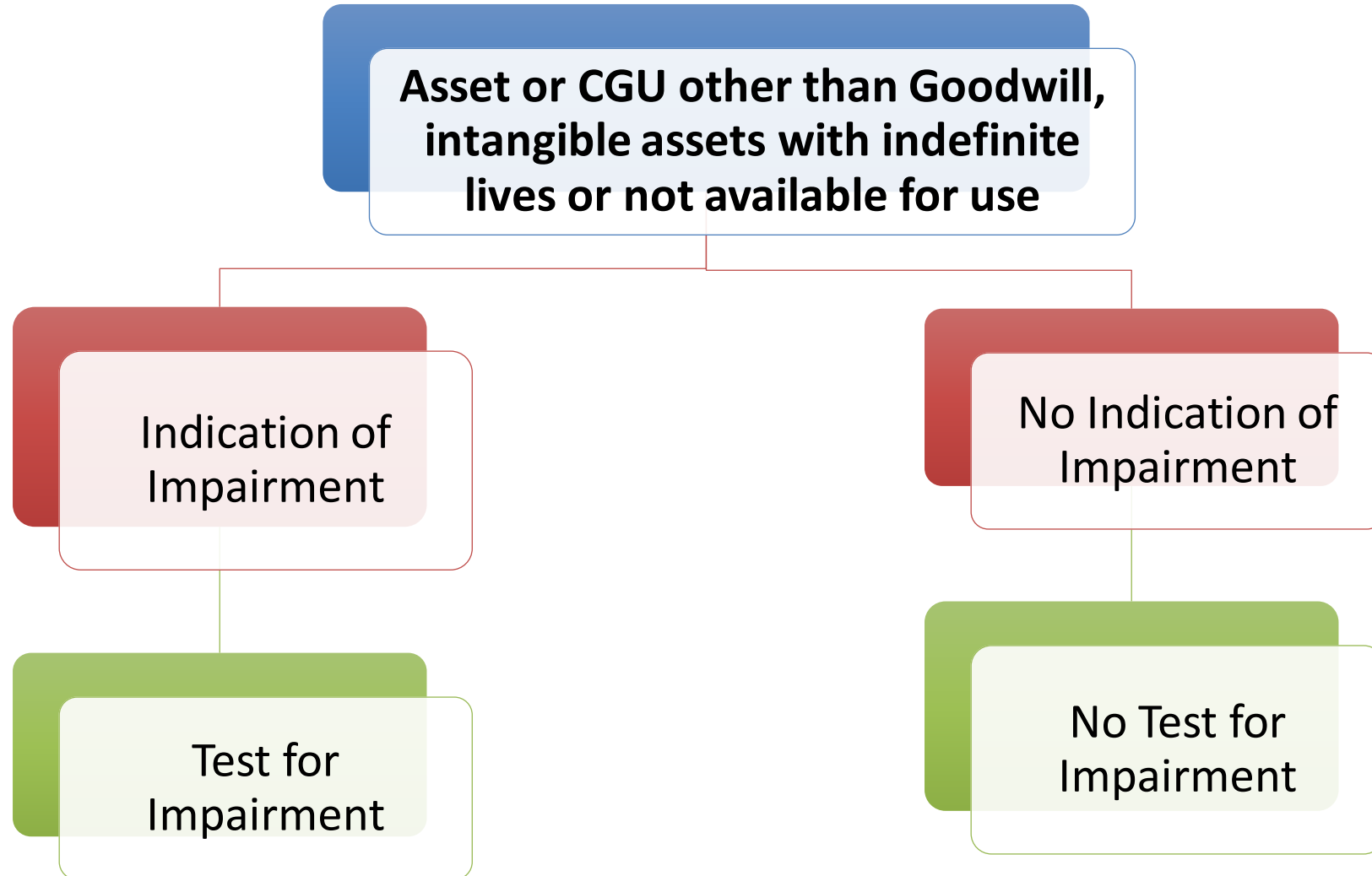
Such allocated unit should

- Represent the lowest level within the entity at which the goodwill is monitored for internal management purposes.
- Not be larger than an operating segment as per Ind AS 108.

Impairment Testing - Frequency and timing



Impairment Testing - Frequency and timing



Impairment Testing - other key points

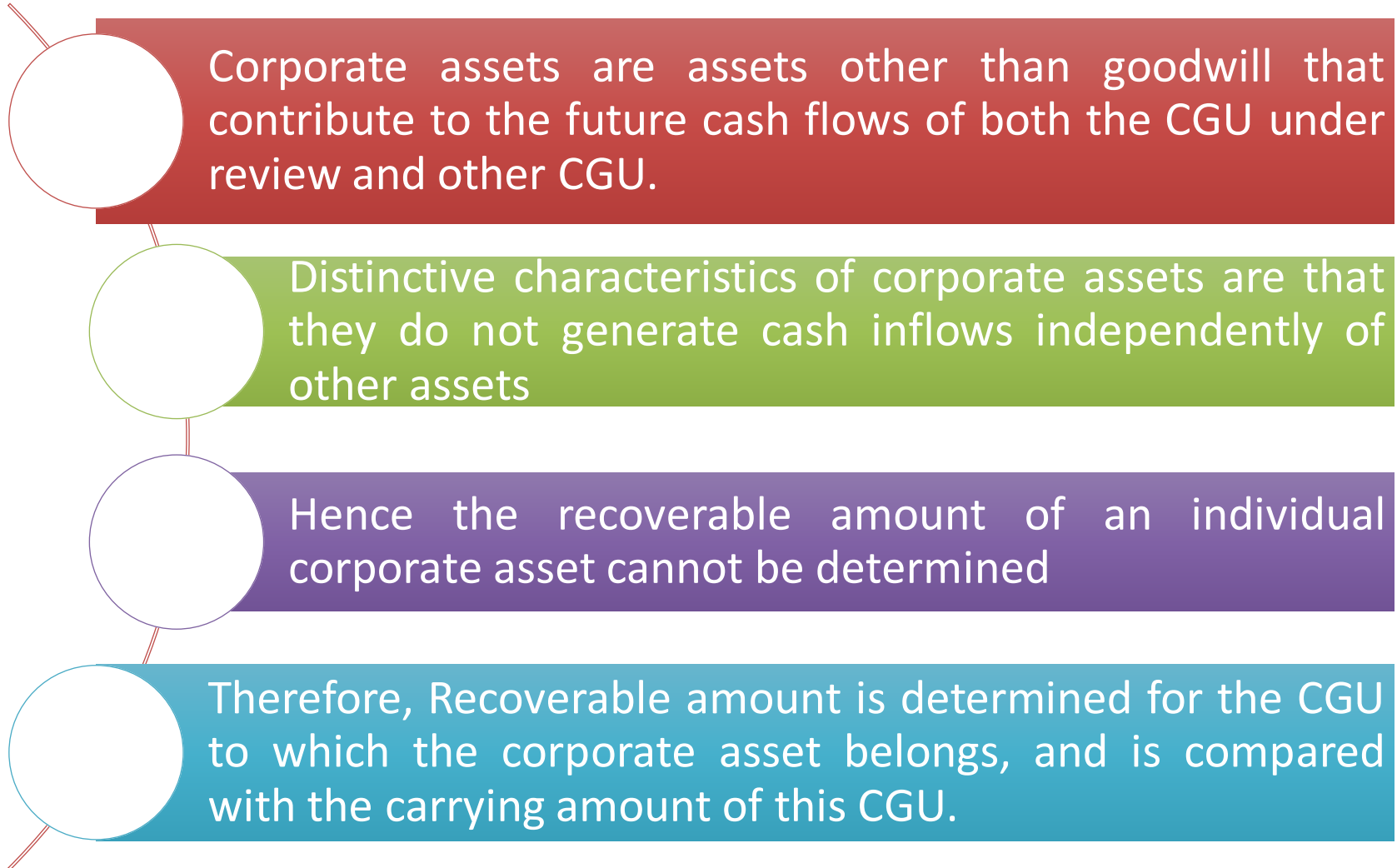
Annual impairment test for a CGU to which goodwill has been allocated may be performed at any time during an annual period

- Test should be performed at the same time every year
- Different CGU may be tested for impairment at different times.

Recent calculation made in a preceding period can be used if the following criteria are met:

- CGU composition has not change substantially.
- Most recent recoverable amount exceeded the carrying amount by a substantial margin.
- Remote chances of likelihood that current recoverable amount would be less than carrying amount based on the analysis of events and circumstances occurred

Corporate Assets



Allocation of Impairment loss - CGU

The impairment loss should be allocated to reduce the carrying amount of the assets of the CGU in the following order:

First reduce the carrying amount of any **goodwill** allocated to the CGU

Then, to the **other assets** of the CGU **pro rata** on the basis of the carrying amount of each asset in the group

Allocation of Impairment loss - Key Point

In allocating an impairment loss, an entity should not reduce the carrying amount of an asset below the highest of:

Fair value less costs
to sell

Value in use

zero

Liability should be recognised for any remaining amount of an impairment loss for a CGU if that is required by another Ind AS.

Case Study- Allocation of Impairment Loss (Goodwill)

Illustration 20

XYZ Limited has a cash-generating unit 'Plant A' as on 1st April, 20X1 having a carrying amount of ₹ 1,000 crore. Plant A was acquired under a business combination and goodwill of ₹ 200 crore was allocated to it. It is depreciated on straight line basis. Plant A has a useful life of 10 years with no residual value. On 31st March, 20X2, Plant A has a recoverable amount of ₹ 600 crore. Calculate the impairment loss on Plant A. Also, prescribe its allocation as per Ind AS 36.

Solution to Case Study- Allocation of Impairment Loss (Goodwill)

Solution

Particulars	Goodwill (₹ in crore)	Identifiable assets (₹ in crore)	Total (₹ in crore)
Historical cost	200	1,000	1,200
Depreciation (20X1-20X2)	-	(100)	(100)
Carrying amount	200	900	1,100

Since, the recoverable amount is ₹ 600 crore, there is an impairment loss of ₹ 500 crore. The impairment loss of ₹ 500 crore should be allocated to goodwill first, and then to the other identifiable assets, i.e., ₹ 200 crore to goodwill and ₹ 300 crore to identifiable assets of Plant A.

(₹ in crore)			
Particulars	Goodwill	Identifiable assets	Total
Impairment loss	(200)	(300)	(500)
Carrying amount after impairment loss	-	600	600

Case Study- Allocation of Impairment Loss (Corporate Assets)

ABC Ltd. has three cash-generating units: A, B and C, the carrying amounts of which as on 31st March, 20X1 are as follows:

Cash-generating units	Carrying amount	(₹ in crore) Remaining useful life
A	500	10
B	750	20
C	1,100	20

ABC Ltd. also has two corporate assets having a remaining useful life of 20 years.

(₹ in crore)		
Corporate asset	Carrying amount	Remarks
X	600	The carrying amount of X can be allocated on a reasonable basis (i.e., pro rata basis) to the individual cash-generating units.
Y	200	The carrying amount of Y cannot be allocated on a reasonable basis to the individual cash-generating units.

Recoverable amount as on 31st March, 20X1 is as follows:

Cash-generating units	Recoverable amount (₹ in crore)
A	600
B	900
C	1,400
ABC Ltd.	3,200

Calculate the impairment loss, if any. Ignore decimals.

Solution to Case Study- Allocation of Impairment Loss (Corporate Assets)

Allocation of corporate assets

The carrying amount of X is allocated to the carrying amount of each individual cash-generating unit. A weighted allocation basis is used because the estimated remaining useful life of A's cash-generating unit is 10 years, whereas the estimated remaining useful lives of B and C's cash-generating units are 20 years.

(₹ in crore)				
Particulars	A	B	C	Total
Carrying amount	500	750	1,100	2,350
Useful life	10 years	20 years	20 years	—
Weight based on useful life	1	2	2	—
Carrying amount (after assigning weight)	500	1,500	2,200	4,200
Pro-rata allocation of X	12%	36%	52%	100%
	(500/4,200)	(1,500/4,200)	(2,200/4,200)	
Allocation of carrying amount of X	72	216	312	600
Carrying amount (after allocation of X)	572	966	1,412	2,950

Solution to Case Study- Allocation of Impairment Loss (Corporate Assets)

Calculation of impairment loss

Step I: Impairment losses for individual cash-generating units and its allocation

(a) Impairment loss of each cash-generating units

	(₹ in crore)		
Particulars	A	B	C
Carrying amount (after allocation of X)	572	966	1,412
Recoverable amount			
Impairment loss	<u>600</u>	<u>900</u>	<u>1400</u>
	<u>-</u>	<u>66</u>	<u>12</u>

(b) Allocation of the impairment loss

	(₹ in crore)			
Allocation to	B		C	
X	15	(66 x 216/966)	3	(12 x 312/1,412)
Other assets in cash-generating units		(66 x 750/ 966)		(12 x 1,100/ 1,412)
	<u>51</u>		<u>9</u>	
Impairment loss	<u>66</u>		<u>12</u>	

Solution to Case Study- Allocation of Impairment Loss (Corporate Assets)

Step II: Impairment losses for the larger cash-generating unit, i.e., ABC Ltd. as a whole

(₹ in crore)						
Particulars	A	B	C	X	Y	ABC Ltd.
Carrying amount	500	750	1,100	600	200	3,150
Impairment loss (Step I)	<u>-</u>	<u>(51)</u>	<u>(9)</u>	<u>(18)</u>	<u>-</u>	<u>(78)</u>
Carrying amount (after Step I)	<u>500</u>	<u>699</u>	<u>1,091</u>	<u>582</u>	<u>200</u>	<u>3,072</u>
Recoverable amount						3,200
Impairment loss for the 'larger' cash-generating unit					Nil	

Reversal of Impairment loss

Impairment loss recognised in prior periods should be reversed if there is indication that such losses does not exists any long.

External Indicators

Market Value has increased significantly

Significant favorable change in technological, market, economic or legal environment

Interest rate has been decreased

Internal Indicators

Significant favorable effect in the use of assets

Economic performance of the asset is better than expected

Reversal of Impairment loss – Individual Asset

Reversal of an impairment loss shall not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years.

Reversal of an impairment loss for an asset other than goodwill shall be recognised immediately in profit or loss.

Any reversal of an impairment loss of a revalued asset shall be treated as a revaluation increase in accordance with that other Ind AS.

Further depreciation will be charged on revised carrying amount.

Reversal of Impairment loss – CGU

Impairment loss recognised for goodwill should not be reversed in a subsequent period.

Reversal of an impairment loss for a CGU should be allocated to the assets of the unit, except for goodwill, pro rata with the carrying amounts of those assets.

Such increases in carrying amounts shall be treated as reversals of impairment losses for individual assets

Reversal of Impairment loss – CGU

In allocating a reversal of an impairment loss for a CGU the carrying amount of an asset shall not be increased above the lower of:

Recoverable amount

Carrying amount that would have been determined had no impairment loss been recognised for the asset in prior periods.

Case Study- Reversal of Impairment loss

Illustration 10: Reversal of Impairment Loss

On 1st April 20X1, Venus Ltd acquired 100% of Saturn Ltd for ₹ 4,00,000. The fair value of the net identifiable assets of Saturn Ltd was ₹ 3,20,000 and goodwill was ₹ 80,000. Saturn Ltd is in coal mining business. On 31st March, 20X3, the government has cancelled licenses given to it in few states.

As a result Saturn's Ltd revenue is estimated to get reduce by 30%. The adverse change in market place and regulatory conditions is an indicator of impairment. As a result, Venus Ltd has to estimate the recoverable amount of goodwill and net assets of Saturn Ltd on 31st March, 20X3.

Venus Ltd uses straight line depreciation. The useful life of Saturn's Ltd assets is estimated to be 20 years with no residual value. No independent cash inflows can be identified to any individual assets. So the entire operation of Saturn Ltd is to be treated as a CGU. Due to the regulatory entangle it is not possible to determine the selling price of Saturn Ltd as a CGU. Its value in use is estimated by the management at ₹ 2,12,000.

Suppose by 31st March, 20X5 the government reinstates the licenses of Saturn Ltd. The management expects a favourable change in net cash flows. This is an indicator that an impairment loss may have reversed. The recoverable amount of Saturn's Ltd net asset is re-estimated. The value in use is expected to be ₹ 3,04,000 and fair value less cost to disposal is expected to be ₹ 2,90,000.

Calculate the impairment loss, if any. Also show the accounting treatment for reversal of impairment loss and the subsequent depreciation thereon.

Solution to Case Study- Reversal of Impairment loss

Solution

Since the fair value less costs of disposal is not determinable the recoverable amount of the CGU is its value in use. The carrying amount of the assets of the CGU on 31st March, 20X3 is as follows:

Calculation of Impairment loss

₹			
	Goodwill	Other assets	Total
Historical Cost	80,000	3,20,000	4,00,000
Accumulated Depreciation $(3,20,000/20) \times 2$	-	(32,000)	(32,000)
Carrying Amount	<u>80,000</u>	<u>2,88,000</u>	<u>3,68,000</u>
Impairment Loss	(80,000)	(76,000)	(1,56,000)

Revised Carrying Amount

- Impairment Loss = Carrying Amount – Recoverable Amount (₹ 3,68,000 - ₹ 2,12,000) = ₹ 1,56,000 is charged in statement of profit and loss for the period ending 31st March, 20X3 as impairment loss.
- Impairment loss is allocated first to goodwill ₹ 80,000 and remaining loss of ₹ 76,000 (₹ 1,56,000 – ₹ 80,000) is allocated to the other assets.

Solution to Case Study- Reversal of Impairment loss

Calculation of carrying amount of identifiable assets had no impairment loss is recognised

	₹
Historical Cost	3,20,000
Accumulated Depreciation for 4 years $(3,20,000/20) \times 4$	<u>(64,000)</u>
Carrying amount had no impairment loss is recognised on 31 st March, 20X5	<u>2,56,000</u>

Carrying amount of other assets after recognition of impairment loss

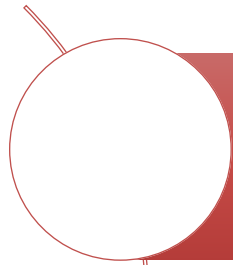
	₹
Carrying amount on 31 st March, 20X3	2,12,000
Accumulated Depreciation for 2 years $(2,12,000/18) \times 2$ [rounded off to nearest thousand for ease of calculation]	<u>(24,000)</u>
Carrying amount on 31 st March, 20X5	<u>1,88,000</u>

Solution to Case Study- Reversal of Impairment loss

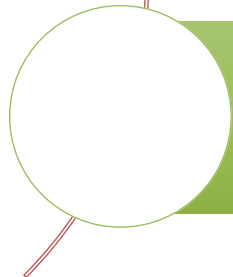
- The impairment loss recognised previously can be reversed only to the extent of lower of re-estimated recoverable amount is ₹ 2,56,000 (higher of fair value less costs of disposal ₹ 2,90,000 and value in use ₹ 3,04,000)
- Impairment loss reversal will be ₹ 68,000 i.e. (₹ 2,56,000 – ₹ 1,88,000). This amount is recognised as income in the statement of profit and loss for the year ended 31st March, 20X5.
- The carrying amount of other assets at 31st March, 20X5 after reversal of impairment loss will be ₹ 2,56,000.
- From 1st April, 20X5 the depreciation charge will be ₹ 16,000 i.e. (₹ 2,56,000/16)

Disclosures

An entity should disclose the following for each class of assets:



Amount of impairment losses or reversals recognised in profit or loss and the line item of the statement of profit and loss in which those impairment losses are included.



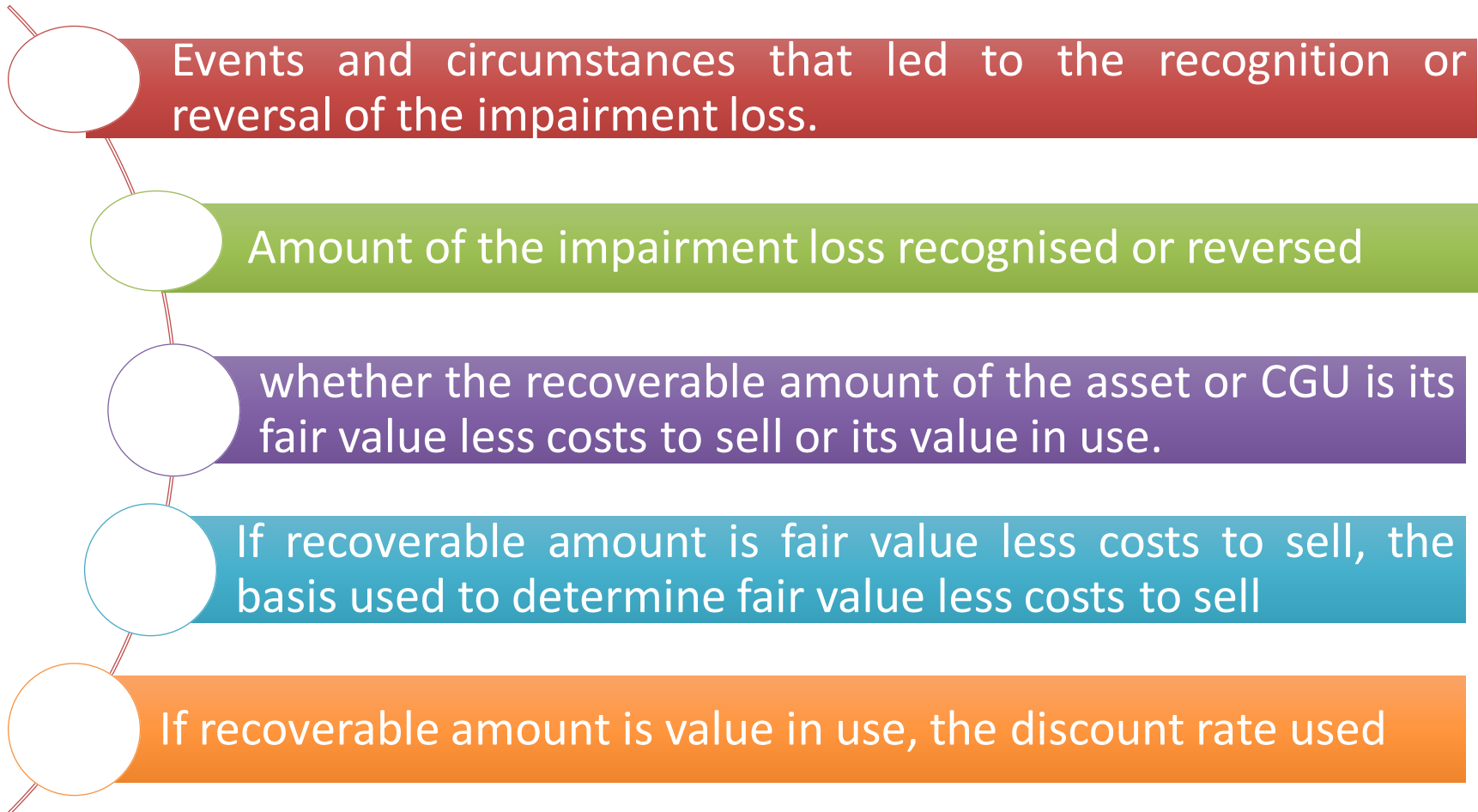
Amount of impairment losses or reversals on revalued assets recognised in other comprehensive income during the period.

An entity that reports segment information in accordance with Ind AS 108 shall disclose the following for each reportable segment:

the amount of impairment losses or reversals recognised in profit or loss and in other comprehensive income during the period.

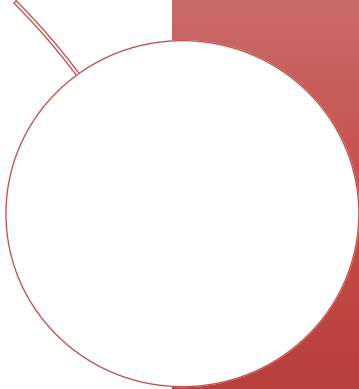
Disclosures

- An entity should disclose the following for each material impairment loss recognised or reversed



Disclosures

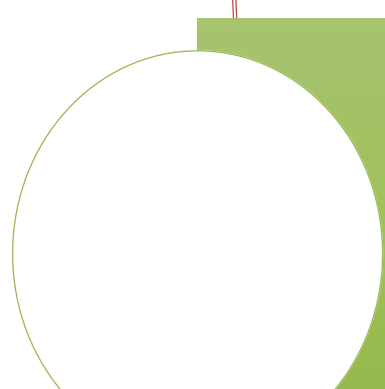
- An entity should disclose the following for each material impairment loss recognised or reversed



For an individual asset:

(i) the nature of the asset

(ii) if the entity reports segment information in accordance with Ind AS 108, the reportable segment to which the asset belongs.



For a cash-generating unit:

- Description of the CGU
- Amount of the impairment loss recognised or reversed by class of assets and, if the entity reports segment information in accordance Ind AS 108, by reportable segment

Key differences of AS and Ind AS

Intangible Assets	AS 28	Ind AS 36
Financial Assets - Scope	AS 28 does not applies to these financial assets.	Ind AS 36 applies to financial assets classified as:a) subsidiaries (as per Ind AS 110), b) associates as defined in Ind AS 28) c) joint ventures as defined in Ind AS 111
Biological Assets - Scope	Existing AS 28 does not specifically exclude biological assets.	Ind AS 36 specifically excludes biological assets related to Agricultural activity.

Key differences of AS and Ind AS

Intangible Assets	AS 28	Ind AS 36
Goodwill	Goodwill is tested for impairment using bottom-up or top-down approach. Goodwill is tested for impairment by allocating its carrying amount to each CGU or smallest group of CGU to which a portion of the carrying amount can be allocated on reasonable and consistent basis.	Goodwill is allocated to CGU or groups of CGU that are expected to benefit from the synergies of the business combination from which it arose. There is no bottom-up or top-down approach for allocation of goodwill.

Key differences of AS and Ind AS

Intangible Assets	AS 28	Ind AS 36
Reversals of impairment loss for goodwill	Impairment loss recognised for goodwill should be reversed in a subsequent period when it was caused by a specific external event of an exceptional nature that is not expected to recur and subsequent external events that have occurred that reverse the effect of that event	Prohibits the recognition of reversals of impairment loss for goodwill.

Key differences of AS and Ind AS

Impairment of assets	AS 28	Ind AS 36
Annual Impairment test for intangible and goodwill	Goodwill and other intangibles are tested for impairment only when there is an indication that they may be impaired.	Goodwill, intangible assets not yet available for use and intangible assets with indefinite life are required to be tested for impairment at least on annual basis or earlier if there is an impairment indication

Lesson Summary

objective and scope of Ind AS 36

Identifying an asset that may be impaired

Measuring recoverable amount, fair value less cost to sell and value in use

Recognition and Measurement of Impairment Loss

Concept of CGU

Allocation of Impairment loss

Reversal of Impairment loss

Identify the disclosure requirements for Intangible Asset.



THANK YOU

Presented by :
Alok Kumar Garg
CA, CS, Dip. IFRS (ACCA) UK, Cert. Ind AS (ICAI), B.Com (Hons.)