



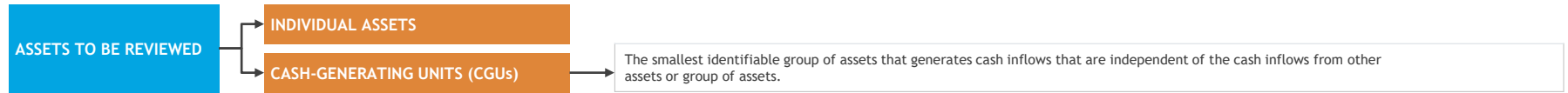
**IFRS AT A GLANCE**  
**IAS 36 *Impairment of Assets***



# IAS 36 *Impairment of Assets*

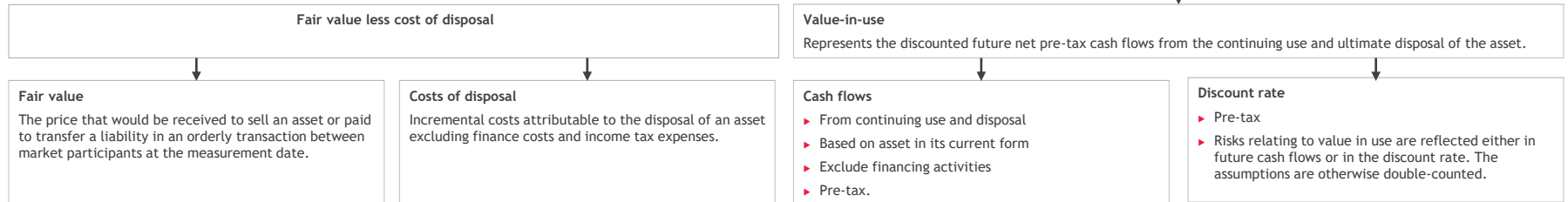
## SCOPE

All assets, except: inventories, contract assets and assets arising from costs to obtain or fulfill a contract, deferred tax assets, employee benefits, financial assets, investment property measured at fair value, biological assets, insurance contract assets, and non-current assets held for sale.



**IMPAIRMENT = Carrying Amount > Recoverable Amount**

**RECOVERABLE AMOUNT = Higher of fair value less costs of disposal and value in use**





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## SCOPE

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## WHEN TO TEST FOR IMPAIRMENT?

When there is an indicator of impairment.  
Indicators are assessed at each reporting date.

### INTERNAL INDICATORS

- ▶ Evidence of obsolescence or physical damage
- ▶ Discontinuance, disposal or restructuring plans
- ▶ Declining asset performance.

### EXTERNAL INDICATORS

- ▶ Significant decline in market value
- ▶ Changes in technological, market, economic or legal environment
- ▶ Changes in interest rates
- ▶ Carrying amount of the net assets of the entity is more than its market capitalisation.

## ANNUAL IMPAIRMENT TESTS

Compulsory for:

- ▶ Intangible assets with an indefinite useful life
- ▶ Intangible assets not yet available for use
- ▶ CGUs to which goodwill has been allocated.

## WHEN TO REVERSE IMPAIRMENT?

**Individual asset** - recognise in profit and loss unless asset carried at revalued amount.

**CGUs** - allocated to assets of CGUs on a pro-rata basis.

**Goodwill** - Impairment of goodwill is never reversed.

### INTERNAL INDICATORS

- ▶ Changes in way asset is used or expected to be used
- ▶ Evidence from internal reporting indicates that economic performance of the asset will be better than expected.

### EXTERNAL INDICATORS










- ▶ Observable indications for significant increase in assets value
- ▶ Changes in technological, market, economic or legal environment
- ▶ Market interest rates have decreased.

# Contact

For further information about how BDO can assist you and your organisation, please get in touch with one of our key contacts listed below.

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