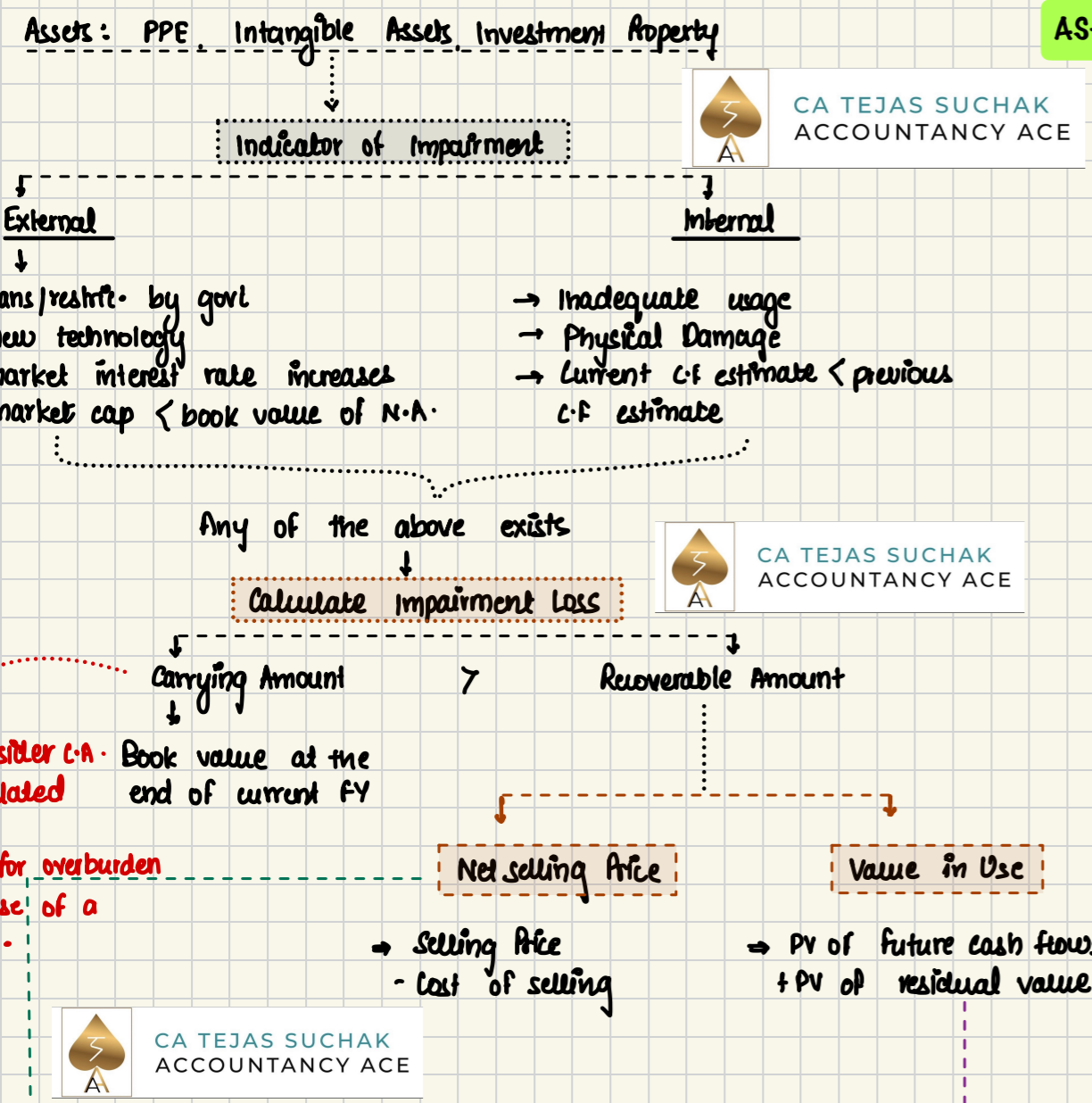
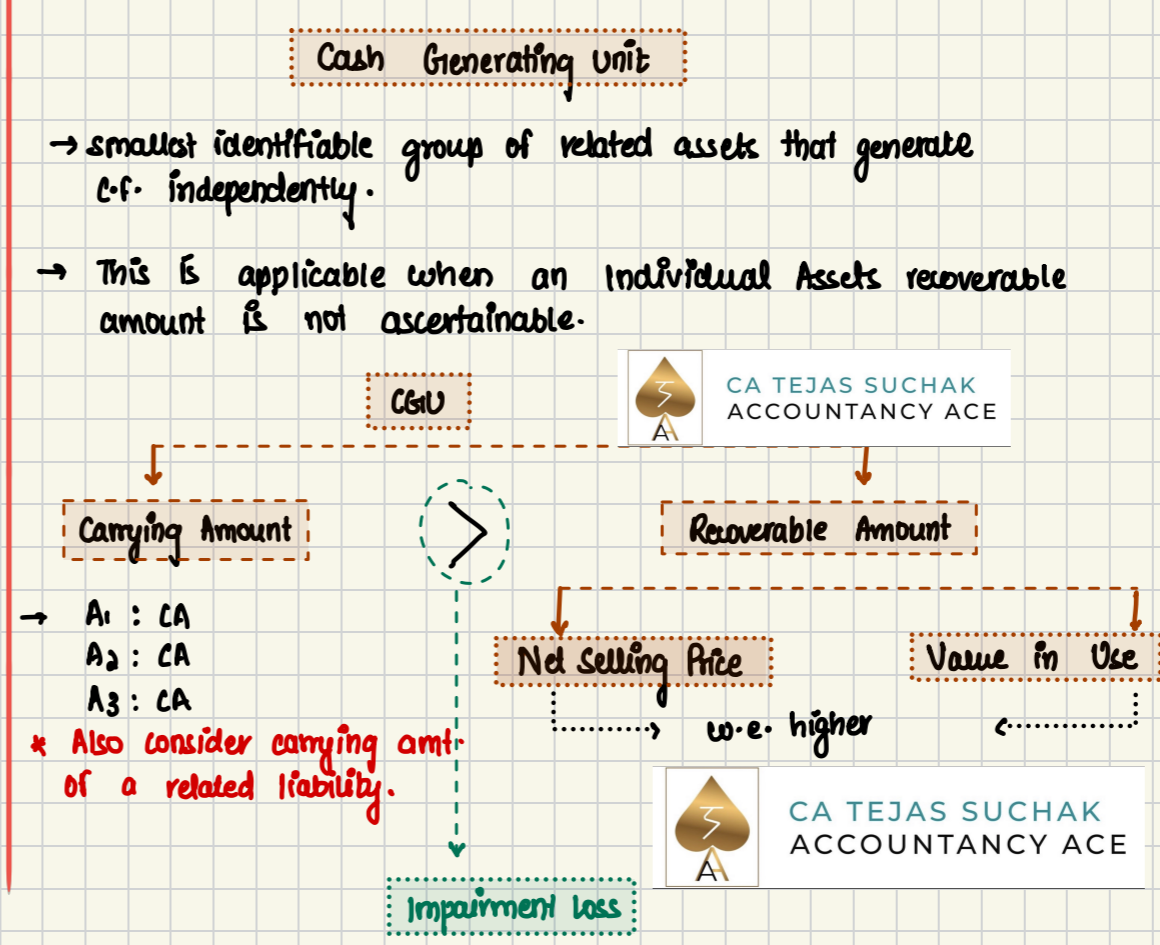
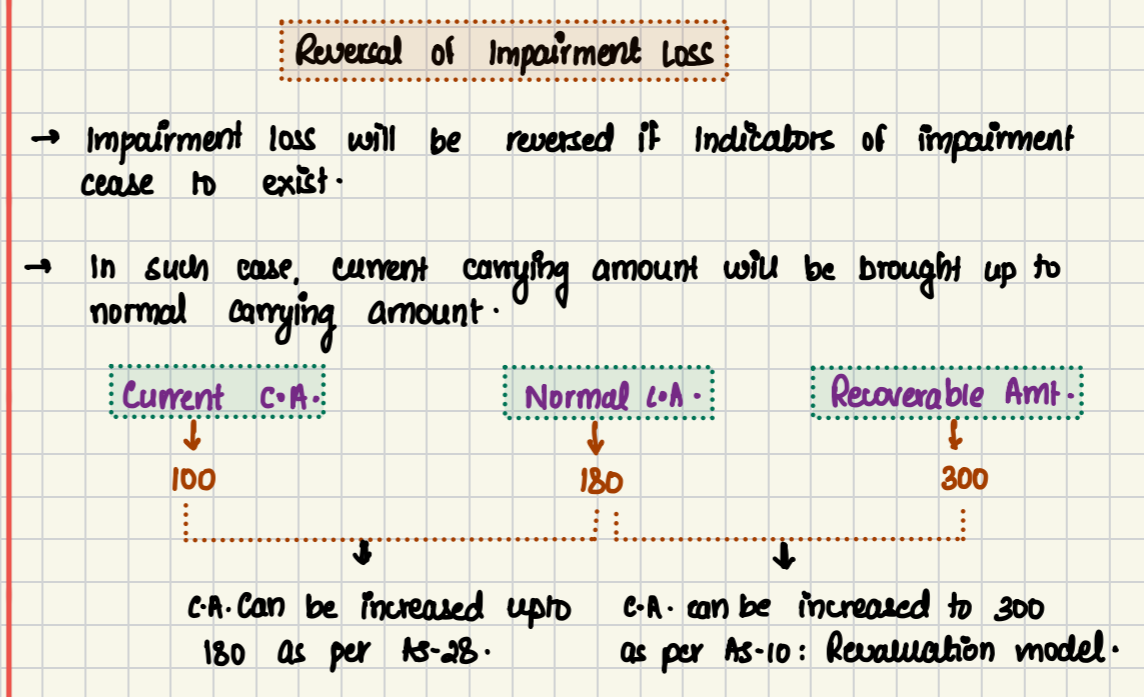
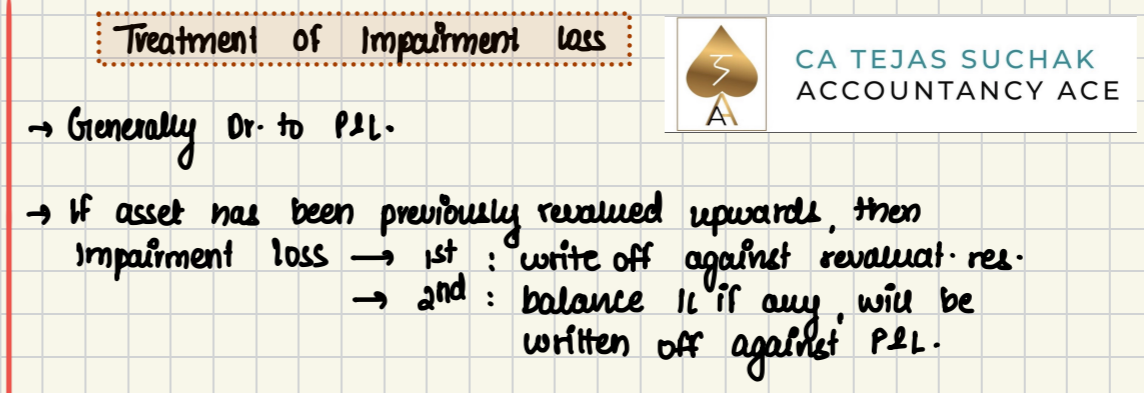


AS-28: IMPAIRMENT OF ASSETS - SUMMARY CHART



- 1. Consider value of latest transaction of similar asset.
- 2. Consider market value in second hand market.

- 1. Consider projected cashflows of 5 years until more can be justified. (In exams follow what is given in question).
- 2. If cashflows are in foreign currency, then convert into ₹ using exchange rate on date of impairment.
- 3. If probability is given, then :-
$$\frac{CF \times prob}{Total}$$
- 4. If range is given ; $\frac{Lowest Value + highest Value}{2}$



Treatment of Impairment loss in case of a CBV

- Normally charged to P&L.
- Carrying amount of all assets within a CBV will be proportionately reduced.
- If the CBV also has goodwill, the impairment loss will be 1st written off against goodwill and the balance i.e. if any will be w/off proportionately against C.A. of other assets.

Reversal of impairment loss of CBV

- If indicators of goodwill cease to exist then it can be reversed.

- Maximum amount of reversal =

Current C.A. $\xrightarrow{\text{increased to}}$ Normal C.A.

Proportionately added to the value of each asset of CBV. $\text{Proportion} = \text{C.A. of assets}$

- While reversal goodwill will be reversed at last.

Impairment of Goodwill

Since goodwill does not have independent cashflows, we will allocate it with either the CBV's or the entity as a whole.

Goodwill is allocated to CBV.

Goodwill is not allocated to CBV.

- Apply bottom up test.

Meaning :-

1. C.A. of each CBV.
2. + $\text{Gw proportion} = \text{FV on DDA}$
3. Total C.A.
4. Recoverable Amount
5. Impairment loss
6. 1st w/off - against Gw then other assets of CBV.

- Apply Bottom up Test.
- Apply Top Down Test.

Meaning :-

1. C.A. of each CBV.
2. R.A.
3. Impairment loss
4. R.C.A.
5. Total of RCA of all CBV
6. Add: Gw
7. Total RCA from entity POV.

X

8. Compare with RA of entity
9. Impairment loss
10. IL \rightarrow 1st w/off against Gw Balance against CBVs proportionately.

- Same concept applicable for corporate assets.

Reversal of Impairment of Goodwill

- Can be reversed only if ;

1. External indicators cease to exist.
2. Such external events happen subsequently that reverse the impact of the impairment.

DISCLOSURE :- Read from book