PBE IPSAS 21: IMPAIRMENT OF NON-CASH-GENERATING

1 July 2014

DEFINITION

Cash-generating assets: are assets held with the primary objective of generating a commercial return (impairment testing requirements are included in PBE IPSAS 26 - Impairment of Cash-Generating Assets).

Non-cash-generating assets: are assets other than cash-generating assets (apply this standard).

ASSETS

SCOPE

All non-cash-generating assets, except: inventories, construction contract assets, financial assets, investment property on fair value model, non-cash-generating property, plant and equipment and intangible assets on revaluation model, non-current assets held for sale and other assets in which impairment testing requirements are included in another PBE standard.

INTERNAL

INDICATORS

EXTERNAL

INDICATORS

ASSETS TO BE INDIVIDUAL ASSETS **REVIEWED**

IMPAIRMENT = Carrying Amount > Recoverable Service Amount

Recoverable service amount = Higher of fair value less costs to sell and value in

Fair value less costs to sell

Amount obtainable in an arm's length transaction less costs of disposal.

Best evidence of fair value is:

- · Binding sale agreement.
- · Market price in an active market.

Costs of disposal

Incremental costs attributable to the disposal of an asset.

TIER 2 RDR REPORTERS

RDR Reporters are granted certain disclosure exemptions under PBF IPSAS 21.

Value in use

Represents the present value of the asset's remaining service potential. The present value of the remaining service potential of the asset is determined using one of the following approaches:

Depreciated Replacement Cost Approach

- Replacement cost of an asset is the cost to replace the asset's gross service potential
- Refer PBE IPSAS 21.45 47 for further information.

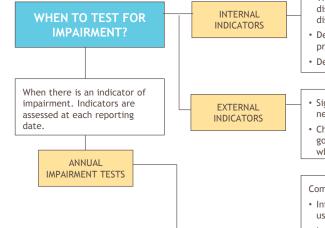
Restoration cost approach

- Restoration cost is the cost of restoring the service potential of an asset to its pre-impaired level.
- Refer PBF IPSAS 21.48 for further information.

Service units approach · The present value of

the remaining service potential of the asset is determined by reducing the current cost of the remaining service potential of the asset before impairment to conform with the reduced number of service units expected from the asset in its impaired state. (Refer PBE IPSAS 21.49).

The choice of the most appropriate approach to measuring value in use depends on the availability of data and nature of impairment. Refer to PBE IPSAS 21.50 for more information.



- · Evidence of physical damage.
- · The asset becoming idle, plans to discontinue or restructure and plans to
- Decision to halt construction of asset prior to completion.
- · Declining asset performance.
- Significant decline in the demand or need for services provided by the asset.
- Changes in technological, legal or government policy environment in which the asset operates.

Compulsory for:

- · Intangible assets with an indefinite useful life.
- · Intangible assets not yet available for

RECOGNITION OF IMPAIRMENT

All impairment losses must be recognised in surplus or deficit.

If the estimated impairment loss is greater than the carrying amount of the asset, a liability is recognised only if that is required by another PBE Standard.

WHEN TO REVERSE **IMPAIRMENT?**

Individual asset - recognise in surplus or deficit.

- Changes in way asset is used or expected to be used.
- A decision to resume construction of the asset that was previously halted before it was completed or in an unusable position.
- Evidence from internal reporting indicates that service performance of the asset will be better than expected.
- · Resurgence of the demand or need for services provided by the asset.
- Changes in technological, legal or government policy environment in which the asset operates Changes in interest

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