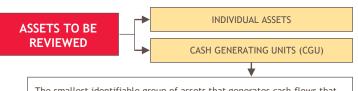
O NZ IAS 36: IMPAIRMENT OF ASSETS

1 January 2007

Also refer: NZ IFRIC 1: Changes in Existing Decommissioning, Restoration and Similar Liabilities; NZ IFRIC 10 Interim Financial Reporting and Impairment



The smallest identifiable group of assets that generates cash flows that are independent of the cash inflows from other assets or group of assets.

IMPAIRMENT = Carrying Amount > Recoverable Amount

Recoverable amount = Higher of fair value less costs of disposal and value in use

Fair value less costs of disposal

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

Fair value

The 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.

Costs of disposal

Incremental costs attributable to the disposal of an asset excluding finance costs and income tax expenses..

 From continuing use and disposal.

Value in use

Cash flows

- Based on asset in its current form.
- Exclude financing activities.
- Pre tax.

Represents the discounted future net cash flows from the continuing use and ultimate disposal of the asset.

Discount rate

- Pre tax.
- Risks relating to value in use are reflected either in future cash flows or in the discount rate. The assumptions are otherwise doublecounted.

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, biological assets, insurance contract assets and held for sale assets.

INTERNAL

EXTERNAL

INDICATORS

INTERNAL

INDICATORS

EXTERNAL

INDICATORS

WHEN TO TEST FOR IMPAIRMENT?

INDICATORS

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

ANNUAL IMPAIRMENT TESTS

- Evidence of obsolescence or physical damage.
- Discontinuance, disposal or restructuring plans.
- · Declining asset performance.
- · Significant decline in market value.
- Changes in technological, market, economic or legal environment.
- Changes in interest rates.
- Low market capitalisation.

Compulsory for:

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

WHEN TO REVERSE IMPAIRMENT?

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

CGU - allocated to assets of CGU on a pro-rata basis.

Goodwill - Impairment of goodwill is never reversed.

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

Although every effort is made to provide accurate and timely information, there can be no guarantee that such information is accurate as of the date it is received or that it will continue to be accurate in the future. No one should act upon such information without appropriate professional advice after a thorough examination of the particular facts and circumstances of the situation.
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