



Note: If Recoverable Amount > Carrying Amount, ignore the difference & asset shown at same book value.  
→ Review useful life, residual value or depreciation method as per AS 10.

### Indicators of Impairment Loss

#### External

- \* Low market capitalisation
- \* Market Price of Asset has declined substantially
- \* Unfavourable market conditions against entity in regard to demand, technology, Govt. policies, etc.
- \* Market Interest rates have increased substantially

#### Internal

- \* Poor Economic Performance by Asset
- \* Physical Damage to Asset
- \* Company has plans of Restructuring or Discontinuation

### Reversal of Impairment Loss

If indicators due to which Impairment loss recognised earlier no longer exist, then Impairment loss to be reversed.

### Calculation of Maximum Reversal of Impairment Loss

|   |           |
|---|-----------|
| Carrying Amount of Asset Net of Depreciation (If No Impairment)       | xx        |
| Less: Carrying Amount of Asset Net of Depreciation (After Impairment) | (xx)      |
|   | <u>xx</u> |

Note: Goodwill written off can be reversed only if certain conditions are met.

## Cash Generating Unit (CGU)

- \* Smallest identifiable group of assets which are capable of generating independent cash inflows.
- \* If asset is capable of generating cash flows on independent basis, then such single asset is CGU, else identify the lowest aggregation of assets that generate independent cash inflows.

### Carrying Amount of CGU:

Carrying Amount of all assets under CGU - Liability only if necessary to be considered  
(E.g. Provision for Decommissioning)

### Impairment Loss for CGU:

- \* First to Goodwill allocated to CGU &
- \* Then to other assets in ratio of their carrying amounts

Note: If CGU is not impaired, then individual asset which is part of CGU will not be impaired even its Net selling Price < Carrying Amount.

Goodwill: Does not generate cash flows independently from other assets or group of assets therefore recoverable amount cannot be determined.

Case 1: If Goodwill can be allocated on reasonable & consistent basis: Apply Bottom up Test only.

Case 2: If Goodwill cannot be allocated on reasonable & consistent basis: Apply Bottom up Test & Top Down Test

Corporate Assets: Administrative assets like HO Building, EDP Equipment, Research unit, etc.  
Same Treatment Like Goodwill.