श्री गणेशाय
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शुभ 卐 लाभ

AS-28

Impairement of Assets

#1 Introduction

Decrease in value of Assets, since its benefit generating capacity gets decreased or reduces.

eg 1

Op. stock 50 , Sale = 18
purch = 0 , Cl. stock at cost = 40
at NRV = 36

Tr. P/L.

To op.	50	By sales	18
To GP	8	By cl. stock	40 / ~~36~~
		By G.P.	8
To provision	4		

#2 Scope :- following assets are out of scope of this A.S.

i) inventory ii) investment.

iii) D.T.A. iv) Debtors v) I.T.A.

vi) loans & advances vii) Biological Assets (other than As-10)

#3 Objective :- To ensure that assets are not carried in BS at more than its Recoverable amount (R.A.)

eg → 1 C.A. 500 → (i can derive benefit of 500)

R.A. 700 → (amt recovered from asset)

No issues.

and if PPE ⇒ R.R. = 200.

eg 2 → C.A. 500] → ₹ 100 → future exp. loss.

R.A 400]

↓

Prov.

↓

Imp. loss. ← ~~Downward Rev.~~

↓

Record.

eg3 ⇒ C.A 1000
R.A. 950] → ₹50

MENTORING
HARSHIT DWIVEDI
CA FOUNDATION | CA INTERMEDIATE | CA FINAL

#4 How to Calculate I.L.

C.A — R.A.

Cost
— Dep till date of imp.
C.A.

either asset will be

Sold → FV less Cost of sale or dispose → FVLCD

Used. → Value in use. → VIU

Whichever is higher

#5 When to Calculate I.L. / when to apply I. Test

Imp. test. (+ve)

↓

indicators (symptoms)

↓

External

a) Decrease in M.P. of asset

b) Δ in

- political
- technical
- legal environment

due to which Value of asset decreases

c) increase in market R.O. int.

d) decrease in market Capitalisation.

∴ decrease in Net assets.

Internal

a) asset is damaged

b) Δ in usage pattern

c) decrease in expected cashflow

#6 How to calc for I. loss.

I.E.

i) I.L. Dr
To prov. for I.L.

ii) R.R. Dr (if any)
P/L Dr
To I.L.

eg-4. CA = 50000
RA = 65000 ∵ CA < R.A.
∴ No I. loss.

eg-5 CA = 50000
R.A = 35000

I.L. = 50000 − 35000
= 15000

i) I.L. Dr 15000
To prov. for I.L. 15000

ii) P/L Dr 15000

To I.L. 15000

eg-6 R.A. = 70000
C.A = 80000
R.R = 60000

I.L. = 80000 − 70000 = 10000

i) I.L. Dr 10000
To prov. of I.L. 10000

ii) R.R. Dr 6000
P/L Dr 4000
To I.L. 10000

eg-7. C.A = 50000, R.A = 45000, R.R. = 8000
I.L. = 50000 − 45000 = 5000

i) I.L. Dr 5000
To prov. for I.L. 5000

ii) R.R. Dr 5000
To I.L. 5000

eg-8 Cost = 100 Dep = 10% p.a. on SLM.

- Dep of 3 yrs (30) → Dep = ₹10 p.a.

C.A. on 4th yr beg. 70 — FV = 110

+ R.R. 40 → R.R. = 40.

Revised C.A. 110

- Dep (110 × 10%) (11)

C.A. 99

R.A. 39

I.L. 60

As-10

option I

a) Dep Dr 11
To PPE 11

b) PIL Dr 11
To Dep 11

Bal. of RR = 40.

option II

a) Dep Dr 11
To PPE 11

b) R.R. Dr 1
PIL Dr 10
To Dep 11

Bal. of RR = 39

As per As-28.

option I

i) I.L. Dr 60
To prov f. I.L. 60

ii) R.R. Dr 40
PIL Dr 20
To I.L. 60

option II

i) I.L. Dr 60
To prov f. I.L. 60

ii) R.R. Dr 39
PIL Dr 21
To I.L. 60

#7 presentation in BS.

Cost	xxx
— Acc Dep	(xx)
— I.L. (if any)	(xx)
	xxx

#8 Over view of standard.

- Individual Asset. → #9
- Cash generating unit → #10
- Corporate Assets.
- Captive Consumption

Corporate Assets & Captive Consumption → not in syllabus.

#9 Individual Assets.

I.L. = C.A. — R.A.

Cost	xx
— Dep. till date	xx
C.A.	xxx

higher of FVLCD & VIU

- FV
- Cost to dispose
- VIU

MP of selling the assets

or

price agreed b/w 2 parties

it includes

- ↳ commission
- ↳ brokerage
- ↳ transportation
- ↳ transaction tax

does not include.

- ↳ income tax
- ↳ finance cost.

i) P.V. of future cashflows. + PV of Salvage Value

ii) if asset is situated o/s India

i) Consider cashflows in foreign currency
ii) Consider dis. Rate of foreign country
iii) cal^{n} VIU in for. Currency & Convert it into INR using exchange rate on Date of impairement.

Or

→ if probability factor is given

VIU = cfs. x prob. fact. x PV factor.

eg :- Original Cost of asset on 1-1-23 = 80000
Dep = 10% on SLM

FV as on 31-12-2025 = 40000

Expense to dispose asset = 7000

year	Est cfs.
2023	20000
2024	10000
2025	15000

Scrap value at end of 2025 = 5000

Dis. rate = 10%.

Do Acing as per AS-28.

Sol:- Step 1 C.A. as on 31-12-2025

Cost on 1-1-23	80000
— Dep. (3 years)	(24000)
C.A. as on 31-12-2025	56000

Step 2 R.A. as on 31-12-2025.

a) FVLCD (40000 − 7000) 33000

b) VIU

yr	Cashflows	DF@10%	P.V
2023	20000	0.9091	18182
2024	10000	0.826	8260
2025	15000	0.7513	11270

2025 5000 0.7513 3756 41468

higher of a) & b) 41468

Step3 Calⁿ of I.L.

C.A (∴ step 1)	56000
R.A. (step 2)	41468
	14532

Step4 Journal.

1) I.L. Dr 14532

To provision for I.L. 14532

2) P/L Dr 14532

To I.L. 14532.

Step5 Revised C.A. as on 31-12-2025

C.A.	56000
— I.L.	(14532)
Revised C.A.	41468

Steps to Solve the Question

Step1 :- C.A. till Date of Impairement.

Step2 :- R.A. till Date of im pairement
↳ FVLCD
↳ VIU

Step3 :- I.L. (Step1 − Step2)

Step4 :- Journal

Step5 :- Revised C.A. after I.los.

QUESTION: 1 **Illustration 1**

Ergo Industries Ltd. gives the following estimates of cash flows relating to Property, Plant and Equipment on 31-12-20X1. The discount rate is 15%.

Year	Cash Flow (₹ in lakhs)
20X2	4000
20X3	6000
20X4	6000
20X5	8000
20X6	4000

Residual value at the end of 20X6 = ₹ 1000 lakhs

Property, Plant and Equipment purchased on 1-1-20XX = ₹ 40,000 lakhs

Useful life = 8 years

Net selling price on 31-12-20X1 = ₹ 20,000 lakhs

Calculate on 31-12-20X1:

(a) Carrying amount at the end of 20X1 — Step1

(b) Value in use on 31-12-20X1 — Step2

(c) Recoverable amount on 31-12-20X1 — Step2

(d) Impairment loss to be recognized for the year ended 31-12-20X1

(e) Revised carrying amount — Step3 → Step5

(f) Depreciation charge for 20X2. → Step5

20x1
20xx
20x0
2011
2009
2010

Note: *The year 20XX is the immediate preceding year before the year 20X0.*

₹ in lakhs

Soln :- Step1 Carrying amount as on 31-12-20x1

Cost	40000
− Dep of 3 years. $\left(\frac{40000-1000}{8} \times 3\right)$	(14625)
	25375

Step 2 R.A. as on 31-12-20x1

a) FVLCD 20000

b) VIU.

yr	C/fs.	Dis.@15%	P.V.
02	4000	0.8695	
03	6000	0.7561	
04	6000	0.6575	
05	8000	0.5717	
06	4000	0.4971	
06	1000	0.4971	
			19025

higher of a) & b) 20000

Step 3 I.L.

C.A.	(Step 1)	25375
R.A.	(Step 2)	20000
I.L.		5375.

Step 4 Revised C.A.

C.A. 25375

− I.L. (5375)

Revised C.A. 20000

$$\text{Dep.} = \frac{20000 - 1000}{5} = 3800.$$

QUESTION: 3 **Financial Reporting** *(4 Marks, Nov. 2011)* **Illustration 3**

G Ltd., acquired a machine on 1st April, 20X0 for ₹ 7 crore that had an estimated useful life of 7 years. The machine is depreciated on straight line basis and does not carry any residual value. On 1st April, 20X4, the carrying value of the machine was reassessed at ₹ 5.10 crore and the surplus arising out of the revaluation being credited to revaluation reserve. For the year ended March, 20X6, conditions indicating an impairment of the machine existed and the amount recoverable ascertained to be only ₹ 79 lakhs. You are required to calculate the loss on impairment of the machine and show how this loss is to be treated in the books of G Ltd. G Ltd., had followed the policy of writing down the revaluation surplus by the increased charge of depreciation resulting from the revaluation.

₹ in lacs

Soln :- Step 1 C.A. as on 31-3-2006

Cost.		700
− Dep. (4 yrs)	$\left(\frac{700}{7} = 100 \times 4\right)$	(400)
C.A. on 31-3-04		300
+ Rev. gain.	(B/f)	210
Revised C.A. (given)		510
− Dep (2 years)	$\left(\frac{510}{3} = 170 \times 2\right)$	(340)
C.A. as on 31-3-2006		170

Step 2. R.A. = 79

Step 3 I.L.

C.A. (Step 1)	170
R.A.	79
I.L.	91

Step 4. Journal

i) I.L. Dr 91
To P.& L. 91

ii) R.R. Dr 70 (210 - 70 - 70)
PIL Dr 21
To I.L. 91

QUESTION: 4 **Financial Reporting** *(4 Marks, May, 2013)* **Illustration 4**

X Ltd. purchased a Property, Plant and Equipment four years ago for ₹ 150 lakhs and depreciates it at 10% p.a. on straight line method. At the end of the fourth year, it has revalued the asset at ₹ 75 lakhs and has written off the loss on revaluation to the profit and loss account. However, on the date of revaluation, the market price is ₹ 67.50 lakhs and expected disposal costs are ₹ 3 lakhs. What will be the treatment in respect of impairment loss on the basis that fair value for revaluation purpose is determined by market value and the value in use is estimated at ₹ 60 lakhs?

(₹ in lacs)

Soln :- Step 1 C.A. on Date of imp.

Cost.	150
- Dep. (150 x 10% x 4)	(60)
C.A.	90
- Revlns. trf. to PIL.	(15)

Rev. C.A. (given) 75

Step 2 R.A.

a) FVLCD (67.50 − 3) 64.50

b) VIU 60

higher of a & b 64.50

Step 3. I.L. = 75 − 64.50 = 10.5

Step 4. i) I.L. Dr 10.5
To PFIL 10.5.

ii) PIL Dr 10.5
To I.L. 10.5

→ 24 inch.

500
−415
85
−25
60 −24
31.5

QUESTION: 10 FINANCIAL REPORTING NOVEMBER, 2018 *(5 Marks)* **Practical Questions**

A plant was acquired 15 years ago at a cost of ₹ 5 crores. Its accumulated depreciation as at 31st March, 20X1 was ₹ 4.15 crores. Depreciation estimated for the financial year 20X1-20X2 is ₹ 25 lakhs. Estimated Net Selling Price as on 31st March, 20X1 was ₹ 30 lakhs, which is expected to decline by 20 per cent by the end of the next financial year.

Its value in use has been computed at ₹ 35 lakhs as on 1st April, 20X1, which is expected to decrease by 30 per cent by the end of the financial year.

(i) *Assuming that other conditions for applicability of the impairment Accounting Standard are satisfied, what should be the carrying amount of this plant as at 31st March, 20X2?* 60 lacs.

(ii) *How much will be the amount of write off for the financial year ended 31st March, 20X2?* 35.5 lacs. → PIL To FL. → RR. 12. P/L 23.5.

(iii) *If the plant had been revalued ten years ago and the current revaluation reserves against this plant were to be ₹ 12 lakhs, how would you answer to questions (i) and (ii) above?*

(iv) *If the value in use was zero and the enterprise were required to incur a cost of ₹ 2 lakhs to dispose of the plant, what would be your response to questions (i) and (ii) above?*

↳ soln to iv:

C.A. 60

R.A.

a) FVLCD (0-2) (2)

b) VIU 0

higher of @ & (b) 0

I.L. 60

Journal.

(1) I.L. Dr 60

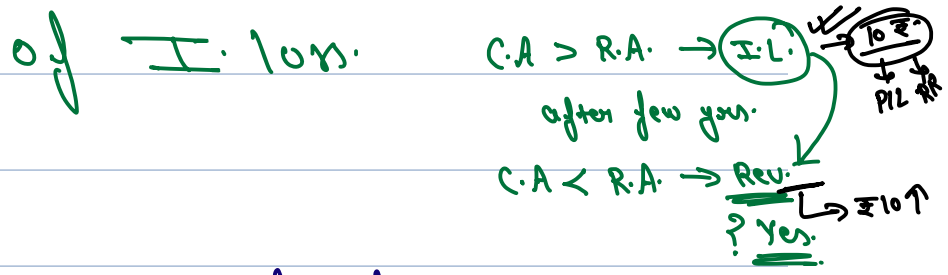
To PFIL. 60

(2) PIL Dr 62.

To I.L. 60

To P.F.DSR. 2

Reversal of I. loss.



1) As-28 permits Reversal of I.L. provided there are indicators of impairement Reversal of I.L. already charge.

2) Alcing for Reversal of I.L.

a) PFI.L. Dr
To I.L. Reversal.

b) Imp. Loss Rev. Dr
To P/L
To R.R.
(if R.R. was used earlier)

3) amount of Reversal cannot exceed original I.L.

4) Revised C.A. after Reversal cannot exceed C.A. of Aset had I.L. was not there.

Cost. = 100. 100.

− Dep (2yr) = (20) − 40

C.A. 80 60

+ Rev. Res 30

Rev. C.A. 110

R.A. 60

I.L. 50

R.C.A ⇒ 60 → 110 − 50 60

8 yrs.

60/8 = 7.5 × 2 ⇒ 15.

45 + 50 ⇒

① IL Dr 50
To PFIL 50

② R.R. Dr 30
PIL Dr 20
To IL. 50

− Dep (15) (2yrs)

R.C.A. 45

R.A 75.

6 yrs.

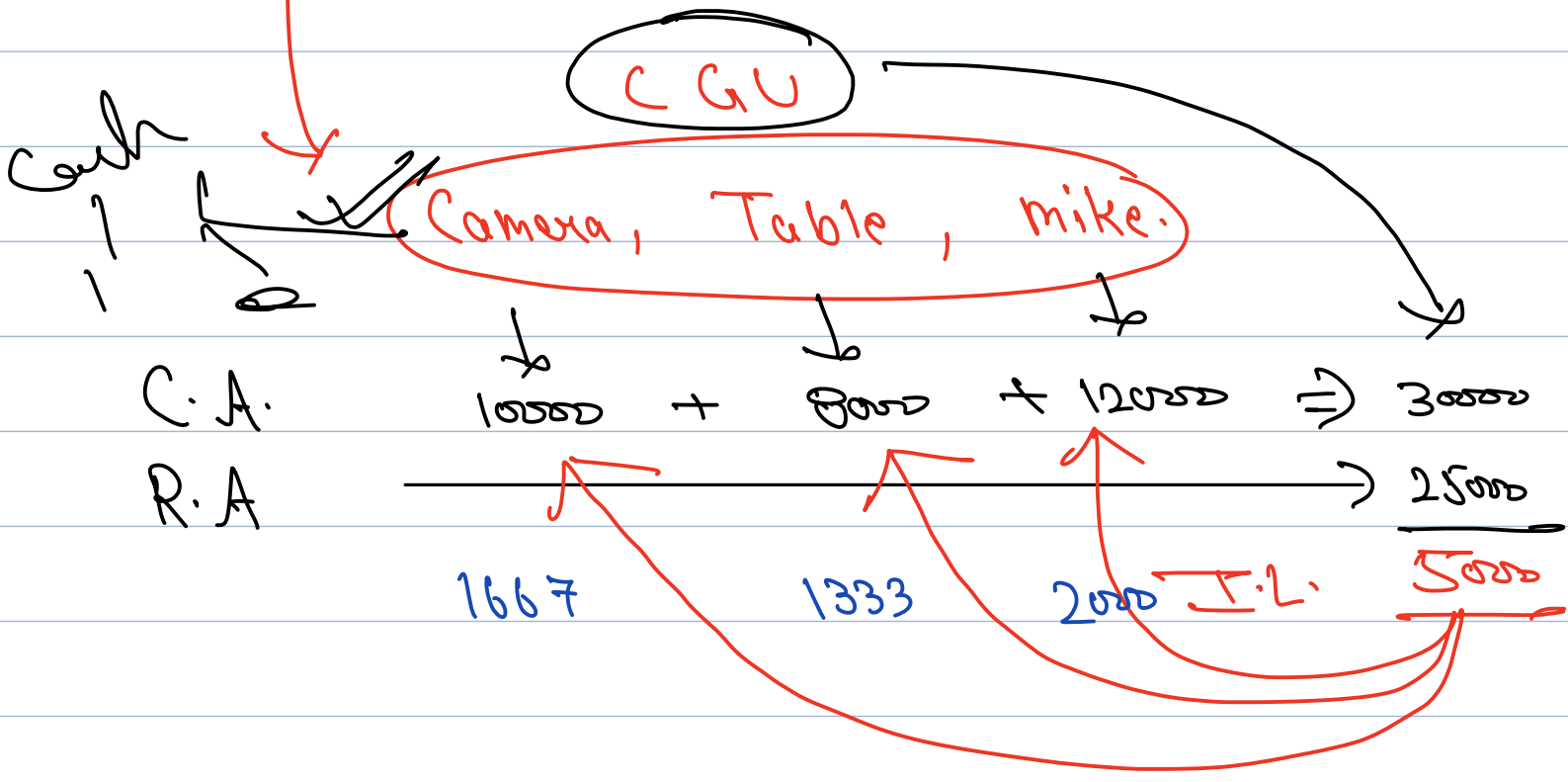
#10 Cash generating units.

→ It may happen that a particular asset shows indication of impairement but it does not have its individual R.A., since sometimes its difficult to identify cfs attributable to individual asset.

We will impair these assets in a group of similar assets called CGU.

Whether we will Calculate I.Los of CGU as

⇒ C.A. of CGU xxx
RA of CGU xxx
I.L. xx



A.S. 28 states
Imp. los should be allocated in C.A of ind. Assets.

Revised C.A. of CGU ⇒ 25000
(30000 - 5000)

	Camera	Table	mike
	10000	8000	12000
−	1667	−1333	−2000
Revised C.A. of Ind. Assets.	8333	6667	10000

Good Drugs and Pharmaceuticals Ltd. acquired a sachet filling machine on 1st April, 20X1 for ₹ 60 lakhs. The machine was expected to have a productive life of 6 years. At the end of financial year 20X1-20X2 the carrying amount was ₹ 41 lakhs. A short circuit occurred in this financial year but luckily the machine did not get badly damaged and was still in working order at the close of the financial year. The machine was expected to fetch ₹ 36 lakhs, if sold in the market. The machine by itself is not capable of generating cash flows. However, the smallest group of assets comprising of this machine also, is capable of generating cash flows of ₹ 54 crore per annum and has a carrying amount of ₹ 3.46 crore. All such machines put together could fetch a sum of ₹ 4.44 crore if disposed. Discuss the applicability of Impairment loss.

Solⁿ :-

Machine — C.A. = 60 lacs
after yr end = 41 lac
R.A ← FV = 36 La
VIU = no. deter

→ trf. to CGU

C.A. 3.46 Cr.
R.A. 54 Cr.
↳ VIU 54
FV 4.44

No I.L.

→ Impairement of goodwill :—

eg.1) when gw is allocable.

Camera, Table, mike, goodwill

C.A.	10000	5000	3000	12000	⇒ 30000
R.A.					25000
				I.L. of CGU	5000

first with gw

then with other Assets in their C.A. ratio-

QUESTION: 12 **SEPTEMBER 2025**

Grace Limited acquired business (cash-generating units) of Venus Limited on 31st March 2023 for ₹ 8,000 Lakhs. The details of acquisition are as under:

Fair value of identifiable asset	:	*₹ 6,000 Lakhs*
Goodwill (to be amortized in 5 years)	:	*₹ 2,000 Lakhs*

The anticipated useful life of acquired assets is 8 years with no residual value.

Grace Limited uses straight-line method of depreciation. On 31st March 2025, Grace Limited estimated significant decline in production due to change in Government policies, the net selling price of identifiable asset is ₹ 3,000 lakhs. Grace Limited closes its books on 31st March of each year.

The cash flow forecast based on recent financial budget for next 6 years are:

The cash flow forecast based on recent financial budget for next 6 years are:

Year	Estimated cash flow (₹ in Lakhs)
2025-2026	1,000
2026-2027	800
2027-2028	700
2028-2029	800
2029-2030	600
2030-2031	500

You are required to calculate:

(i) Value in use if discounting rate is 10% on 31 March 2025.

(ii) Impairment loss to be recognized for the year ended 31 March 2025.

(iii) Revised carrying amount of asset on 31 March 2025.

(P.V. factor @ 10% 0.909, 0.826, 0.751, 0.683, 0.621, 0.564) **(7 Marks)**

Soln:-

Step 1 C.A. on 31-3-25.

INA.	6000	$-\left(\frac{6000}{8}\times 2\right)$	=	4500
Goodwill	2000	$-\left(\frac{2000}{5}\times 2\right)$	=	1200
	8000			5700.

Step 2 R.A. on 31-3-25.

VIU 3297 ↑ RA = 3297.

FVLCD 3000

Step 3 IL = 5700 - 3297

= 2403.

Step 4 Revised C.A.

	INA.	goodwill	Total.
C.A.	4500	1200	5700
- I.L.	(1203) (1197)	(1200)	(2403)
Revised C.A.	3297.	0	3297

eg-2 → when gw is not allocable.

Case ① CGU1 10000 CGU2 12000 GW. 8000 ⇒ 3000

25% is allocated to CGU1

75% allocated to CGU2.

Case ② CGU1 10000 ✓ CGU2 12000 GW 8000 is

A, B, C

imp.

CA > R.A.

= I.L.

10000 > 8000

⇒ 2000

A B C

Revised C.A. of CGU1 8000

PQR.

R.A. ⇒ 11500

I.L. 500

P Q R.

Revised C.A. of CGU2 11500

Unallocable:

CGU1 + CGU2 + g/w

8000 + 11500 + 8000

C.A. ⇒ 27500

R.A. of all CGU 15000

I.L. 12500

g/w 8000

Bal. 4500

CGU1 in C.A.

CGU2 in C.A.

A.S. states:

Do imp. of CGU1 & then Do imp. of CGU2.

then total of Revised C.A. of both CGUs.

CGU1 Rev. C.A + CGU2 Rev. C.A. = C.A. of CGU. + g/w.

⇒ R.A. of entity

⇒ I. Loss

first allocate to g/w

secondly