AS28 → Impairment of Assets

Impairment of Assets

↓

Decline in value of Assets → AS 10 - PPE, AS 26 - Intangible Asset

1] Scope

This standard is applicable on all assets Except:

→ Inventories (AS 2)

→ Assets arising under construction contracts (AS 7)

→ Financial assets including investments covered under AS 13

→ Deferred Tax Assets (AS 22)

2] When is an asset impaired?

→ when carrying Amount is more than Recoverable Amount

↓

Bls value

3] Recoverable Amount

↓

Higher of:

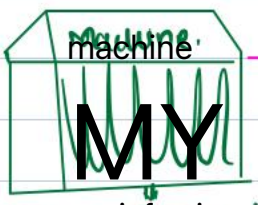
1) value in use (Present value of future cashflows from using the asset)

2) Net selling Price

Eg: Impairment Test

Parle G ltd

Biscuits manufacturing



use machine to manufacture Biscuits

Today if we sell this machine on 01.04.2 sells price 401

(-) cost of disposal (-2)

esening cost

cost to sell

Net selling Price 381

Oron X2 Remaining life 5yrs

Future Years	Cash flows from using the machine By selling biscuits	DF 10%	Present value
1	101	0.909	
2	15L	0.826	
3	101	0.757	
Y	152	0.683	
5	121 (+) Scrap value if any	0.621	

46701 approx

value in use

Recoverable Amount on 01.04.2

① value in use = 46701

② Net selling Price = 381

Assume ① CA on 01.04.2 → 501 (Given)

RA on 01.04.2 → 46701

Imp loss 3.31

② CA on 01.04.2 → 401 (Given)

RA on 01.04.2 → 46701

Imp loss

Import

* Value in use

- It is present value of future cashflows expected to be generated from using the asset
- To calculate value in use, we need two things

a) Expected future cash flows

Cash inflows from using the asset
less: Cash outflows (if any) which are incurred to generate inflows
Add: Residual value of asset at the end of useful life (Add in last year cash flow)

b) Discount Rate

use pre-tax discount rate
eg Discount Rate Pretax 10
Posttax 7

* Net selling Price

Selling price
(-) cost of disposal / sell cost / cost to sell

xxx	
(xx)	
xx	

Illust 1 (UR)

(a) Carrying Amount on 31-12-11 (Fin lakhs)

Cost of PPE on 01-01-2009 = 40,000 (life 8yrs, Residual value = 1000)

less 3 years Depn = (14625)

$\left(\frac{40000 - 1000}{8\text{yrs}}\right) \times 3\text{yrs}$

CA @ the end of 2011 25375

(b) Value in use on 31-12-2011

$\frac{1}{1.15} = 5$ yrs

Year	Cash flows	DF 15%	PV
2012	4000	0.870	3480
2013	6000	0.756	4536
2014	6000	0.658	3948
2015	8000	0.572	4576
2016	4000 + 10,000 Scrap value	0.497	2485
			19025 approx

Value in use = 19025

(c) Recoverable Amount on 31-12-11

Higher of:

Value in Use = 19025

Net Sell Price = 20000 (Given)

∴ Recoverable Amount = 20,000

(D) Impairment loss

CA on 31.12.X1	25375
RA on 31.12.X1	20000
Imp loss	5375

I.E. Imp loss (P/L) 5375 → s.ge Imp loss P/L 5375

TO PPE 5375

(E) Revised carrying Amount

Revised CA on 31.12.X1 = 20000 (Remaining life = 5yr, Residual value = 1000)

(F) Depreciation for 2012

CA 31.12.X1	20000
less: Deprn for 20X2	(13800)
Deprn for 2012	

$\left(\frac{20000 - 1000}{5yr}\right) \times 1yr$

4] Treatment of Impairment loss

Treatment of Impairment loss

If asset is at cost model

Transfer Impairment loss to P/L

I.E. Imp loss (P/L)

Imp loss P/L

TO PPE/Intang Asset

If asset is at Revaluation Model

- First adjust Impairment loss from Bal of Revaluation Reserve (if any).
- Remaining Imp loss will be trf to P/L.

Remaining Imp loss

Refer Eg Below

Eg Below

betrftoPIL.IE

Eg: PPE (carried at Revaluation model)

CA	=	100 cr	(PPE was previously revalued and has a Balance of 5 cr in Revaluation Reserve)
RA	=	83 cr	
Imp loss		17 cr	→ First adj RR upto 5 cr; Bal tf to P/L 12 cr

J.E.

Imp loss (Revaluation Reserve) Dr		5 cr
Imp loss (Profit/loss) Dr		12 cr
To PPE		17 cr

After Impairment, Bal in Revaluation Reserve → NIL

Illus 3 (CDR)

(₹ in crores)

Cost of PPE on 01.04.20X0	7 cr (life 7 yrs, Scrap value - Nil)
less: 4 years Depn (7 cr × 4 yrs / 7 yrs)	(4 cr)
CA on 31.03.X4 / CA on 01.04.X4	3 cr
Fair value on 01.04.X4	5.10 cr
Revaluation surplus	2.10 cr → Trf to Revaluation Reserve - 2.10 cr

Revised CA on 01.04.X4 (after Revaluation)	5.10 cr (Remaining life = 3 yrs)
less: Depn for 2 yrs (5.10 cr × 2 yrs / 3 yrs)	(3.40 cr)
CA on 31.03.X6	1.70 cr
Recoverable Amount on 31.3.X6	0.79 cr
Impairment loss	0.91 cr
Adjust from Revaluation Reserve	0.70 cr
Bal Adjust from P/L	0.21 cr
Revised CA on 31.3.X6 (after Impairment)	0.79 cr

Imp loss (RR) Dr	0.70 cr
Imp loss (P/L) Dr	0.21 cr
To PPE	0.91 cr

Balance in Revaluation Reserve = 2.10 cr

less: Excess Deprn trf to Ret Earnings = (1.4 cr)

Bal in R.R. 0.70 cr

Wkg note: Excess Deprn

Deprn p.a. Before Revaluation = 1 cr p.a.

Deprn p.a. after Revaluation = 1.7 cr p.a.

Excess Depr 0.7 cr

(×) 2 yrs → (Co. has charged excess Deprn for 2 yrs after Revaluation)

Trf from Rev Rese to Ret Earnings 1.4 cr.

5] Can Recoverable Amount be negative? → No (it can be zero)

CA = 100 cr

RA = zero

} Imp. loss will be full 100 cr.

Value in use = zero (Given)

Net Selling Price (low)

selling price = zero

Cost of disposal = (10 cr) ✓

sometimes this -ve 10 cr is to be booked as liab under some other AS (eg. AS 29)

Note: Once asset is impaired the Depreciation changes prospectively & is calculated on Revised carrying Amount after Impairment.

Cost of PPE (Day 1) 150 lakhs

Less: 4 yrs Depn (SLM Basis) 60 lakhs ((150 × 10/100) × 4 yrs) (life 10 yrs)

CA @ the end of Yr 4 90 lakhs

Fair value @ the end of Yr 4 75 lakhs

Revaluation loss 15 lakhs → Trf to PIL

Revised CA (after Revaluation) @ the end of Yr 4 75 lakhs (Remaining life 6 yrs)

Recoverable Amount (WN) 64.5 lakhs

Impairment loss 10.5 lakhs → Trf to PIL

Mode is no bat is RR ∴ full Imp loss of 10.5 lakhs will be trf to PIL

WN

Recoverable Amount

Value in use 60 lakhs

Net selling price 64.5 lakhs

(675 C 3)

Illus 7 As per "AS 28, Impairment of Assets" impairment test is to be conducted by comparing carrying Amount & Recoverable Amount

If carrying Amount is more than Rec Amt, then asset is impaired

In this case carrying Amount is 600,000 & Recoverable Amount is zero.

∴ Full 600,000 will be booked as Impairment loss & transferred to PIL

Carrying Amount = 600,000

Rec Amt 0

Imp loss 600,000 (Tfr to P/L)

Recoverable Amt

Value in use = zero

Net selling price = (70000)

↑ (Does not meet legal requirements so cant be used)

(S.P is zero & cost of disposal is 70000)

Illus 8

(a) Calculate Imp loss

CA 500

R.A 400

Imp loss 100

(↑ of VIU = 400, NSP = 375)

(b) Journal Entry

Imp loss (P/L) 100

To PPE 100

} IAS - 2 entries Not required

(c) Balance Sheet Extract

Non-current Assets	
PPE	500
less: Imp loss	(100)
	400

Illus 10 → Refer QB

Illus 11 (UR)

Cost of Plant	5 crores
less: Accumulated Depr	(4.15 crores)
CA on 31.03.x1	0.85 crores
less: Curr year (x1-x2) Depr	(0.25 crores)
CA on 31.3.x2	0.60 crores
RA on 31.3.x2	0.245 crores
IL	0.355 crores

WN RA on 31.03.x2

NSP 31.03.x2 = 24 lakhs

VIU 31.03.x2 = 24.5 lakhs

(31.3.x1)
↓
(30% (-) 20%)
(35% (-) 30%)
↓
01.04.x1

(a) CA on 31.3.x2

Revised CA on 31.3.x2 (after Imp loss) = 0.245 crores (or) 24.5 lakhs

(b) Amt written off i.e. Imp loss Amt = 0.355 crores

(c) Bal in RR = 0.12 crores, Treatment of Imp loss

First Adj against Reval Reserve = 0.12 crores

Bal Imp loss → Trf to P/L = 0.235 crores (0.355 - 0.12)

(d) If Recoverable Amt is zero

CA (Before Imp loss) on 31.03.X2	0.60 crores
RA on 31.03.X2 (Sum)	0
Imp loss	0.60 crores
Revised CA (after Impairment)	0

Wal

1) Value in use = 0
2) NSP = (2 lakhs) ↑ (sells price → 0, cost of disposal 2 lakhs)
0.02 crores

Ques!

Research Phase | Dev Phase | Dev Phase

01.04.17 — 22 lakhs — 01.12.17 — 28 lakhs — 31.3.18 — 80 lakhs — 31.3.19

22 lakhs → PIL.

28 lakhs (50 lakhs - 22 lakhs) → capitalise.

80 lakhs → Capitalise

(c) For 31.3.18 → Amount Trf to PIL & CA of Intangible Asset

Expenditure till 01.12.17 was incurred under Research Phase (as per AS 26)

∴ 22 lakhs will be trf to PIL.

Expenditure from 01.12.17 to 31.3.18 was incurred under Development phase

∴ 28 lakhs will be capitalised

CA on 31.3.18 28 lakhs

(b) For 31.3.19, Amount t/f to P/L & CA of Intangible Asset

Expenditure during 2018-19, was incurred under development phase.

∴ ₹ 80 lakhs will be capitalised.

CA on 31.3.18	28 lakhs
(+) Dev Phase 18-19	80 lakhs
CA on 31.3.19	108 lakhs
RA on 31.3.19	72 lakhs
Imp loss	36 lakhs

Amount t/f to P/L (Imp loss) = 36 lakhs

CA on 31.3.19 (after Impairment) = 72 lakhs

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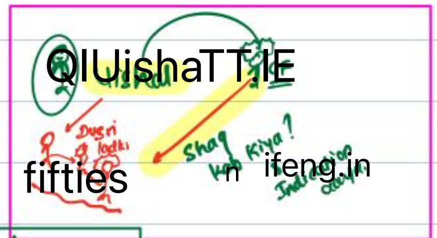
6. When to conduct Impairment Test ?

↓

Conduct Impairment Test whenever there is a indication of impairment

Indication aaya toh it does not mean impair hogaya. It means conduct Impairment test



External Sources

1) Assets market value has declined

2) Significant changes in Technology, Market conditions which has Adverse (negative) effect on the entity

3) Market Interest rates have increased due to which PV of value in use might reduce.

eg CF 100 → PV = ? D.F. = 10% = 90.90 (1/1.10) D.F. = 12% = 89.29 (1/1.12)

Internal Sources

1) Physical Damage to the asset

2) Asset has become idle or there is a plan to dispose the asset.

3) Performance of asset is worse than expected.

7. Cash Generating unit (CGU)

Cash Generating unit Cau

→ To conduct impairment test of individual asset it is necessary to calculate value in use of that asset

→ Sometimes individual asset do not have individual value in use (eg Ipad of Ali sir)

i. Individual asset impairment test might not be possible

→ In such case we will conduct impairment test as a CGI

Ctu is a group of assets that generates cash flow together (eg Ali Sir's Teaching setup (Ipad, laptop, Mic, camera).

→ A single company can have multiple CGU's

90. Impairment testing of a CGU

CGU Can	Laptop	Camera	Mic	Ipad	Total
Caddying Amt (Given)	200	300	100	50	650
Recoverable Amt (Given)					520
Imp loss up	(40)	(60)	(20)	(10)	130
	(130 × 200/650) 88	(130 × 300/650) 38	(130 × 100/650) 6	(130 × 50/650) 58	Allocate between All 9 Assets in the ratio of CA
Revised CA (after Imp loss)	160	240	80	40	520

Egf Goodwill → Individual Impairment Test → Not possible

i. Allocate goodwill to CGU's for the purpose of impairment Test

Akita
- CGU 1 (Online Teaching setup) [laptop Camera Ipad]
- CGU 2 (Offline teaching Setup) → [Furniture projector mic]

900mi 20000

Case ① : Goodwill has Benefit in both CGU's in the ratio of 25% in CGU1 & 75% in CGU2

Glue is allocable

Bottom up Approach

Case ① : Benefit in Both CGU 25% in Call & 75% in CGU2

case ② : Goodwill provides benefit is both CGU's but it is not possible to allocate in any ratio

GW is unallocable

gas p

Bottom up Approach

a Top down Approach

Call	laptop	Camera	Ipad	Goodwill	Total
CA (Given)	10L	5L	5h	0.5L pm (2L × 25%)	205h
A (Given)					18L
Imp loss mp	(ie) (21 × 10L / 20L)	(0.5L 052) (21 × 5L / 20L = 2)	(Cost) (21 × 5L / 20L)	(0.5L) 1054	2.5L 2,51 Hanocate ingw o.fr
Revised CA (after Imp loss)	9L	4.52	451	-	18L 181

Offsets in CA ratio

And	Furniture	Projector	Mic	GW	Total
A (Given)	8L	4L	4L	(21 × 75% / 4L) 1.5L	17.52
A (Given)					20L
Imp loss uploss					-

Case2: Gtb is unallocable in Caul 192 (Follow Bottom up Approach + Top down approach)

20 Imp testing 2 times

1st → Test individual Caul's (without Gw) → Bottom up Approach

Caul	Laptop	Camera	Ipad	GW	Total
CA Given	10L	5L	5L	-	20L
2A Given					18L
I.L	(1L)	(0.5L)	(0.5L)	-	2L → No Gw. ∴ allocate in all assets in ratio of CA
Revised CA	9L	4.5L	4.5L		18L

Caul2	Furniture	Projector	Mic	GW	Total
CA Given	8L	4L	4L		16L
RA (Given)					17L
Imp loss					-

Tip

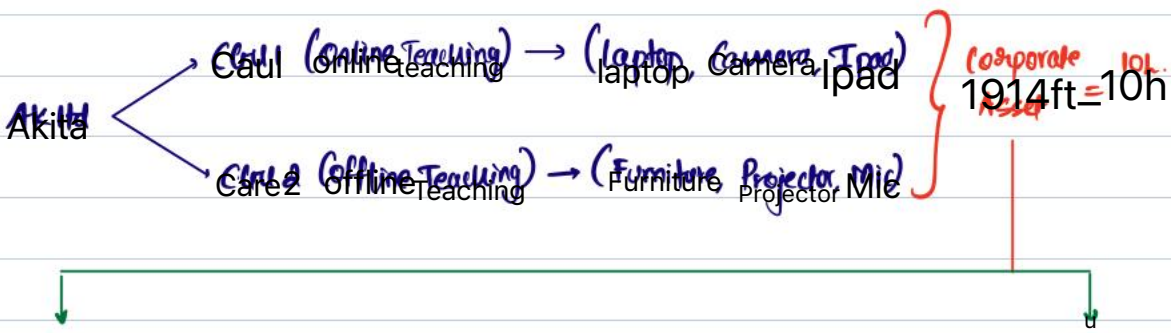
M → Combine Caul + Caul2 + Goodwill → Top down approach

	Caul lap	Caul cam	Caul Ipad	Caul in	GW	Total
CA (Revised)	18L			16L	2L	36L
RA (Given)						35.5L
Imp loss	-			-	(0.5L)	0.5L → Allocate to GW
Revised CA	18L			16L	1.5L	35.5L

Tuploss

Eg3: Corporate Assets → Individual Impairment test not possible

eg Admission office → Allocate to CGU's for impairment test



Case ① Corporate Asset has Benefit in Both CGu's in ratio of 30:1 in CHUI & 70% in CGM2

Coophate Asset is allocable

Bottom up Approach

case ② Corporate Asset has Benefit in Both CGU's but is not allocable in any ratio

Corporate is unallocable

Two times testing

Bottom up + Top down

Case ① in ratio of 30:1 in CHUI & 70% in call 2

	Caul	laptop	Camera	Ipad	101 301 Corporate Asset	Total
CA	Given	10L	SL	SL	31	231
RA	Given					201
Imp loss		1:31	065	065	040	31
		31 × 10 = 4231	31 × SL = 54231	31 × SL = 5423	31 × 31 = 3423	Allocate in all assets in ratio of carrying Amount
Revised CA		871	4352	4352	2.61	201

1st allocate in loop Asset

Case 2	Furniture	Projector	Mic	Coop Asset	Total
CA (Given)	8L	4L	4L	7L	23L
RA (Given)					2L
Imp loss					-

Case 1: Corporate Asset is not allocable

Cases	Corporate Asset is not allocable

Two times testing

1st → Test individual Carl's (without Corporate Asset) → Bottom up Approach

Caul	laptop	Camera	Ipad	Coopassett	Total
CA Given	10L	5L	5L		20L
RA Given					18L
IL	(1L)	(0.5L)	(0.5L)		(2L)
Revised CA	9L	4.5L	4.5L		18L

Case 2	Furniture	Proj	Mic	Compassed	Total
CA Given	8L	4L	4L		16L
RA Given					17L
I.L					-

Eg 1 Test CGU1 + CGU2 + Coop Asset → Top down Approach

	CGU1	CGU 2	Coop Asset	Total
CA (Revised)	181	161	101	441
RA (Given)	-	-	-	461
I.L				-

NO IL is 2nd stage of testing

Eg 2 One CGU + one Corp Asset + GW

CGU	Laptop	Camera	Ipad	Corp Asset	GW	Total
CA (Given)	10L	5L	5L	10L	2L	32L
RA (Given)						25L
I.L	(1.67)	(0.83)	(0.83)	(1.67)	(2L)	7L
	(5L × 10L/30L)	(5L × 5L/30L)	(5L × 5L/30L)	(5L × 10L/30L)		
Revised CA	8.33	4.17	4.17	8.33	-	

7L → 1st allocate in GW 2L; Bal 5L in other Assets

Solved Example 1 (LDR)

CGU A, CGU B, CGU C — GW → case (A) its allocable in A, B, C in ratio of Recov fair value (i.e. 1200:800:400)

CGU A → Test for impairment

CGU B, CGU C → No Test

GW ⇓ 120

Case A : GW is allocable (Bottom up Test)

At the end of 20x4 (Impairment Test of CGUA)

CGUA	Other Assets	GW	Total
CA (20x4)	1300	60	1360
RA (20x4)			1350
IL		(10)	10 → Allocate in GW
Revised CA	1300	50	1350

WN GW Allocation

CGU	A	B	C	Total
	60	40	20	120
	$\left(120 \times \frac{1200}{2400}\right)$	$\left(120 \times \frac{800}{2400}\right)$	$\left(120 \times \frac{400}{2400}\right)$	

Case B : GW is unallocable (2 times testing) → Bottom up + Top down

is only A (B & C → Testing not asked by question)

1st Time Test → Individual CGU (without GW) → Bottom up Test

CGUA	Other Assets	~~GW~~	Total
CA	1300	-	1300
RA			1350
I.L			-

1st Test → Combine CGU A + CGU B + CGU C + GW (Top down Test / Approach)

Top down Test Approach

	CGU A	B	C	GW	Total
CA	1300	1200	800	120	3420
RA (Given)					3400
Imp loss	-	-	-	(20)	(20) → Allocate in GW
Revised CA	1300	1200	800	100	3400

up

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* Allocation of Impairment loss in CGU

1) 1st allocate impairment loss to Glw of that CGU

2) Bal loss if any will be allocated to other Assets including Coop Assets

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Ques 3 (LDR)

* Corporate Assets

① Headquarter Building

As per AS 28, individual impairment test of corporate asset is not possible.

Hence corporate asset is to be allocated to CGU's

In this case, it is mentioned that corporate asset can be allocated to individual CGU's i.e. A, B, C. Therefore only bottom up test is necessary

② Research centre

Since the carrying Amount of research centre cannot be allocated to individual CGU's

i. top down test will also be done in addition to bottom up test

Allocation of Headquater Building to Clu A, B, C.

(₹ in lakhs)

Allocation of Headquater Building (150 lakhs) → Allocated in the ratio of caddying And 2 Useful life

CICAI assumption

	A	B	C
CA	100	150	200
Useful life	10 yrs	20 yrs	20 yrs
Weighted CA	1000	3000	4000
Allocation of 150 lakhs	18.75	56.25	75
	$\left(150 \times \frac{1000}{8000}\right)$	$\left(150 \times \frac{3000}{8000}\right)$	$\left(150 \times \frac{4000}{8000}\right)$

Research centre → Not allocable to individual CAU's

Stiest → Bottom up Test

(₹ in lakhs)

Clu A	Other Assets	Coop Asset Headqtr Bldg	Total
CA 31.3.18	100	18.75	118.75
2A 31.3.18			199
Imp loss			–

Clu B	Other Assets	Coop Asset Headqtr Bldg	Total
CA 31.3.18	150	56.25	206.25
RA 31.3.18			164
Imp loss	(30.73)	(11.52)	(42.25)
up	$\left(92.25 \times \frac{150}{206.25}\right)$	$\left(42.25 \times \frac{56.25}{206.25}\right)$	
Revised CA 31.3.18	119.27	44.73	164

	Other Assets	Coop Asset Headqtr Bldg	Total
CA 31.3.18	200	75	275
RA 31.3.18			271
Impl loss	(2.91)	(1.09)	4
	(4 × 200/275)	(4 × 75/275)	
Revised CA	197.09	73.91	271

includes Headqtr Bldg

Top down Test (CCU A + B + C + Research centre)

EFC

	CCU A	CCU B	CCU C	Research centre	Total
	(includes Headqtr Bldg)				
CA (Revised) 31.3.18	118.75	164	271	50	603.75
RA 31.3.18					720
Impl loss up					-

faf

In top down test there is no loss.

Ques 5 (WR)

CGU	Other Assets (life 5yrs)	Goodwill (life 4yrs)	Total
CA 31.3.16	6000	2000	8000
Less: 2yrs Depr/Amortn	(2400) (6000×2yrs/5yrs)	(1000) (2000×2yrs/4yrs)	(3400)
CA 31.3.18	3600	1000	4600
RA 31.3.18 (WN)			3459.4
Imp loss	(140.6)	(1000)	1140.6
Revised CA 31.3.18	3459.4	–	3459.4

WN Calc of value in use (MSP not available) ∴ ViU = RA

Yr	CF	DF @ 8%	PV
2019	800	0.926	740.80
2020	800	0.857	685.6
2021	800	0.794	635.2
2022	600	0.735	441
2023	600	0.681	408.6
2024	500	0.630	315
2025	400	0.583	233.2
		Value in use	3459.4 approx

8. Reversal of impairment loss

→ An impairment loss which was previously booked on an asset can be reversed in future

→ An impairment loss which is booked on glue can be reversed but subject to certain conditions Please note if 5yrs of goodwill has lapsed then impairment loss of goodwill cannot be reversed

→ JE for Reversal of Impl loss Ppe

If Imp loss Booked in PL then Reversal also thru PIL

If Imp loss adjusted from RR then Relish also thru RR

TO Reversal of Imp loss PIC

Eg① Reversal of Imp loss Individual Asset

PPE Day① 01.04.x2 200 (life 10yrs)

less: 2yrs Depp (200×2/10) 40 (40)

Indication of Imp: CA 31.03.x4 160; RA 31.03.x4 120 (Given)

Imp loss 40 → JE Imp loss PIL 40

TO PPE 40

Revised CA 31.03.x4 (after Impairment) 120 (Remaining life 8yrs)

less: Depm x4-x5 (120/8yrs) 15

CA 31.03.x5 105

less: Depm x5-x6 15

Indication of Reversal of Imp: CA 31.03.x6 90; RA 31.03.x6 140

Actual Reversal of Imp 50

Max Reversal of Imp 30

JE PPE A/c DR 30

TO Reversal of Imp loss PIL 30

Revised CA 31.03×6 (after Reversal) 120 (Remaining life 6yrs)
(90 + 30 Reversal)

conc! Calc of Max Reversal of Imp loss on 31|3|×6

1) CA (if NO Imp) on 31|3|×6 — 120
(200 (−) 4 yrs Deprn (80))
01|04|×2

2) CA (after Imp) on 31|3|×6 — (90)

Max Reversal of I.L — 30

Eg ②

01.04×2	Cost	1000	(life 5yrs)
less:	1yr Deprn	(200)	
31.3.×3	CA	800	
	RA	650	
Imp loss		150	

Revised CA 31.3×3		650	(Remaining life 4yrs)
less: 1yr Deprn (×3-×4)		(162.5)	
Indication of Reversal	CA 31.3×4	487.5	
	RA 31.3×4	700	
Actual Rev of Imp loss		212.5	
Max Rev of Imp loss		112.5	
Revised CA on 31.3×4 (after Reversal)		600	(487.5 + 112.5)

Max Reversal of Imp loss

① CA on 31.3×4 (if no Imp) = 600
(1000 − 4yrs Deprn 400)

② CA on 31.3×4 (after Imp) = (487.5)

Max Reversal — 112.5

Ques 2 EUR

Call	Other Assets (life 15yrs)	Goodwill (life 5yrs)	Total
End of 2014	4000	2000	6000
Less: 4yrs Deprn/Amort essi 4yrs Deprn/Amort	(1067)	(1600)	
	4000 × 4yrs/15yrs = 4/4	2000 × 4yrs/5yrs = 9/9	
CA @ the end of 2018	2933	400	3333
RA @ the end of 2018			2720
Imp loss	(213)	(400)	613
Revised CA (after Imp) @ the end of 2018	2720	–	2720
	Remains life 11yrs		
Less: 2yrs Deprn ess 24rs Deprn	(495)	–	
	2720 × 2yrs/11yrs = 24,4		
CA @ the end of 2020	2225	–	2225
RA @ the end of 2020			3420

Actual Reversal of Imp loss 1195

Max Reversal of Imp loss 175

Revised CA after Reversal @ the end of 2020 = 2400

(2225 + 175)

Max Reversal of Imp loss

i) CA of other Assets if No Imp @ the end of 2020 2400

ii) CA of other Assets after Imp @ the end of 2020 2225

Max Reversal 175

[4000 (-) 6yrs Deprn (1600)]

4000 64 Deprn 1600

4000 × 6yrs/15yrs = 64/54

Reversal of Imp loss on goodwill cannot be done as life of goodwill is only 5yrs But on date of Reversal 6 years have lapsed

* **Extra concept**

If an individual asset is transferred to CGU for impairment testing then:

individual asset is impaired only if CGU is impaired.

Individual asset will Not be impaired if CGU is NOT impaired.

Illus 8

Illus 8

Rough work

CGU	Machine	Other Assets	Total
CA			3.46 cr
RA → VIU 54 / FVLCD 4.44 ↑			54 cr

CGU → Not impaired

Is my machine impaired?

If CGU not impaired then machine also not impaired.

Question 4 (RTP May 18)

M Ltd. produces a single product and owns plants A, B and C. Each plant is located in a different continent. Plant A produces a component that is assembled in either plant B or plant C. The combined capacity of plants B and C is not fully utilised. M Ltd's products are sold world-wide from either plants B or C i.e. plant Bs production can be sold in plant Cs continent if the products can be delivered faster from plant B than from plant C. Utilisation levels of plant B and plant C depend on the allocation of sales between the two sites.

For each of the following cases, what are the cash-generating units for plants A, B and C?

Case 1: There is an active market for plant A's products. → Plant A → independent cash flow → 1st CGU; Plant B & C → together cash flow → 2nd CGU.

Case 2: There is no active market for plant A's products. → Plant A, B, C → together cash flow → single CGU

Solution:

Q2 AS26

1st 5 months → Research Phase → 10 lakhs → Trf to PL

1st Sept 2020 to 31st March 2021 → Dev Phase → 81 → Capitalise

01.04.2021 CA 8 Lakhs

01042021 RA 7.58 lakhs (WN)

Imp loss 0.42

Revised CA after Imp 7.58 lakhs

WN: Carr of value in use (NSP not available) ∴ Viu = R.A.

Wd can of value in use NSP Notavailable Viu

R.A.urc.FD.F

Yr	C.F	PV@10%	PV
1	2L	0.909	1.82
2	2L	0826	1.65
3	2L	0757	150
4	2L	0683	137
5	2L	0.621	124

value in use 7.582 approx