

## Ind AS 36 - Impairment of Assets

i) Impairment loss  $\Rightarrow$  when Carrying Amount Exceeds Recoverable Amount

E.g. C.A. = 500000, R.A. = 420000

$\therefore$  Imp. loss = 500000 - 420000 = 80000

Journal

Impairment loss (P/L)      80000

TO ASSET

80000

ii) Recoverable Amount = Fair value less cost to sell OR Value in use  
(whichever is Higher)

An Entity shall **assess** at the end of each reporting period, whether there is any indication of impairment.

If any such indication exists, estimate Recoverable Amount.

If Recoverable Amount is less than C.A., Recognise Impairment loss.

### Indication of Impairment

#### External Indication

i) Asset market value declined significantly more than would be expected due to passage of time or normal use.

ii) Significant changes with adverse effect on technological, market, economic or legal environment

\* iii) Market interest rate / market rate of return have **increased** affecting **discount rates**.

#### Internal Indication

i) Obsolescence or physical damage of an asset.

ii) Asset becoming idle, plan to discontinue or restructure the operation, reassessing useful life of asset as finite rather than infinite.

iii) Evidence indicating Economic performance will be worse than expected

iv) Carrying amount of net asset is more than market capitalisation.

a) Cash needs for operating the asset are higher than budgeted.

Ex. Point iii of External Indication

C.A. = 160000

	<u>0th</u>	<u>1st</u>	<u>2nd</u>	<u>3rd</u>	<u>4th</u>
P.V.		50000	50000	50000	50000
165606		market int. rate = 8%			

↓	<u>0th</u>	<u>1st</u>	<u>2nd</u>	<u>3rd</u>	<u>4th</u>
P.V.		50000	50000	50000	50000
145685		market interest rate = 14%			

Here, value in use of asset decreased due to increase in market rates

Ex. Point iv of External Indication

- Carrying Amount of net assets of Business = 100000
- Future Earnings every year = 8000
- if market capitalisation rate = 10%
- ∴ Fair Value of Business =  $\frac{8000}{10\%} = 80000$

∴ Indication of Impairment since Fair Value of Business is £ 80000 while C.A. of net assets are £ 100000

machine = 100000  
↓  
70000

Discount Rates

Pre tax rates that reflects that current assessment of -

- (i) Time value of money. 6%
- (ii) Risk specific to the assets. 4%

10%

E.g.

C.A. of Asset (31.3.2001) — 500000

Indication of Impairment

Fair Value of Asset (As per Ind AS 113) = 350000

Cost to Sell = 15000

$\therefore \text{FV} - \text{CTS} = 350000 - 15000 = \underline{335000}$

Future Expected Cash flow to be generated from using the Asset

	<u>1st</u>	<u>2nd</u>	<u>3rd</u>	<u>4th</u>	<u>5th</u>
P.V. of all Cash Flows	100000	100000	100000	100000	100000
					20000
$= 391497$			} <u>Discount rates.</u>		
	$\text{Value in Use} = 391497$ Higher				

$\therefore$  Recoverable Amount = Higher of Fair Value less Cost to Sell and Value in Use.

$= 391497$  { Greater of 391497 and 335000 }

$\therefore$  Impairment loss = 500000 - 391497 = 108503 (P/L)

Journal Entry

Impairment loss (P/L)	108503
TO Asset (PPE)	108503

Statement of P/L

Impairment loss (108503)

Balance Sheet	
P/L (108503)	PPE - (108503)

# Balance Sheet (extract)

## Non Current Asset

$$PPE \left( 500000 - 108503 \right) \quad 391497$$

### E.g. 2 Cost model

Cost of asset = £ 100000

Useful life = 5 years

Residual value = 50000

Recoverable Amount (Higher of RV or FV - costs)

2nd yr = 518000     Residual value: 50000

4th yr = 285000     At 4th yr end, useful life is reviewed and revised to total of 7 years.

P/L (Dep <sup>n</sup> )	1st yr	(190000)
P/L (Dep <sup>n</sup> )	2nd yr	(190000)
P/L (Imp. loss)	2nd yr	(102000)
P/L (Dep <sup>n</sup> )	3rd yr	(156000)
P/L (Dep <sup>n</sup> )	4th yr	(156000)
P/L (Reversal)	4th yr	34000
P/L (Dep <sup>n</sup> )	5th yr	80000

2nd yr end	100000
	- 34000
	- 34000
	<u>34000</u>

### B/S sheet

Bank (Asset lost)	(1000000)
Asset	1000000
(-) Dep <sup>n</sup> $\left( \frac{1000000 - 50000}{5 \text{ yrs}} \right)$ 1st yr	(190000)
(-) Dep <sup>n</sup> 2nd yr	(190000)
P.A. 2nd yr end	<u>620000</u>
(-) Impairment loss	(102000)
R.L.A. 2nd yr end	<u>518000</u>
(-) Dep <sup>n</sup> $\left( \frac{518000 - 50000}{3 \text{ yrs}} \right)$	(156000)
P.A. 3rd yr end	<u>362000</u>
(-) Dep <sup>n</sup> 4th yr	(156000)
P.A. 4th yr end	<u>206000</u>
(+) Reversal of Imp. loss	<u>34000</u>
R.L.A. 4th yr end	<u>240000</u>
(-) Dep <sup>n</sup> $\left( \frac{240000 - 50000}{3 \text{ yrs}} \right)$	(63333)

R.A. at 4th yr end would have been no impairment loss

Cost = 100000

(-) Dep'n - 4 years:  $\frac{76000}{190000 \times 4 \text{ yrs}}$

R.A. (4th yr end) 24000 ✓

∴ Maximum Reversal of Impairment - To the extent of £ 24000 or £ 28500  
(whichever is lower)

Also, at 4th yr end → useful life revised to 7 years in total

∴ Remaining useful life = 3 years.

### Note

(i) Cost of Asset

(-) Depreciation during the year (Firstly)

(-) Impairment loss (Secondly, if there is indication of Imp)

Revised Carrying Amount

(ii) Impairment loss is changed if R.A. less than C.A

↓  
changed to 0

↓  
Higher of value in use & Fair value - CTS

Foreign Currency Cash Flows (Functional currency - £)

To calculate value in use

0th 1st 2nd 3rd 4th 5th  
Present value of all CF 500\$ 600\$ 650\$ 700\$ 700\$  
= \$ 2706

Discount rate appropriate for \$ = 5%

spot £1\$ = 80

∴ Value in use (£) = (2706 × 80)  
= £ 216480

## Reversal of Impairment loss (example)

Cost of Asset (1.4.01)	= 1500000 (life 5 years)
(-) Dep <sup>n</sup> for 2 yrs	(600000)
C.A. of asset (31.3.03)	900000
(-) Imp. loss 2nd yr.	(270000)
R.C.A. of Asset (31.3.03)	630000
(-) 3rd Dep <sup>n</sup> = $\frac{630000}{3}$	(210000)
C.A. of Asset (31.3.04)	420000

Now, Recoverable amount of Asset at 31st March 2004 - Case A = 670000 ✓  
 Case B = 500000 ✓

### C.A. of Asset had there been no Imp. loss

Cost	= 1500000
(-) 3 yrs Dep <sup>n</sup>	= (900000)
C.A.	600000

### Case A R.A. 670000

∴ Maximum Reversal upto C.A. of £ 600000 or Recoverable Amount of £ 670000 whichever is lower (i.e. £ 600000)

$$\therefore \text{Reversal of Imp. loss} = 600000 - 420000 = 180000$$

Asset A/c Dr. 180000

To Reversal of Imp. loss (P/L) 180000

$$\begin{aligned} \hookrightarrow \text{R.C.A.} &= 420000 + 180000 \\ &= 600000 \end{aligned}$$

### Case B R.A. 500000

Max. Reversal upto C.A. of £ 600000 or R.A. of £ 500000 whichever is lower

$$\therefore \text{Reversal of Impairment loss} = 500000 - 420000 = 80000$$

Asset A/c Dr. 80000

To Reversal of Imp. loss 80000

$$\begin{aligned} \hookrightarrow \text{R.C.A.} &= 420000 + 80000 \\ &= 500000 \end{aligned}$$

### Illustration 3

Mars Ltd. gives the following estimates of cash flows relating to property, plant and equipment on 31st March, 20X4. The discount rate is 15%

Year	Cash Flow (₹ in lakh)
20X4-20X5	2,000
20X5-20X6	3,000
20X6-20X7	3,000
20X7-20X8	4,000
20X8-20X9	2,000
Residual Value at 31st March, 20X9	500

Property, plant & equipment was purchased on 1st April, 20X1 for ₹ 20,000 lakh

Useful Life was 8 Years

Residual Value estimated at the end of 8 years ₹ 500 lakh

Fair value less cost to disposal ₹ 10,000 lakh

Calculate impairment loss, if any on the property, plant and equipment. Also calculate the revised carrying amount and revised depreciation of property, plant and equipment.

Value in use (31.3.04)	1 <sup>st</sup>	2 <sup>nd</sup>	3 <sup>rd</sup>	4 <sup>th</sup>	5 <sup>th</sup>
9513.8	2000	3000	3000	4000	2000
					500
			15%		

$$FV - LFS = 10000 \text{ l}$$

$$\therefore \text{Recoverable Amt} = \text{higher of } 10000 \text{ l on } 9513.8 \text{ (31.3.04)} = 10000 \text{ l}$$

$$\text{Cost of Asset (1.4.01)} = 20000$$

$$\Rightarrow \text{Dep for 3 yrs} = \left( \frac{20000 - 500}{8 \text{ yrs}} \times 3 \right) = \frac{(7312.5)}{12687.5} \text{ (A. (31.3.04))}$$

$$\therefore \text{Imp loss} = (12687.5 - 10000) = 2687.5 \text{ (l)}$$

$$\therefore \text{R.C.A. (31.3.04)} = 12687.5 - 2687.5 = 10000$$

$$\therefore \text{Dep (4 yrs)} = \frac{10000 - 500}{5 \text{ yrs}} = 1900$$

- (i) Imp. loss = 2687.5  
 (ii) R.C.A. = 10000  
 (iii) Dep. (Revised year) = 1900

Illustration 12

From the following details of an asset, find out:

- a) Impairment loss and its treatment.  
 b) Current year depreciation for the year end.

Particulars of assets:

Cost of asset	₹ 56 lakh
Useful life	10 years
Salvage value	Nil <del>2000</del>
Carrying value at the beginning of the year	₹ 27.30 lakh
Remaining useful life	3 years
Recoverable amount at the beginning of the year	₹ 12 lakh
Upward revaluation done in last year	₹ 14 lakh

C.A. (Beginning) = 27.30 l

R.A. (Beginning) = 12 l

∴ Impairment loss = (27.3 - 12) = 15.30 l ~~(P/L)~~

Impairment loss of ₹ 15.30 l firstly charged from Revald<sup>n</sup> Surplus balance existing on B/Sheet and then remaining charged to P/L

Toward

Revaluation Surplus (over)	14 l	
P/L	1.3 l	
To Asset		15.30 l

Note for Exam

Statement of P/L (extract)

Imp. loss	1.30 l
<u>Other Comprehensive Income</u>	
Imp. loss	14 l

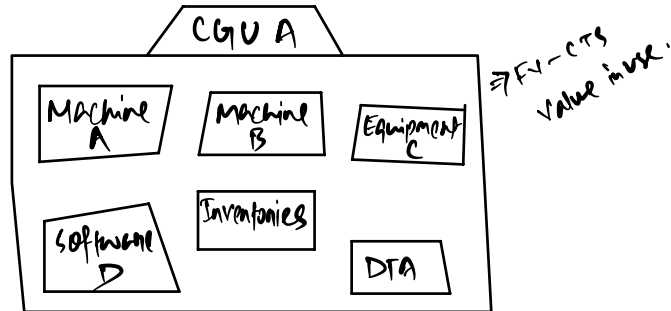
$$\therefore \text{R.C.A. after impairment} = 27.3 - 15.3 = 12 \text{ l}$$

$$\text{useful life remaining} = 3 \text{ years.}$$

$$\therefore \text{Depn next year} = \frac{12 \text{ l}}{3 \text{ years}} = \underline{4 \text{ l}}$$

## Cash Generating Units (CGU)

A CGU is the **smallest identifiable group** of assets that generates — **Cash Inflows** that are **largely independent** of **Cash Inflows from other Assets** or **group of assets**.



Example Machine B caught fire and got damaged which is an internal indication of impairment.

Suppose, Machine B do not generate cash inflows independently

$\therefore$  Value in use of machine B cannot be determined.

In such case, Determine R.A. of CGU to which machine B belongs.

### Eg: Cash Generating Units 1

Machine A	-	50000
Machine B	-	30000
Software C	-	20000
X Inventories	-	40000
X DTA	-	5000
C.A.	-	<u>145000</u>

$$C.A. = 145000$$

$$R.A. = 115000 \text{ (Entire CGU 1)}$$

$$\therefore \text{Impairment loss} = 30000 \text{ (P/L)}$$

	C.A.	I. Loss	R.C.A.
Machine A	50000	$30000 \times \frac{5}{10} = 15000$	35000
Machine B	30000	$30000 \times \frac{3}{10} = 9000$	21000
Software C	20000	$30000 \times \frac{2}{10} = 6000$	14000
Inventories	40000	X	40000
DTA	5000	X	5000
	<u>145000</u>		<u>115000</u>

End As 30 Impairment loss not applicable to Inventories, DTA, Financial assets, and any other intangible asset.

Allocated Goodwill to CGU (Goodwill acquired on Business Combination)

Total Goodwill = 500000, goodwill allocated to CGU A is 30%.

CGU A

Goodwill ✓	150000
PPE ✓	200000
I. Asset ✓	100000
Inventories ✗	120000
Receivables ✗	70000
DTA ✗	30000
C.A.	<u>670000</u>

R.A. of CGU = 405000

∴ I. Loss

670000 - 405000

= 265000

∴ Impairment loss first entirely allocated to Goodwill.  
Then Balance to other assets on a pro rata basis

	<u>C.A.</u>	<u>I. Loss</u>		<u>R.C.A.</u>
Goodwill	150000	(150000)		NIL
PPE	200000	(76667) $115000 \times \frac{2}{3}$		123333
I. Asset	100000	(38333) $115000 \times \frac{1}{3}$		61667
Inventories	120000	X		120000
Receivables	70000	X		70000
D.T.A.	30000	X		30000
				<u>405000</u>

Allocating Intangible Assets to CGU (Revised in Intangibles)

Intangible Assets ÷ Head Quarters or a Division of the entity or a research Centre. Intangible Assets do not generate separate cash flows and they are tested for impairment in the context of CGU.

E.g. Imp.

Sofasti Ltd has 3 cash generating units ÷

CGU 1

Machine A	- 15000
Machine B	- 35000
Furniture	- 15000
Receivables	- 5000 ✗

∴ R.A. = 85000

CGU 2

Machine C	- 45000
Machine D	- 5000
Furniture	- 25000
Inventories	- 25000 ✗

∴ R.A. = 70000

CGU 3

Machine E	= 40000
I. Asset	= 25000
Inventories	= 15000 ✗

∴ R.A. = 70000

Value in use = 0    FV - CTS = 1500 ✓

CGU 1

Machine A is physically damaged and **cannot be further used**. £2000 expected to be realised from sale of machine as scrap. selling cost = £500.

CGU 2

Machine C is a separate CGU and its value in use is estimated to be £40000. FV - CTS = 38000. ∴ R.A. of machine C = 40000

**There is a office building whose C.A. is £100000 which can be allocated to CGU 1, CGU 2 and CGU 3 in the ratio of 2:2:1**

Sol<sup>n</sup>

1. Imp. loss = 110000 - 85000 = 25000

<u>CGU 1</u>	<u>C.A.</u>	<u>I. loss</u> <i>Independently Impaired.</i>	<u>R.C.A.</u>
Machine A	15000	<u>13500</u>	1500
Machine B	35000	$11500 \times \frac{35}{90} = 4472$	30528
Furniture	15000	$11500 \times \frac{15}{90} = 1917$	13083
Receivables	5000	x	5000
<b>Building (2/5)</b>	<u>40000</u>	$11500 \times \frac{40}{90} = 5111$	<u>34889</u>
	<u>110000</u>		<u>85000</u>

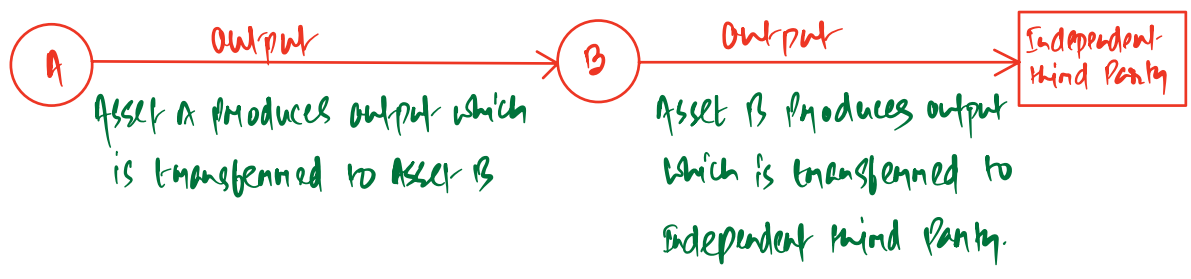
2. Imp. loss = 140000 - 70000 = 70000

<u>CGU 2</u>	<u>C.A.</u>	<u>I. loss</u> <i>Independently Impaired</i>	<u>R.C.A.</u>
Machine C	45000	<u>5000</u>	40000
Machine D	5000	$65000 \times \frac{5}{70} = 4643$	357
Furniture	25000	$65000 \times \frac{25}{70} = 23214$	1786
Inventory	25000	x	25000
<b>Building (2/5)</b>	<u>40000</u>	$65000 \times \frac{40}{70} = 37143$	<u>2857</u>
	<u>140000</u>		<u>70000</u>

3. Imp. loss = 100000 - 70000 = 30000

C.G.U.	C.A.	I. loss	P.C.A
Machine E	= 40000 ✓	$30000 \times \frac{72}{85} = 14118$	25882
Trucks	= 25000 ✓	$30000 \times \frac{25}{85} = 8823$	16177
Inventory	= 15000 ✗	X	15000
Building (YS)	= 20000 ✓	$30000 \times \frac{20}{85} = 7059$	12941
	<u>100000</u>		<u>70000</u>

To determine whether Asset generate cash inflows that are largely independent of cash inflows from other Assets



Case 1: Active Market exists for A's output

Asset A is a separate cash generating unit because it is capable of generating cash flows even if it is not generating cash flows.

Case 2: Active market doesn't exist for A's output

Asset A is not a separate CGU because it is not capable of generating cash flows. A & B together forms a CGU.

If cash flows generated by Asset/CGU are affected by Internal transfer Pricing.



Entity shall use best estimate of future prices that could be achieved in ARM'S LENGTH TRANSACTION.

This standard shall not apply to

1. Inventories (Write down to NRV as per Ind AS 2)
2. Deferred tax asset (Ind AS 12)
3. Plan asset (Ind AS 19)
4. Biological asset measured at FV - LRS.
5. Financial asset (Ind AS 109)
6. Non current asset held for sale (Impairment as per Ind AS 105)
7. Contract asset.

An Entity is reqd. to test following items for Impairment at least annually irrespective of whether there is any indication of impairment

1. Intangible asset with an Indefinite useful life.
  2. Intangible asset not yet available for use.
  3. Goodwill acquired in a Business Combination.
- } mandatory Annual Impairment testing whenever indication exist or not.

↓

Required to test for impairment annually and whenever there is any indication that asset/goodwill may be impaired.

Circumstances in which it is not necessary to calculate both an Asset's Fair Value less Cost to Sell and its Value in Use.

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- (i) If either of these amounts exceeds Asset's Carrying Amount, it is not necessary to estimate the other amount.
- (ii) If there is No basis for making reliable estimate of Fair Value less Cost to Sell, F.V. is measured by reference to Value in Use.

### Determining Value in Use

NIU = Future Cash Flows Pooled to Present Value using Pre-tax Discount rates.

### Estimates of Future Cash Flows Includes

1. Cash Inflows Projections from Continuing use. of the Asset
2. Cash outflows necessary to generate cash Inflows from continuing use.
3. Cash outflows includes day to day servicing costs. of the Asset
4. Terminal Values

### Estimates of Future Cash Flows Excludes

1. Excludes Receivables, Payables, Provisions, Pensions etc.
2. Cash Inflows/outflows from financing activities.
3. Income tax Receipts and Payments.
4. Future Restructuring to which entity is not yet committed.
5. Future Improvements or Enhancement of Asset's performance.
  - i.e. Future cash Flows should be based on the basis of current condition and not future condition.

Future cash Flows Estimated by management unless justified.

## Reversal of Impairment loss

Impairment loss recognised earlier can be reversed if there is an indication of reversal of impairment loss.

### External Indication

1. Asset's market value has increased significantly.
2. Significant changes with favourable effect on technological, market, economic or legal environment.
3. Market interest rates / market rate of return have decreased during the period and those decrease likely to reduce discount rates.

### Internal Indication

1. Evidence is available from internal reporting that indicates economic performance of the asset will be better than expected.
2. Cost incurred to improve or enhance the asset's performance or restructure the operation to which the asset belongs.

In allocating a reversal of impairment loss on an asset on CGU, the C.A. of an asset shall not be increased above the lower of ÷

(i) Its Recoverable amount.

(ii) the C.A. determined had there been no impairment loss recognised in prior periods.

} lower

Note An impairment loss recognised on Goodwill shall not be reversed in a subsequent period f.i.e. Reversal of Goodwill is prohibited

Note A reversal of an impairment loss on a CGU shall be allocated to the assets of the unit, except on Goodwill, pro rata with the carrying amount of those assets.

Note Impairment loss is not reversed just because of the passage of time even if the Recoverable Amount of the Asset becomes higher than its Carrying Amount.

E.g. (FYK Q4 & Q5)

Cost of Asset (1.1.01) = 100 cm (life 5 years)

∴ Depn (1st yr) = (20 cm)

∴ C.A. (31.3.02) 1st yr end = 80 cm

FV - CFS = 70 cm

Future Cash Flows

31.3.03	31.3.04	31.3.05	31.3.06
15 cm	30 cm	40 cm	10 cm

10%

∴ Value in use (31.3.02) = 75.31 cm

∴ Recoverable Amount = 75.31

∴ Impairment loss = (80 - 75.31) = 4.69

∴ R.A. = 75.31 (1st yr end)

Suppose next year, All Data remain the same.

C.A. after Depn = 75.31 - (75.31/4 yrs) = 56.48 (2nd yr end)

∴ Value in use (31.3.03) = 67.84

31.3.04	31.3.05	31.3.06
30 cm	40 cm	10 cm

10%

Now, Since VIU is greater than C.A.

But the increase in VIU is just due to passage of time

Hence, Reversal of Impairment loss should not be done.

### Illustration 10: Reversal of Impairment Loss

On 1st April 20X1, Venus Ltd acquired 100% of Saturn Ltd for ₹ 4,00,000. The fair value of the net identifiable assets of Saturn Ltd was ₹ 3,20,000 and goodwill was ₹ 80,000. Saturn Ltd is in coal mining business. On 31st March, 20X3, the government has cancelled licenses given to it in few states.

As a result, Saturn's Ltd revenue is estimated to get reduce by 30%. The adverse change in market place and regulatory conditions is an indicator of impairment. As a result, Venus Ltd has to estimate the recoverable amount of goodwill and net assets of Saturn Ltd on 31st March, 20X3.

Venus Ltd uses straight line depreciation. The useful life of Saturn's Ltd assets is estimated to be 20 years with no residual value. No independent cash inflows can be identified to any individual assets. So, the entire operation of Saturn Ltd is to be treated as a CGU. Due to the regulatory entangle it is not possible to determine the selling price of Saturn Ltd as a CGU. Its value in use is estimated by the management at ₹ 2,12,000.

$$R.A. = 212000$$

Suppose by 31st March, 20X5 the government reinstates the licenses of Saturn Ltd. The management expects a favourable change in net cash flows. This is an indicator that an impairment loss may have reversed. The recoverable amount of Saturn's Ltd net asset is re-estimated. The value in use is expected to be ₹ 3,04,000 and fair value less cost to disposal is expected to be ₹ 2,90,000.

$$R.A. = 304000$$

Calculate the impairment loss, if any. Also show the accounting treatment for reversal of impairment loss and the subsequent depreciation thereon.

	<u>Net Asset</u>	<u>Goodwill</u>	<u>Total</u>
1st April 2001	320000	80000	400000
(-) Dep <sup>n</sup> 24ms $\left\langle \frac{320000}{20ms} \times 24ms \right\rangle$	(32000)	-	(32000)
	<u>288000</u>	<u>80000</u>	<u>368000</u>
(-) Impairment loss	(76000)	(80000)	(156000)
R.C.A. (31.3.03)	<u>212000</u>	<u>NIL</u>	<u>212000</u>
(-) Dep <sup>n</sup> 24ms $\left\langle \frac{212000}{184ms} \times 24ms \right\rangle$	(23555)		(23555)
	<u>188445</u>	<u>-</u>	<u>188445</u>
(+) Reversal of Imp. loss	67555	-	67555
	<u>256000</u>		<u>256000</u>
(-) Dep <sup>n</sup> 5th yr $\left\langle \frac{256000}{164ms} \right\rangle$	(16000)		

### Working

$$\text{C.A. (31.3.03)} = 368000$$

$$\text{R.A. (31.3.03)} = \underline{212000}$$

$$\text{I.Loss} = \underline{156000}$$

I.Loss of £ 156000 firstly allocated to Goodwill and the balance to other Asset on a pro rata basis.

### 31.3.05 Reversal

C.A. of Asset had there been no impairment

$$\text{Cost of I.N.A (1.4.01)} = 320000$$

$$\text{(-) Dep}^n = 4 \text{ yrs } \left( \frac{320000}{20} \times 4 \right) = \underline{(64000)}$$

$$\text{C.A. (31.3.05)} = \underline{256000}$$

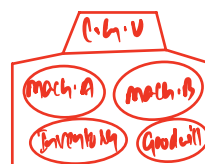
$$\text{R.A. (31.3.05)}$$

$$\underline{304000}$$

> lower is £ 256000

$$\therefore \text{Reversal of Imp. Loss} = 256000 - 188445$$

$$= \underline{67555}$$



Question 11: (RTP May'19)

👁️👁️ *Heavy Practice*

Elia limited is a manufacturing company which deals in to manufacturing of cold drinks and beverages. It is having various plants across India. There is a Machinery A in the Baroda plant which is used for the purpose of bottling. There is one more machinery which is Machinery B clubbed with Machinery A. Machinery A can individually have an output and also sold independently in the open market. Machinery B cannot be sold in isolation and without clubbing with Machine A it cannot produce output as well. The Company considers this group of assets as a Cash Generating Unit and an Inventory amounting to ₹ 2 Lakh and Goodwill amounting to ₹ 1.50 Lakhs is included in such CGU.

Machinery A was purchased on 1st April 2013 for ₹ 10 Lakhs and residual value is ₹ 50 thousands. Machinery B was purchased on 1st April, 2015 for ₹ 5 Lakhs with no residual value. The useful life of both Machine A and B is 10 years. The Company expects following cash flows in the next 5 years pertaining to Machinery A. The incremental borrowing rate of the company is 10%.

*950000*

Year	Cash Flows from Machinery A
✓ 1	1,50,000
✓ 2	1,00,000
✓ 3	1,00,000
✓ 4	1,50,000
✓ 5	1,00,000 (excluding Residual Value)
Total	6,00,000

On 31st March, 2018, the professional valuers have estimated that the current market value of Machinery A is ₹ 7 lakhs. The valuation fee was ₹ 1 lakh. There is a need to dismantle the machinery before delivering it to the buyer. Dismantling cost is ₹ 1.50 lakhs. Specialised packaging cost would be ₹ 25 thousand and legal fees would be ₹ 75 thousand.

*FX - CTB = 450000*

The Inventory has been valued at per ind at ₹ 2. The recoverable value of CGU is ₹ 10 Lakh as on 31st March, 2018. In the next year, the company has done the assessment of recoverability of the CGU and found that the value of such CGU is ₹ 11 Lakhs ie on 31st March, 2019. The Recoverable value of Machine A is ₹ 4,50,000 and combined Machine A and B is ₹ 7,60,000 as on 31st March, 2019.

*A.A. machine 450000  
B 300000*

*CGU*

Required:

- Compute the impairment loss on CGU and carrying value of each asset after charging impairment loss for the year ending 31st March, 2018 by providing all the relevant working notes to arrive at such calculation.
- Compute the prospective depreciation for the year 2018-2019 on the above assets.
- Compute the carrying value of CGU as at 31st March, 2019.

		<u>A</u>	<u>B</u>
<b>Cost of Machinery A &amp; Machinery B</b>	=	1000000 <i>(1.4.2013)</i>	500000 <i>(1.4.2015)</i>
(-) Dep <sup>n</sup> for 5yrs	$\left\{ \frac{1000000 - 50000}{10yrs} \times 5yrs \right\}$	= (475000)	
(-) Dep <sup>n</sup> for 3yrs	$\left\{ \frac{500000}{10yrs} \times 3yrs \right\}$		(150000)
∴ C.A. of Machinery A & B <i>(31.3.2018)</i>		<u>525000</u>	<u>350000</u>

To calculate Impairment loss

$$\frac{95000}{450000}$$

$$\frac{-50000}{300000}$$

Machinery A

(i) Value in Use = P.V. of Future Cash Flows + P.V. of Residual Value

	<u>1st</u>	<u>2nd</u>	<u>3rd</u>	<u>4th</u>	<u>5th</u>
∴ Value in Use	150000	100000	100000	150000	100000
		⏟ 10%			50000
					<u>489650</u>

(ii) Fair Value less cost to sell = 700000 - 150000 - 25000 - 75000  
= 450000

∴ Recoverable Amount = 489650

∴ Impairment loss of Machinery A  $\langle 525000 - 489650 \rangle = \underline{35350}$

Entire CGU

Imp. loss of CGU = 1225000 - 1000000 = 225000

C.A. of CGU	C.A. (31.3.18)	Impairment loss	R.C.A. (31.3.2018)
Machinery A	525000	35350*	489650
Machinery B	350000	39650	310350
Inventories	200000	X	200000
Goodwill	150000	(150000)	NIL
	<u>1225000</u>	<u>225000</u>	<u>1000000</u>

(b) Dep<sup>n</sup> for 2018-19

	C.A. (31.3.18)	Dep <sup>n</sup>	C.A. (31.3.2019)
Machinery A	489650	87930	401720
" B	310350	44336	266014
Inventories	200000	-	200000
			<u>867734</u>

$$\frac{489650 - 50000}{5495}$$

$$\frac{310350}{5495}$$

(c) C.A. of asset had there been no Impairment loss

	<i>C.A. had there been no Impairment</i>	R.A.	<u>Lower of C.A. &amp; R.A.</u>
Machinery A	430000 ✓	450000 ✗	430000
Machinery B	300000 ✓	310000 ✗	300000
Inventory	<del>200000</del>	<del>200000</del>	✗
	930000		

∴ Maximum Reversal of machine A upto ₹ 430000 & machine B upto ₹ 300000

$$\begin{aligned}
 \therefore \text{Reversal of Impairment loss} &= (430000 - 401720) + (300000 - 266014) \\
 &= 28280 + 33986 \\
 &= \underline{62266}
 \end{aligned}$$

C.A. of machine A (31.3.19)	→	430000
" " " B (31.3.19)	→	<u>300000</u>

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Question 12: (RTP: Nov'19) (MTP Mar'21)

E Ltd. owns a machine used in the manufacture of steering wheels, which are sold directly to major car manufacturers.

- The machine was purchased on 1st April, 20X1 at a cost of ₹ 5,00,000 through a vendor financing arrangement on which interest is being charged at the rate of 10% per annum.
- During the year ended 31st March, 20X3, E Ltd. sold 10,000 steering wheels at a selling price of ₹ 190 per wheel.
- The most recent financial budget approved by E Ltd.'s management, covering the period 1st April, 20X3 - 31st March, 20X8, including that the company expects to sell each steering wheel for ₹ 200 during 20X3-20X4, the price rising in later years in line with a forecast inflation of 3% per annum.
- During the year ended 31st March, 20X4, E Ltd. expects to sell 10,000 steering wheels.
- The number is forecast to increase by 5% each year until 31st March, 20X8.
- E Ltd. estimates that each steering wheel costs ₹ 160 to manufacture, which includes ₹ 110 variable costs, ₹ 30 share of fixed overheads and ₹ 20 transport costs.
- Costs are expected to rise by 1% during 20X4-20X5, and then by 2% per annum until 31st March, 20X8.
- During 20X5-20X6, the machine will be subject to regular maintenance costing ₹50,000.
- In 20X3-20X4, E Ltd. expects to invest in new technology costing ₹ 1,00,000. This technology will reduce the variable costs of manufacturing each steering wheel from ₹ 110 to ₹ 100 and the share of fixed overheads from ₹ 30 to ₹ 15 (subject to the availability of technology, which is still under development). *Not to consider*
- E Ltd. is depreciating the machine using the straight-line method over the machine's 10 year estimated useful life. The current estimate (based on similar assets that have reached the end of their useful lives) of the disposal proceeds from selling the machine is ₹ 80 000 net of disposal costs. E Ltd. expects to dispose of the machine at the end of March, 20X8.
- E Ltd. has determined a pre-tax discount rate of 8%, which reflects the market's assessment of the time value of money and the risks associated with this asset.

Assume a tax rate of 30%. What is the value in use of the machine in accordance with Ind AS 36?

	2003-04	2004-05	2005-06	2006-07	2007-08 ✓
SP/unit	200	206	212	219	225
Quantity	10000 wts	10500 wts	11025 wts	11576 wts	12155 wts
Cost/wt	160	162	165	168	171
Cost/wt maintenance	400000	462000	518175 (50000)	590976	656370
Residual Value	400000	462000	468175	590976	80000
					736370

*Discount rate = 8%*

∴ Value in use = 2073169

Question 13: (MTP Oct'20) (RTP May'20)

PQR Ltd. is the company which has performed well in the past but one of its major assets, an item of equipment, suffered a significant and unexpected deterioration in performance. Management expects to use the machine for a further four years after 31st March 20X6, but at a reduced level. The equipment will be scrapped after four years. The financial accountant for PQR Ltd. has produced a set of cash-flow projections for the equipment for the next four years, ranging from optimistic to pessimistic. CFO thought that the projections were too conservative, and he intended to use the highest figures each year. These were as follows:

	₹ '000
Year ended 31st March 20X7	276
Year ended 31st March 20X8	192
Year ended 31st March 20X9	120
Year ended 31st March 20Y0	114

The above cash inflows should be assumed to occur on the last day of each financial year. The pre-tax discount rate is 9%. The machine could have been sold at 31st March 20X6 for ₹ 6,00,000 and related selling expenses in this regard could have been ₹ 96,000. The machine had been revalued previously, and at 31st March 20X6 an amount of ₹ 36,000 was held in revaluation surplus in respect of the asset. The carrying value of the asset at 31st March 20X6 was ₹ 6,60,000. The Indian government has indicated that it may compensate the company for any loss in value of the assets up to its recoverable amount.

Calculate impairment loss, if any and revised depreciation of asset. Also suggest how Impairment loss, if any would be set off and how compensation from government be accounted for?

$$\text{C.A. (31.3.2006)} = 6,60,000$$

$$\text{F.V. - CFIS (31.3.06)} = (6,00,000 - 96,000) = 5,04,000$$

Value in use

↓	1 <sup>st</sup>	2 <sup>nd</sup>	3 <sup>rd</sup>	4 <sup>th</sup>
588236	276000	192000	120000	114000
		⏟		x
		9%		

$$\therefore \text{R.A. (Higher)} = 5,88,236$$

$$\therefore \text{Impairment loss} = 6,60,000 - 5,88,236 = 71,764$$

∴ Out of P. loss of ₹ 71,764, ₹ 36,000 debited to Reval. Surplus and balance ₹ 35,764 charged to P/L.



**Question 14:**

On 1 January Year 1, Entity Q purchased a machine costing ₹ 2,40,000 with an estimated useful life of 20 years and an estimated zero residual value. Depreciation is computed on straight-line basis.

The asset had been re-valued on 1 January Year 3 to ₹ 2,50,000, but with no change in useful life at that date. On 1 January Year 4 an impairment review showed the machine's recoverable amount to be ₹ 1,00,000 and its estimated remaining useful life to be 10 years.

Calculate:

- The carrying amount of the machine on 31 December Year 2 and the revaluation surplus arising on 1 January Year 3. **216000, 34000**
- The carrying amount of the machine on 31 December Year 3 (immediately before the impairment). **236111**
- The impairment loss recognised in the year to 31 December Year 4 and its treatment thereon. **136111**
- The depreciation charge in the year to 31 December Year 4. **90000**

Note: During the course of utilization of machine, the company did not opt to transfer part of the revaluation surplus to retained earnings.

$$34000 - \left( \frac{24000}{20} \times 14 \right) = 34000 - 18889 = 15111$$

1 Jan Year 1	→ C.A.	= 240000 (20yrs)
31 Dec Year 2	Dep: for 2 yrs $\left( \frac{240000}{20} \times 2 \right)$	= (24000)
	→ C.A. (before Reval:)	216000 (18yrs)
	Reval: Gain (002)	34000
1 Jan Year 3	R.C.A. (After Reval:)	250000 (18yrs)
31 Dec Year 3	Dep: for 1 year $\left( \frac{250000}{18} \right)$	(13889)
	C.A.	236111 (17yrs)
	Impairment loss*	(136111)
	R.C.A.	100000 (10yrs)
	Dep: $\left( \frac{100000}{10} \right)$	(10000) (Review)
		90000

Out of Impairment loss of ₹ 136111, Reval: surplus of ₹ 34000 should be debited first and then balance of ₹ 102111 charged to P/L

Imp. loss 136111	Reval: surplus (002) 34000
to Asset 136111	P/L 102111
	to Imp. loss 136111

- (i) P.A. (31. Dec. year 2)  $240000 - 12000 - 12000 \rightarrow 216000$   
 Revert- Impairment (1. Jan. year 3)  $1250000 - 216000 \rightarrow 1034000$
- (ii) P.A. (31. Dec. year 3) Parent Imp.  $(250000 - \frac{1}{18} \text{m of } 250000) \rightarrow 236111$
- (iii) Imp. loss (31. Dec. year 3)  $(236111 - 100000) \rightarrow 136111$
- (iv) Dep<sup>n</sup> (31. Dec. year 4)  $(\frac{1}{10} \text{m of } 100000) \rightarrow 10000$

**Illustration 11 - NCI measurement and Goodwill impairment**

A Ltd acquires 80% shares of a subsidiary B Ltd. for ₹ 3,200 thousand. At the date of acquisition, B Ltd.'s identifiable net assets is ₹ 3,000 thousand. A elects to measure NCI at proportionate share of net identifiable assets. It recognizes

	₹ in thousand
Purchase Consideration (80%)	3,200
NCI (3,000 x 20%)	600 <b>800</b>
	3,800
Less: Net Assets	(3,000)
Goodwill (Parent)	800 $\rightarrow$ <b>1000</b>

At the end of next financial year, B Ltd.'s carrying amount is reduced to ₹ 2,700 thousand (excluding goodwill). Recoverable amount of B Ltd.'s assets is:

Case (i) ₹ 2,000 thousand,

Case (ii) ₹ 2,800 thousand

Calculate impairment loss allocable to Parent and NCI in both the cases.

Case 1

P.A. = 2000 thousand

C.A. = 2700 thousand + 800 thousand (80%) + 200 thousand (20%)  
 = 3700 thousand

*Parent Goodwill*

*NCI notional Goodwill*

Impairment loss = 3700 thousand - 2000 thousand  
 = 1700 thousand

∴ out of Imp. loss of ₹ 1700 recognized, ₹ 1000 recognized allocated to both recognized and notional Goodwill & then Balance 700 thousand allocated to other net assets.

	<u>Net Asset</u>	<u>Goodwill (Recognised)</u>	<u>Goodwill (Notional)</u>
P.A.	2700	800	<del>200</del>
(-) Imp. loss	(700)	(800) ⇒ P/L	<del>(200)</del>
P.A.	<u>2000</u>	<u>Nil</u>	<u>Nil</u>

Impairment loss

Goodwill

Other Asset (700)

Payment (P/L)

800

560

1360

Net

~~200~~

140

140

P.A. after Impairment = 2000

Case (ii)

P.A. = 2800 thousand

P.A. = 2700 thousand + 800 (80%) + 200 (20%)  
= 3700 thousand

∴ Imp. loss = 3700 - 2800 = 900

₹ 900 impairment loss fully allocated to Goodwill

	<u>Net Asset</u>	<u>Goodwill Recognised (80%)</u>	<u>Goodwill Notional (20%)</u>
P.A.	2700	800	<del>200</del>
Imp. loss (900)	-	(720) ⇒ P/L	<del>(180)</del>
	<u>2700</u>	<u>80</u>	

P.A. after Impairment = 1780

Impairment loss

Goodwill  
Other Asset

Parent

720

-

720

NCI

~~80~~

-

-

Extra Given (NOT for answer)

Illustration 11 - NCI measurement and Goodwill impairment

A Ltd acquires 80% shares of a subsidiary B Ltd. for ₹ 3,200 thousand. At the date of acquisition, B Ltd.'s identifiable net assets is ₹ 3,000 thousand. A elects to measure NCI at proportionate share of net identifiable assets. It recognizes

	₹ in thousand
Purchase Consideration	3,200
NCI (3,000 × 20%)	600
	3,800
Less: Net Assets	(3,000)
Goodwill	800

At the end of next financial year, B Ltd.'s carrying amount is reduced to ₹ 2,700 thousand (excluding goodwill). Recoverable amount of B Ltd.'s assets is:

- Case (i) ₹ 2,000 thousand,
- Case (ii) ₹ 2,800 thousand

Calculate impairment loss allocable to Parent and NCI in both the cases.

Net Asset → 2700  
 Goodwill (80%) → 800 (80%)  
 C.A.            3500

Case 1  
 Goodwill Impaired = (800)  
 Net Asset Impaired = (700)

<u>Parent</u>	<u>NCI</u>
(800)	-
(560)	(140)
<u>(1360)</u>	<u>(140)</u>

∴ R.C.A. = C.A. - Imp  
 = 3500 - 1500  
 = 2000

- 100%

Case 2 LA 2800

Net Asset = 2700

Goodwill (80%) = 800 (80%)

C.A. 3500

Net Asset, will not be impaired.

Goodwill should be 100

↓

Partial Goodwill = 80% of 100

= 80

$$\therefore \text{Imp of Goodwill} = 800 (80\%) - 80 = 720$$

$$\text{P.C.A} = \text{Net Asset (2700)} + \text{Goodwill (80)} = 2780$$

500    500    500

Question 2: ( PP Nov'18 & Nov'20 Similar) Practice

ABC Ltd. has three cash-generating units: A, B and C, the carrying amounts of which as on 31st March, 20X1 are as follows:

Cash-generating units	Carrying amount (₹ in crore)	Remaining useful life
A	500	10
B	750	20 <i>Double</i>
C	1,100	20 <i>Double!</i>

ABC Ltd. also has two corporate assets having a remaining useful life of 20 years.

Corporate asset	Carrying amount	Remarks
X	600	The carrying amount of X can be allocated on a reasonable basis (i.e., pro rata basis) to the individual cash-generating units.
Y	200	The carrying amount of Y cannot be allocated on a reasonable basis to the individual cash-generating units.

Recoverable amount as on 31st March, 20X1 is as follows:

Cash-generating units	Recoverable amount (₹ in crore)
A	600 ✓
B	900 ✓
C	1,400 ✓
ABC Ltd.	3,200 ✓

Calculate the impairment loss, if any. Ignore decimals.

	<u>C<sub>1</sub>V<sub>A</sub></u>	<u>C<sub>1</sub>V<sub>B</sub></u>	<u>C<sub>1</sub>V<sub>C</sub></u>	
C.A.	500 (10yrs)	750 (20yrs)	1100 (20yrs)	
<del>Weights</del>	<del>500</del>	<del>1500</del>	<del>2200</del>	
(f) Allocable Composite Assets (x=600)	71 ✓	214 ✓	315	
	$\left\langle 600 \times \frac{500}{4200} \right\rangle$	$\left\langle 600 \times \frac{1500}{4200} \right\rangle$	$\left\langle 600 \times \frac{2200}{4200} \right\rangle$	
C.A. of CV	571	964	1415	
R.A. of CV	600	900	1400	
∴ Emp. loss	-	64	15	
	Other Asset	Comp. Asset	Other Asset	Comp. Asset
	$64 \times \frac{750}{964}$	$64 \times \frac{214}{964}$	$15 \times \frac{1100}{1415}$	$15 \times \frac{315}{1415}$
	= 50	= 14	= 12	= 3

<del>Revised C.A.</del>	<del><u>C<sub>1</sub>V<sub>A</sub></u></del>	<del><u>C<sub>1</sub>V<sub>B</sub></u></del>	<del><u>C<sub>1</sub>V<sub>C</sub></u></del>	<del><u>Comp. x</u></del>
	<del>500</del>	<del>750</del>	<del>1100</del>	<del>71</del>
		<del>-50</del>	<del>-12</del>	<del>214 - 14 = 200</del>
		<del>700</del>	<del>1088</del>	<del>315 - 3 = 312</del>

	<u>C<sub>1</sub>V<sub>A</sub></u>	<u>C<sub>1</sub>V<sub>B</sub></u>	<u>C<sub>1</sub>V<sub>C</sub></u>	<u>Comp. x</u>	<u>Comp. y</u>	<u>Total</u>
C.A. of ABC VA	500	700	1088	583	200	3071
R.A. of ABC VA						3200

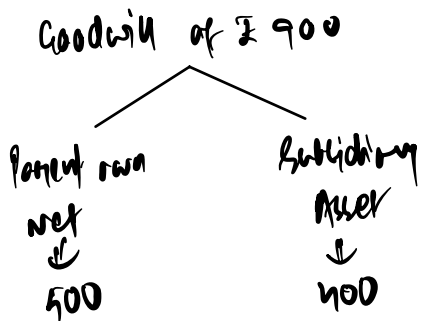
Since R.A. > C.A.  
∴ No Further Employment

Question 3: 📍📍

Parent acquires an 80% ownership interest in Subsidiary for ₹ 2,100 on 1st April, 20X1. At that date, Subsidiary's net identifiable assets have a fair value of ₹ 1,500. Parent chooses to measure the non-controlling interests as the proportionate interest of Subsidiary's net identifiable assets. The assets of Subsidiary together are the smallest group of assets that generate cash inflows that are largely independent of the cash inflows from other assets or groups of assets. Since other cash-generating units of Parent are expected to benefit from the synergies of the combination, the goodwill of ₹ 500 related to those synergies has been allocated to other cash-generating units within Parent. On 31st March, 20X2, Parent determines that the recoverable amount of cash-generating unit Subsidiary is

₹ 1,000. The carrying amount of the net assets of Subsidiary, excluding goodwill, is ₹ 1,350. Allocate the impairment loss on 31st March, 20X2.

<u>1/4/01</u>	<u>For Excess</u>		
Consideration (80%)			= 2100
Net (20%)	20% of 1500		= 300
			<u>2400</u>
(-) I.N.A.			<u>(1500)</u>
	Goodwill (partial)		900



Subsidiary I.N.A.	= 1500	} 1/4/01
Subsidiary Goodwill	= 400 (partial)	

31st March 20X2

Subs. I.N.A.	= 1350
" Goodwill	= 400 (80%)
	<u>1750</u>

For Exam

$$\begin{aligned}
 \text{C.A. of Asset} &= 1350 + 400 + 100 = 1850 \\
 \text{R.A. of Asset} &= \frac{1000}{850} \\
 &\therefore \text{Imp. loss}
 \end{aligned}$$

	<u>I.N.A.</u>	<u>Goodwill (80%)</u>	<u><del>Goodwill (10%)</del></u>
C.A. of Asset	1350	400	<del>100</del>
F.Cost	(350)	(400)	<del>(100)</del>
	<u>1000</u>		

Parent 280  
 Net 70

<u>Imp. Loss</u>	<u>Parent</u>	<u>Net</u>
Goodwill	400	X
I.N.A (350)	<u>280</u>	<u>70</u>
	<u>680</u>	<u>70</u>

1000000

**Illustration 21 (MTP Oct'18) (MTP Apr'18)**

Sun Ltd is an entity with various subsidiaries. The entity closes its books of account at every year ended on 31st March. On 1st July, 20X1, Sun Ltd acquired an 80% interest in Pluto Ltd. Details of the acquisition were as follows:

- Sun Ltd acquired 800,000 shares in Pluto Ltd by issuing two equity shares for every five acquired. The fair value of Sun Ltd's share on 1st July, 20X1 was ₹ 4 per share and the fair value of a Pluto's share was ₹ 1.40 per share. The costs of issue were 5% per share.
- Sun Ltd incurred further legal and professional costs of ₹ 100,000 that directly related to the acquisition.
- The fair values of the identifiable net assets of Pluto Ltd at 1st July, 20X1 were measured at ₹ 1.3 million. Sun Ltd initially measured the non-controlling interest in Pluto Ltd at fair value. They used the market value of a Pluto Ltd share for this purpose. No impairment of goodwill arising on the acquisition of Pluto Ltd was required at 31st March, 20X2 or 20X3.

Pluto Ltd comprises three cash generating units A, B and C. When Pluto Ltd was acquired the directors of Sun Ltd estimated that the goodwill arising on acquisition could reasonably be

allocated to units A: B:C on a 2:2:1 basis. The carrying values of the assets in these cash generating units and their recoverable amounts are as follows:

Unit	Carrying value (before goodwill allocation)	Recoverable amount
	₹ '000	₹ '000
A	600	740
B	550	650
C	450	400

Required:

- Compute the carrying value of the goodwill arising on acquisition of Pluto Ltd in the consolidated Balance Sheet of Sun Ltd at 31st March, 20X4 following the impairment review.
- Compute the total impairment loss arising as a result of the impairment review, identifying how much of this loss would be allocated to the non-controlling interests in Pluto Ltd.

Consideration  $\left( \frac{800000}{5} \times 2 \text{ i.e. } 320000 \text{ sh} \times 4/\text{sh} \right)$  1280000 ✓  
 (f) NCI  $\left( 200000 \text{ sh} \times 1.4/\text{sh} \right)$  280000  
 (-) F.V. of I.N.A.  $(1300000)$   
 Goodwill (Fml) 260000 ✓

	CGU 1	CGU 2	CGU 3
P.A.	60000	55000	45000
(+) Goodwill (2:2:1)	104000	104000 ✓	52000 ✓
C.A. of CGU after Goodwill	704000	654000	502000
R.A.	740000	650000	400000
I. loss	r	4000	102000

CGU 2 → Entire I. loss of ₹ 4000 allocated to Goodwill

CGU 3

∴ out of I. loss of ₹ 102000, Goodwill should be impaired first by ₹ 52000 and then balance ₹ 50000 to other assets.

$$\text{I. loss allocated to NCL} = 106000 \times 20\% = \underline{21200}$$

Calc of Closing Goodwill

(-) Imp. (4000 + 52000)  
Goodwill after Impairment

$$= \begin{array}{r} 260000 \\ (56000) \\ \hline 204000 \end{array}$$

Calc of FNA

C.A. (60000 + 55000 + 45000)  
Imp. loss (50000)  
C.A. after Imp.

$$= \begin{array}{r} 160000 \\ (50000) \\ \hline 110000 \end{array}$$

### Illustration 5

Mercury Ltd. has an identifiable asset with a carrying amount of ₹ 1,000. Its recoverable amount is ₹ 650. The tax rate is 30% and the tax base of the asset is ₹ 800. Impairment losses are not deductible for tax purposes. What would be the impact of impairment loss on related deferred tax asset / liability against the revised carrying amount of asset?

	<u>Before Impairment</u>	<u>Impairment</u>	<u>After Impairment</u>
C.A. of Asset	1000	(350)	650
T.B. of Asset	800	-	800
Taxable Temp. Diff	200	(350)	150
Deductible Temp. Diff			
DTL/(DTA)	60	(105)	(45)

