

AS 28 - Impairment of Assets

1) Impairment means **Reduction in Value of Asset**

↓
Loss

2) Depreciation → **Fixed "%"**

Opng Bal 12,00,000
(-) Dep (10%) 1,20,000

10,80,000 BV/CA

Est. Useful life
Est. RV

B/Ls	
Ass.	10,80,000 CA

$$3) I/L = CA - RA$$

$$4) CA = \text{Org. Cost} - \text{Acc. Dep. till date}$$

$$5) RA = \text{is Higher of :- } \frac{290000}{1120000}$$

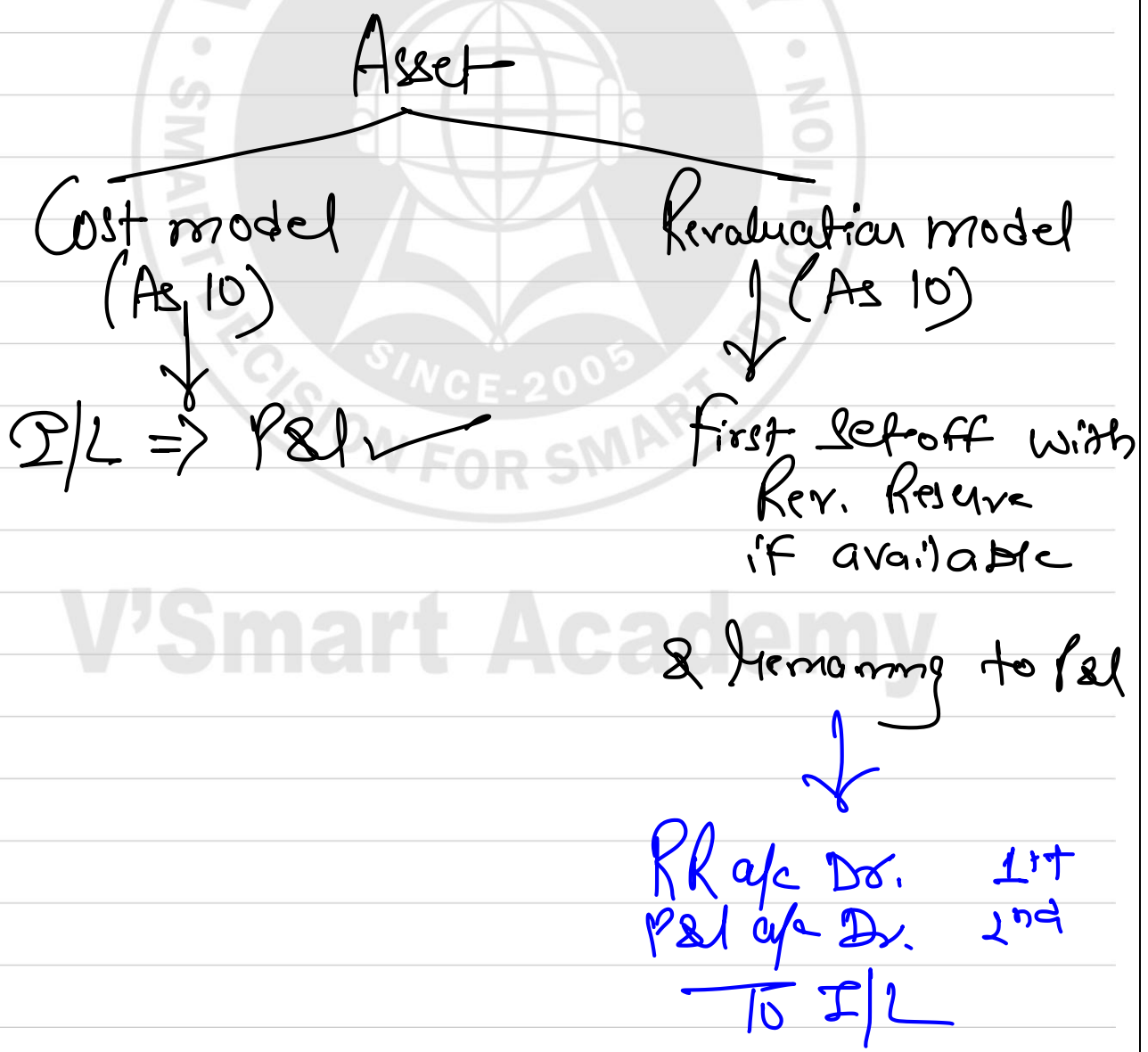
820000 ← a) NSP of Asset ; (08)

~~890000~~
1120000 b) VIU (Value in Asset)

Pv of CF @ Dis. Rate

6) Journal

Imp. Loss Dr.
To Asset a/c



Class Ex-1 1/4/18 PPE purchase Cost = 25 lacs.
Useful life = 10 yrs.
Est. Resid. value = 3 lacs.

On 1/4/23, Fair Value of PPE = 17,00,000

PPE is Under Revaluation model

Entity has opted to transfer RR to GR every year equal to excess depreciation P.a.

On 1/4/25, Asset is Tested for Impairment

NSP is estimated at 900000

Future Cash Flows are 350000 P.a. for remaining years, Dis. Rate 10%.

Show the Accounting of PPE For all the years we purchase date.

Sol) :-

1/4/18 Original Cost 25,00,000

$\frac{25,00,000 - 30,000}{10}$ Annual Dep 2,20,000

1/4/23 Accumulate Dep. 11,00,000
 220000×5

1/4/23 Carrying Amt 14,00,000

Fair value 17,00,000

Revaluation Reserve 3,00,000

Revised Depreciation 280000

$\frac{17,00,000 - 30,000}{5}$

1/4/25 Carrying Amt 11,40,000

$17,00,000 - (280,000 \times 2)$

1/4/25 Bal. Revaluation Reserve 1,80,000

$30,000 - 60,000 - 60,000$
23-24 24-25

1/4/25 Reversible Asset - Higher of :- 900000

a) NSP = 900000

b) VIU = 870400

Impairment Loss 240000
CA - RA

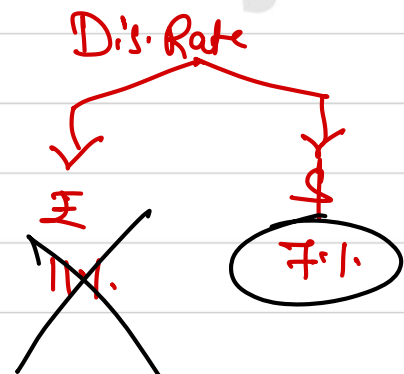
Journal

1) Imp. Loss A/c Dr. 240000
 To PPE a/c 240000

2) RR a/c Dr. 180000
 P&L a/c Dr. 60000
 To Imp. Loss a/c 240000

VIU Next Syrs Cash flows

<u>₹</u>	<u>\$</u>
85	1 50000
86	2 60000
87	3 70000
88	4 80000
89	5 90000



Currently \$1 = 84

Step 1:- FC Cash flows \times D's.

$$\text{D's Cash flows} = \$281476.52$$

Step 2:- Conversion into ₹
\$281476.52
 $\times 84$

$$\underline{\underline{2,36,44,028}}$$

Q102

Calculation & Treatment
OF I/L

Step 1:- Carrying Amt of Asset as on
31/12/11

$$\text{Org. Cost} = 40000$$

$$(-) \text{ Depreciation} = 14625$$

$$\frac{40000 - 1000}{8} = 4875 \times 3$$

$$\underline{\underline{CA = 25,375}}$$

Step 2:- Recoverable Asset

NSP ↓ 20,000			<u>Value in Use</u>	
	<u>Year</u>	<u>Cash flows</u>	<u>PVF</u>	<u>Amount</u>
	X2	4000	0.870	3480
	X3	6000	0.756	4536
	X4	6000	0.658	3948
	X5	8000	0.572	4576
	X6	5000	0.497	2485
				<u>19025</u>

RA is Higher of NSP & VIU i.e 20,000

Step 3:- Impairment Testing

$$CA = 25375$$

$$RA = 20000$$

$$I/L = 5375$$

Step 4:- I/L shall be transfer to P&L

Step 5:- Revised CA (after Imp.) = 20000

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

Imp Loss 13 lacs.

→ To Asset 10 lacs.

→ To Liab. For 3 lacs.
disposal

1	50
2	50
3	50
4	50
4	(280)

$$\begin{aligned} \textcircled{1} \quad \text{NSP} &= \text{SP} - \text{Cost to sell} \\ &= 50 \text{ lacs.} - 51 \text{ lacs.} \\ &= -1 \text{ lacs.} \end{aligned}$$

$$\text{VIV} = 2 \text{ lacs.} \\ (\text{PV})$$

$$\text{RA} = 2 \text{ lacs.}$$

② NSP = -1 lac. | RA = Nil
VIU = Nil

③ NSP not determinable | RA = 3 lac.
VIU = 3 lac.

④ NSP not deter. | RA = (3)
VIU = (3) lac.

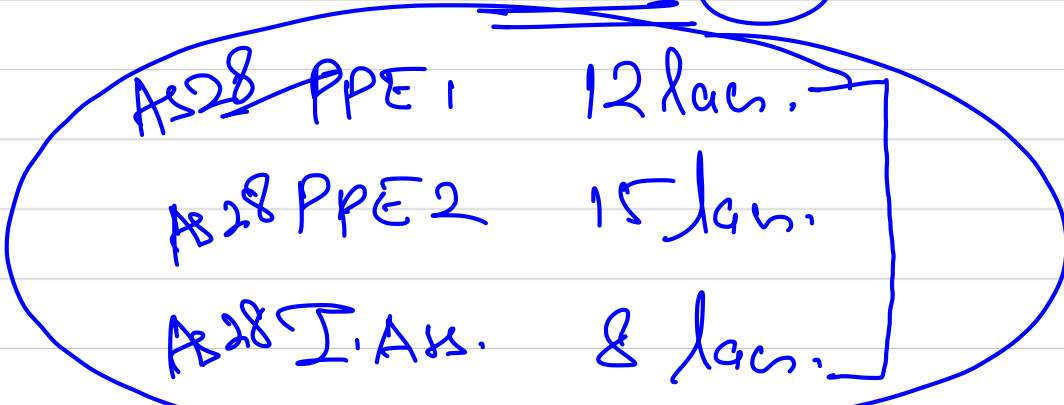
CGU

→ Smallest Group
Capable of
generating
Cash flows

~~PPE (multiple)~~
~~I. Assets~~
~~Goodwill~~
~~CA~~
~~(-) Liab. (-)~~

Class Ex:-

CGU (CA)



CA 7 lac.

X (Liab) (3 lac)

Total CA = 39 lac.

RA = 30 lac.
OF CGU

I/L = 9 lac.

PPE 1
3.08

PPE 2
3.86

I. Asset
2.06

Revised
CA

$$PPE 1 = 8.92$$

$$PPE 2 = 11.14$$

$$I.A.S. = 5.94$$

$$CA = 7$$

$$Liab = (3)$$

$$RA = \underline{\underline{30}}$$

Class. Ex:-

CGU Assets

Building

CA
1750000

Machine

12,10,000

Software

10,00,000

X CA

15,00,000

~~Goodwill~~

500,000

X Liabilities

(750000)

RA
OF CGU = 40,00,000

← Total CA = 52,10,000

OF CGU

a) I/L of CGU = 12,10,000

b) Allocation of I/L :-

(i) First Goodwill to be W/OFF = 500000

(ii) Reman. I/L = 710000 shall be allocated in the ratio of CA of respective Assets

$$\text{Building} = 710000 \times \frac{1750}{3960} = 313763$$

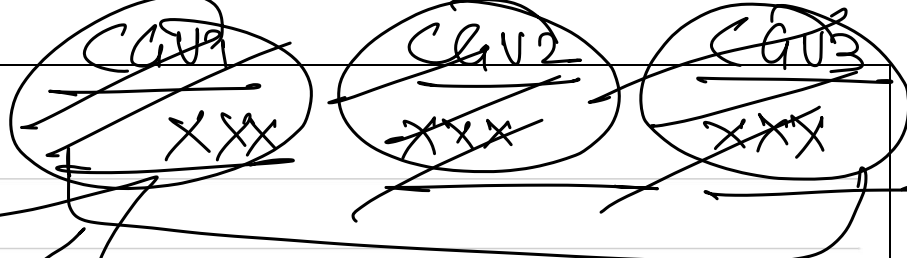
$$\text{Machine} = 710000 \times \frac{1210}{3960} = 216944$$

$$\text{Software} = 710000 \times \frac{1000}{3960} = 179293$$

$$710000$$

V'Smart Academy

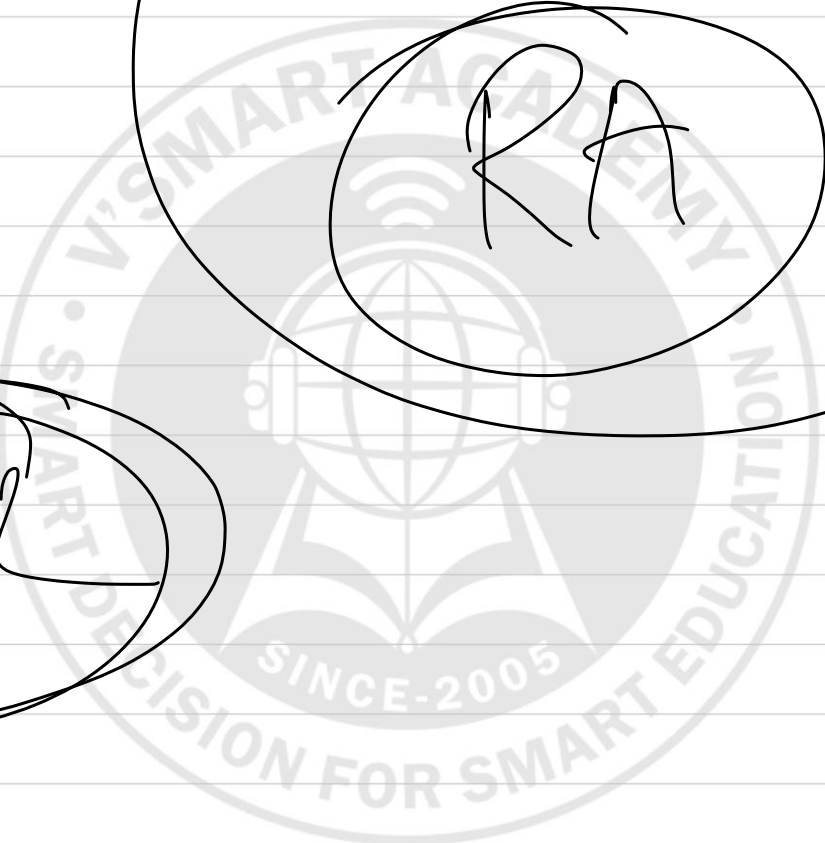
Revised CA



CA of
Practice only
+ 0

RA

2/2



V'Smart Academy

Q103

Given inform. :-

Org Cost of Machine
on 1/4/10 = ₹ 7 Crores

Useful life = 7 yrs.

∴ Annual Depreciation = ₹ 1 crore

Step 1:- CA on 1/4/14 ⇒ 3 Cr. (after 4 years Depreciation)

(+) Revaluation ⇒ 2.10 Cr
Upward

Revised CA ⇒ ₹ 5.10 Cr.

Annual Dep $\frac{5.10}{3}$ ⇒ 1.7 Cr. 2015
1.7 Cr. 2016

CA on 31/3/16 ⇒ ₹ 1.7 Cr.

Step 2:- Recoverable Amt = 0.79 Crore (Given)

Step 3:- Impairment Loss = CA - RA
= 1.7 Cr. - 0.79 Cr.
= 0.91 Cr.

Step 4:- Treatment of Impairment Loss

Imp. Loss shall be first set off with Revaluation Reserves to the extent of available Balance & remaining transfer to P&L.

$$\text{Org. RR} = 2.10 \text{ Cr.}$$

(-) Set off

Excess Dep

$$20 \times 5 = 0.7 \text{ Cr.}$$

$$20 \times 6 = 0.7 \text{ Cr.}$$

$$\text{Balance} = \underline{\underline{0.7 \text{ Cr.}}}$$

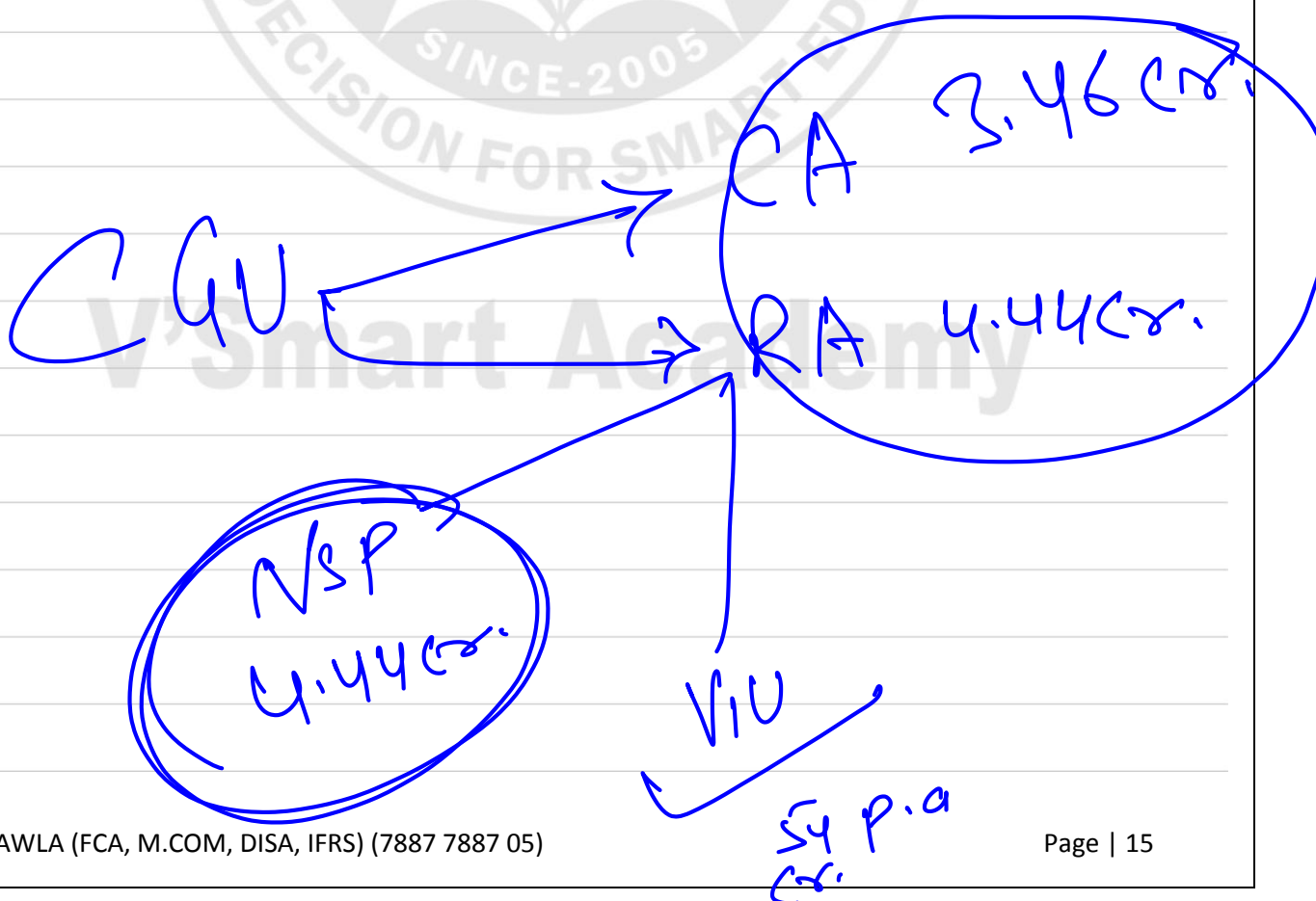
$$\text{Total Imp. Loss} = 0.91 \text{ Cr.}$$

$$\text{(-) Set off with RR} = 0.7 \text{ Cr.}$$

$$\text{transfer to P&L} = \underline{\underline{0.21 \text{ Cr.}}}$$

a) Imp Loss Dr. 0.91 Cr.
To Asset 0.91 Cr.

b) RR Dr. 0.7
P&L Dr. 0.21
To I/L 0.91



Q201

1) Provision of As 28 :-

a) Always try to Impair Individual Assets if there is any Indication.

$$I/L = CA - RA$$

b) When VIU of any Asset Can-not be determinable that means Asset Can-not generate individual Cash Flows.
Hence, such Asset should be Clubbed with Smallest grp of related Asset such grp is called CGU.

c) Now CGU shall be tested for Impairment as Under :-

$$CA \text{ OF CGU} - RA \text{ OF CGU}$$

2) Analysis & facts :- RA is Higher OF
NSP & VIU

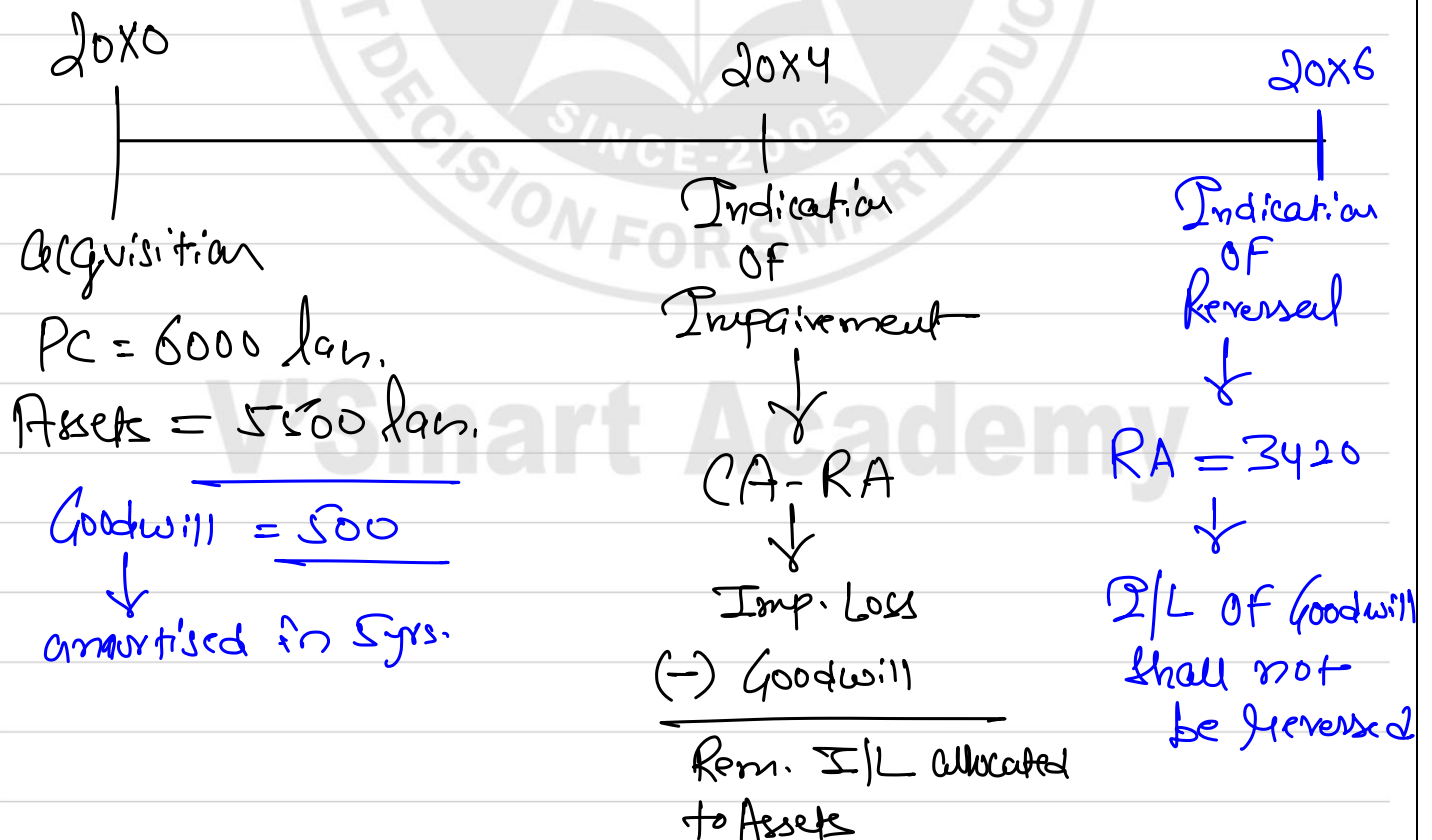
NSP is 4.44 Cr.

VIU is PV OF 54 Cr. p.a @ Dis. Rate

In any case the Minimum R.A should be 4.46cr which is anyway higher than CA of CGU i.e 3.46cr. Hence, CGU is not getting Impaired.

3) Conclusion :- Since CGU is not subject to Impairment, then Machine which is part of CGU shall not be Impaired.

Q301



20X0 Acquisition Cost = 6000 lan.

(-) Identifiable Assets = 5500 lan.

Goodwill 500 lan

<u>Useful life</u>	<u>Assets</u>	<u>Cost</u>
15	Identifiable Assets	5500
5	Goodwill	500

20X4 Indication of Impairment arise

Step 1:- CA of CGU :-

$$\text{Identifiable Asset (after 4 years)} = \frac{5500}{15} \times 11 = 4033$$

$$\text{(+) Goodwill} = \frac{500}{5} \times 1 = 100$$

$$4133$$

Step 2:- R. Amt. of CGU = 3120 lakhs

Step 3:- Imp. Loss = 4133 - 3120 = 1013 lakhs

Step 4:- allocation of Imp. Loss :-

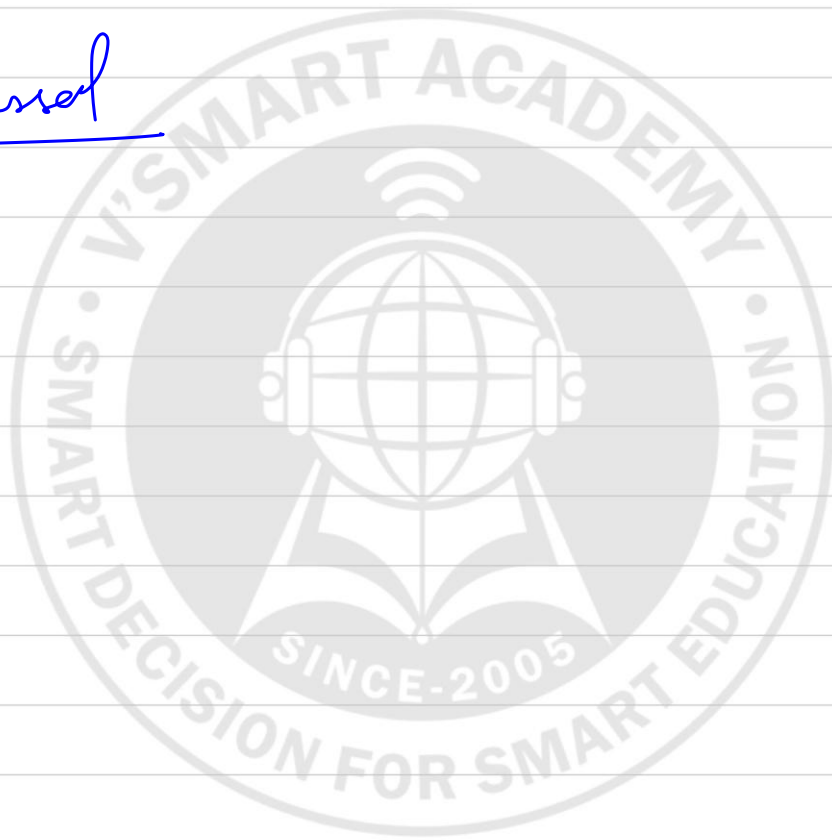
Total I/L = 1013

$$\leftarrow \text{Goodwill} = 100$$

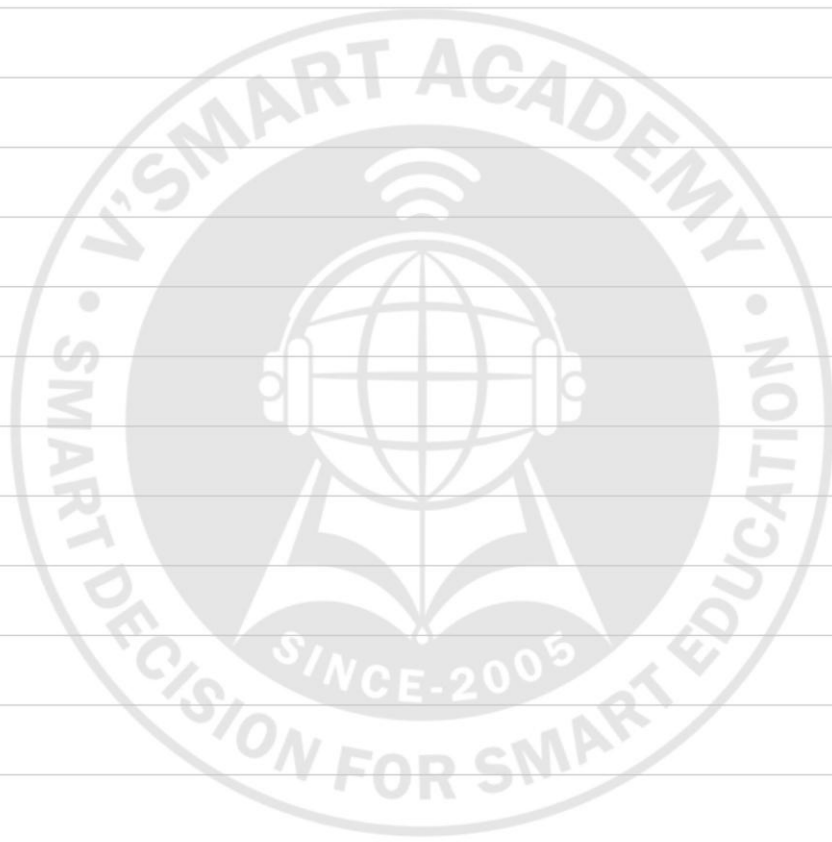
$$\begin{array}{r} \text{Rem. \cancel{Z}/L For} \\ \text{Identifiable} \\ \text{Assets} \end{array} = \underline{\underline{913}}$$

Step 5:- Revised CA of Identifiable Asset = 3120
(4033 - 913)

90X6 Reversed



V'Smart Academy



V'Smart Academy