

AASB 136 Impairment of Assets vs. IFRS for SMEs Section 27 Impairment of Assets

1. Executive Summary

Main differences in recognition, measurement or presentation requirements

Scope

Inventories are within the scope of section 27 of the *IFRS for SMEs* but are not within the scope of AASB 136.

Estimated useful lives

Goodwill and intangible assets are considered to always have finite lives under the *IFRS for SMEs*. Such assets are amortised over their estimated useful lives, with a maximum amortisation period of ten years. Under full IFRSs as adopted in Australia goodwill and some intangible assets can have indefinite lives.

Disclosure proposals

It is proposed to exclude paragraphs 130,131,132, 133, 134, 135,136 and 137 from the Reduced Disclosure Regime (RDR).

2. Analysis of disclosure requirements

Text in AASB 136 <i>Impairment of Assets</i>	Text in <i>IFRS for SMEs</i> Section 27 <i>Impairment of Assets</i>	Comment
<p>Disclosure</p> <p>126. An entity shall disclose the following for each class of assets:</p> <p>(a) the amount of impairment losses recognised in profit or loss during the period and the line item(s) of the income statement in which those impairment losses are included;</p> <p>(b) the amount of reversals of impairment losses recognised in profit or loss during the period and the line item(s) of the income statement in which those impairment losses are reversed;</p> <p>(c) the amount of impairment losses on revalued assets recognised in other comprehensive income during the period; and</p> <p>(d) the amount of reversals of impairment losses on revalued assets recognised in other comprehensive income during the period.</p> <p>127. A class of assets is a grouping of assets of similar nature and use in an entity's operations.</p>	<p>Disclosure</p> <p>27.32 An entity shall disclose the following for each class of assets indicated in paragraph 27.33:</p> <p>(a) the amount of impairment losses recognised in profit or loss during the period and the line item(s) in the statement of comprehensive income (and in the income statement, if presented) in which those impairment losses are included.</p> <p>(b) the amount of reversals of impairment losses recognised in profit or loss during the period and the line item(s) in the statement of comprehensive income (and in the income statement, if presented) in which those impairment losses are reversed.</p> <p>27.33 An entity shall disclose the information required by paragraph 27.32 for each of the following classes of asset: (#)</p> <p>(a) inventories.</p> <p>(b) property, plant and equipment (including investment property accounted for by the cost method).</p> <p>(c) goodwill.</p> <p>(d) intangible assets other than goodwill.</p> <p>(e) investments in associates.</p> <p>(f) investments in joint ventures.</p>	<p>Paragraphs 126(a) and 126(b) and paragraph 27.32(a) and 27.32(b) of the <i>IFRS for SMEs</i> correspond. Paragraphs 126(a) and 126(b) should be retained in the RDR.</p> <p>Paragraphs 126(c) and 126(d) have no equivalents in the <i>IFRS for SMEs</i> because no revaluation of property, plant and equipment and intangible assets is allowed under the <i>IFRS for SMEs</i>. Based on paragraph IN5 of this Appendix, paragraphs 126(c) and 126(d) should be retained in the RDR.</p> <p>Paragraph 127 is guidance relating to paragraph 126 which is retained in the RDR. Based on the reasoning in paragraph IN7 of this Appendix, paragraph 127 should be retained in the RDR.</p>

Text in AASB 136 <i>Impairment of Assets</i>	Text in <i>IFRS for SMEs</i> Section 27 <i>Impairment of Assets</i>	Comment
<p>128. The information required in paragraph 126 may be presented with other information disclosed for the class of assets. For example, this information may be included in a reconciliation of the carrying amount of property, plant and equipment, at the beginning and end of the period, as required by AASB 116.</p>		<p>Paragraph 128 is guidance relating to paragraph 126 which is retained in the RDR. Based on the reasoning in paragraph IN7 of this Appendix, paragraph 128 should be retained in the RDR.</p>
<p>129. An entity that reports segment information in accordance with AASB 8 shall disclose the following for each reportable segment:</p> <ul style="list-style-type: none"> (a) the amount of impairment losses recognised in profit or loss and in other comprehensive income during the period; and (b) the amount of reversals of impairment losses recognised in profit or loss and in other comprehensive income during the period. 		<p>Paragraph 129 has no equivalent in the <i>IFRS for SMEs</i> because the <i>IFRS for SMEs</i> does not address operating segments. However, under the RDR if an entity elects to report segment information it should apply AASB 8 in full. Accordingly, paragraph 129 should be retained in the RDR to cater for those entities that make such an election.</p>
<p>130. An entity shall disclose the following for each material impairment loss recognised or reversed during the period for an individual asset, including goodwill, or a cash-generating unit:</p> <ul style="list-style-type: none"> (a) the events and circumstances that led to the recognition or reversal of the impairment loss; (b) the amount of the impairment loss recognised or reversed; and (c) for an individual asset: <ul style="list-style-type: none"> (i) the nature of the asset; and (ii) if the entity reports segment information in accordance with AASB 8, the reportable segment to which the 		<p>Paragraph 130 has no equivalent in the <i>IFRS for SMEs</i> and, based on the reasoning in paragraph IN3 of this Appendix, should be excluded from the RDR.</p>

Text in AASB 136 <i>Impairment of Assets</i>	Text in <i>IFRS for SMEs</i> Section 27 <i>Impairment of Assets</i>	Comment
<p>asset belongs;</p> <p>(d) for a cash generating unit:</p> <p>(i) a description of the cash generating unit (such as whether it is a product line, a plant, a business operation, a geographical area, or a reportable segment as defined in AASB 8);</p> <p>(ii) the amount of the impairment loss recognised or reversed by class of assets and, if the entity reports segment information in accordance with AASB 8, by reportable segment; and</p> <p>(iii) if the aggregation of assets for identifying the cash-generating unit has changed since the previous estimate of the cash-generating unit’s recoverable amount (if any), a description of the current and former way of aggregating assets and the reasons for changing the way the cash-generating unit is identified; and</p> <p>(e) whether the recoverable amount of the asset (cash-generating unit) is its fair value less costs to sell or its value in use;</p> <p>(f) if recoverable amount is fair value less costs to sell, the basis used to determine fair value less costs to sell (such as whether fair value was determined by reference to an active market); and</p> <p>(g) if recoverable amount is value in use, the</p>		

Text in AASB 136 <i>Impairment of Assets</i>	Text in <i>IFRS for SMEs</i> Section 27 <i>Impairment of Assets</i>	Comment
<p>discount rate(s) used in the current estimate and previous estimate (if any) of value in use.</p>		
<p>131. An entity shall disclose the following information for the aggregate impairment losses and the aggregate reversals of impairment losses recognised during the period for which no information is disclosed in accordance with paragraph 130:</p> <p>(a) the main classes of assets affected by impairment losses and the main classes of assets affected by reversals of impairment losses; and</p> <p>(b) the main events and circumstances that led to the recognition of these impairment losses and reversals of impairment losses.</p>		<p>Paragraph 131 has no equivalent in the <i>IFRS for SME</i> (and relates to paragraph 130 which is excluded from the RDR). Based on the reasoning in paragraph IN3 of this Appendix, paragraph 131 should be excluded from the RDR.</p>
<p>132. An entity is encouraged to disclose assumptions used to determine the recoverable amount of assets (cash-generating units) during the period. However, paragraph 134 requires an entity to disclose information about the estimates used to measure the recoverable amount of a cash-generating unit when goodwill or an intangible asset with an indefinite useful life is included in the carrying amount of that unit.</p>		<p>Paragraph 132 has no equivalent in the <i>IFRS for SMEs</i> and encourages disclosures. Based on paragraphs IN3 and IN8 of this Appendix, paragraph 132 should be excluded from the RDR.</p>
<p>133. If, in accordance with paragraph 84, any portion of the goodwill acquired in a business combination during the period has not been allocated to a cash-generating unit (group of units) at the reporting date, the amount of the unallocated goodwill shall be disclosed together with the reasons why that amount remains unallocated.</p>		<p>Paragraph 133 has no equivalent in the <i>IFRS for SMEs</i> and, based on the reasoning in paragraph IN3 of this Appendix, should be excluded from the RDR.</p>
<p>Estimates used to Measure Recoverable Amounts of Cash – generating Units Containing Goodwill or Intangible Assets</p>		<p>Paragraphs 134 and 135 have no equivalents in the <i>IFRS for SMEs</i> due to a recognition</p>

Text in AASB 136 <i>Impairment of Assets</i>	Text in <i>IFRS for SMEs</i> Section 27 <i>Impairment of Assets</i>	Comment
<p>with Indefinite Useful Lives</p> <p>134. An entity shall disclose the information required by (a)-(f) for each cash-generating unit (group of units) for which the carrying amount of goodwill or intangible assets with indefinite useful lives allocated to that unit (group of units) is significant in comparison with the entity’s total carrying amount of goodwill or intangible assets with indefinite useful lives:</p> <ul style="list-style-type: none"> (a) the carrying amount of goodwill allocated to the unit (group of units); (b) the carrying amount of intangible assets with indefinite useful lives allocated to the unit (group of units); (c) the basis on which the unit’s (group of units’) recoverable amount has been determined (i.e. value in use or fair value less costs to sell); (d) if the unit’s (group of units’) recoverable amount is based on value in use: <ul style="list-style-type: none"> (i) a description of each key assumption on which management has based its cash flow projections for the period covered by the most recent budgets/forecasts. Key assumptions are those to which the unit’s (group of units’) recoverable amount is most sensitive; (ii) a description of management’s approach to determining the value(s) assigned to each key assumption, whether those value(s) reflect past 		<p>and measurement difference, namely under the <i>IFRS for SMEs</i> no assets are presumed to have an indefinite life. Based on paragraph IN5 of this Appendix, paragraphs 134 and 135 should be excluded from the RDR.</p> <p>Paragraphs 136 and 137 are guidance relating to paragraphs 134 and 135 which are excluded from the RDR. Based on paragraph IN7 of this Appendix, paragraphs 136 and 137 should be excluded from the RDR.</p>

Text in AASB 136 <i>Impairment of Assets</i>	Text in <i>IFRS for SMEs</i> Section 27 <i>Impairment of Assets</i>	Comment
<p>experience or, if appropriate, are consistent with external sources of information, and, if not, how and why they differ from past experience or external sources of information;</p> <p>(iii) the period over which management has projected cash flows based on financial budgets/forecasts approved by management and, when a period greater than five years is used for a cash-generating unit (group of units), an explanation of why that longer period is justified;</p> <p>(iv) the growth rate used to extrapolate cash flow projections beyond the period covered by the most recent budgets/forecasts, and the justification for using any growth rate that exceeds the long-term average growth rate for the products, industries, or country or countries in which the entity operates, or for the market to which the unit (group of units) is dedicated; and</p> <p>(v) the discount rate(s) applied to the cash flow projections;</p> <p>(e) if the unit's (group of units') recoverable amount is based on fair value less costs to sell, the methodology used to determine fair value less costs to sell. If fair value less costs to sell is not determined using an observable market price for the unit (group of units), the</p>		

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<p>following information shall also be disclosed:</p> <ul style="list-style-type: none"> (i) a description of each key assumption on which management has based its determination of fair value less costs to sell. Key assumptions are those to which the unit's (group of units') recoverable amount is most sensitive. (ii) a description of management's approach to determining the value (or values) assigned to each key assumption, whether those values reflect past experience or, if appropriate, are consistent with external sources of information, and, if not, how and why they differ from past experience or external sources of information. <p>If fair value less costs to sell is determined using discounted cash flow projections, the following information shall also be disclosed:</p> <ul style="list-style-type: none"> (iii) the period over which management has projected cash flows; (iv) the growth rate used to extrapolate cash flow projections; (v) the discount rate(s) applied to the cash flow projections; <ul style="list-style-type: none"> (f) if a reasonably possible change in a key assumption on which management has based its determination of the unit's (group of units') recoverable amount would cause the unit's (group of units') carrying amount to exceed its 		

Text in AASB 136 <i>Impairment of Assets</i>	Text in <i>IFRS for SMEs</i> Section 27 <i>Impairment of Assets</i>	Comment
<p>recoverable amount:</p> <ul style="list-style-type: none"> (i) the amount by which the unit's (group of units') recoverable amount exceeds its carrying amount; (ii) the value assigned to the key assumption; and (iii) the amount by which the value assigned to the key assumption must change, after incorporating any consequential effects of that change on the other variables used to measure recoverable amount, in order for the unit's (group of units') recoverable amount to be equal to its carrying amount. <p>135. If some or all of the carrying amount of goodwill or intangible assets with indefinite useful lives is allocated across multiple cash-generating units (groups of units), and the amount so allocated to each unit (group of units) is not significant in comparison with the entity's total carrying amount of goodwill or intangible assets with indefinite useful lives, that fact shall be disclosed, together with the aggregate carrying amount of goodwill or intangible assets with indefinite useful lives allocated to those units (groups of units). In addition, if the recoverable amounts of any of those units (groups of units) are based on the same key assumption(s) and the aggregate carrying amount of goodwill or intangible assets with indefinite useful lives allocated to them is significant in comparison with the entity's total carrying amount of goodwill or intangible assets with indefinite useful</p>		

Text in AASB 136 <i>Impairment of Assets</i>	Text in <i>IFRS for SMEs</i> Section 27 <i>Impairment of Assets</i>	Comment
<p>lives, an entity shall disclose that fact, together with:</p> <ul style="list-style-type: none"> (a) the aggregate carrying amount of goodwill allocated to those units (groups of units); (b) the aggregate carrying amount of intangible assets with indefinite useful lives allocated to those units (groups of units); (c) a description of the key assumption(s); (d) a description of management’s approach to determining the value(s) assigned to the key assumption(s), whether those value(s) reflect past experience or, if appropriate, are consistent with external sources of information, and, if not, how and why they differ from past experience or external sources of information; (e) if a reasonably possible change in the key assumption(s) would cause the aggregate of the units’ (groups of units’) carrying amounts to exceed the aggregate of their recoverable amounts: <ul style="list-style-type: none"> (i) the amount by which the aggregate of the units’ (groups of units’) recoverable amounts exceeds the aggregate of their carrying amounts; (ii) the value(s) assigned to the key assumption(s); and (iii) the amount by which the value(s) assigned to the key assumption(s) must change, after incorporating any consequential effects of the change on 		

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<p style="text-align: center;">the other variables used to measure recoverable amount, in order for the aggregate of the units' (groups of units') recoverable amounts to be equal to the aggregate of their carrying amounts.</p> <p>136. The most recent detailed calculation made in a preceding period of the recoverable amount of a cash-generating unit (group of units) may, in accordance with paragraph 24 or 99, be carried forward and used in the impairment test for that unit (group of units) in the current period provided specified criteria are met. When this is the case, the information for that unit (group of units) that is incorporated into the disclosures required by paragraphs 134 and 135 relate to the carried forward calculation of recoverable amount.</p> <p>137. Illustrative Example 9 illustrates the disclosures required by paragraphs 134 and 135.</p>		

3. AASB 136 *Impairment of Assets*: Text of Proposed Disclosures

The following are the disclosure requirements of AASB 136 *Impairment of Assets*, showing requirements from which it is proposed entities applying the RDR should be exempt as shaded text.

Disclosure

126. An entity shall disclose the following for each class of assets:

- (a) the amount of impairment losses recognised in profit or loss during the period and the line item(s) of the income statement in which those impairment losses are included;
- (b) the amount of reversals of impairment losses recognised in profit or loss during the period and the line item(s) of the income statement in which those impairment losses are reversed;
- (c) the amount of impairment losses on revalued assets recognised in other comprehensive income during the period; and
- (d) the amount of reversals of impairment losses on revalued assets recognised in other comprehensive income during the period.

127. A class of assets is a grouping of assets of similar nature and use in an entity's operations.

128. The information required in paragraph 126 may be presented with other information disclosed for the class of assets. For example, this information may be included in a reconciliation of the carrying amount of property, plant and equipment, at the beginning and end of the period, as required by AASB 116.

129. An entity that reports segment information in accordance with AASB 8 shall disclose the following for each reportable segment:

- (a) the amount of impairment losses recognised in profit or loss and in other comprehensive income during the period; and
- (b) the amount of reversals of impairment losses recognised in profit or loss and in other comprehensive income during the period.

130. An entity shall disclose the following for each material impairment loss recognised or reversed during the period for an individual asset, including goodwill, or a cash-generating unit:

- (a) the events and circumstances that led to the recognition or reversal of the impairment loss;
- (b) the amount of the impairment loss recognised or reversed; and
- (c) for an individual asset:
 - (i) the nature of the asset; and
 - (ii) if the entity reports segment information in accordance with AASB 8, the reportable segment to which the asset belongs;
- (d) for a cash generating unit:

- (i) a description of the cash generating unit (such as whether it is a product line, a plant, a business operation, a geographical area, or a reportable segment as defined in AASB 8);
- (ii) the amount of the impairment loss recognised or reversed by class of assets and, if the entity reports segment information in accordance with AASB 8, by reportable segment; and
- (iii) if the aggregation of assets for identifying the cash-generating unit has changed since the previous estimate of the cash-generating unit's recoverable amount (if any), a description of the current and former way of aggregating assets and the reasons for changing the way the cash-generating unit is identified; and

- (e) whether the recoverable amount of the asset (cash-generating unit) is its fair value less costs to sell or its value in use;
- (f) if recoverable amount is fair value less costs to sell, the basis used to determine fair value less costs to sell (such as whether fair value was determined by reference to an active market); and
- (g) if recoverable amount is value in use, the discount rate(s) used in the current estimate and previous estimate (if any) of value in use.

131. An entity shall disclose the following information for the aggregate impairment losses and the aggregate reversals of impairment losses recognised during the period for which no information is disclosed in accordance with paragraph 130:

- (a) the main classes of assets affected by impairment losses and the main classes of assets affected by reversals of impairment losses; and
- (b) the main events and circumstances that led to the recognition of these impairment losses and reversals of impairment losses.

132. An entity is encouraged to disclose assumptions used to determine the recoverable amount of assets (cash-generating units) during the period. However, paragraph 134 requires an entity to disclose information about the estimates used to measure the recoverable amount of a cash-generating unit when goodwill or an intangible asset with an indefinite useful life is included in the carrying amount of that unit.

133. If, in accordance with paragraph 84, any portion of the goodwill acquired in a business combination during the period has not been allocated to a cash-generating unit (group of units) at the reporting date, the amount of the unallocated goodwill shall be disclosed together with the reasons why that amount remains unallocated.

Estimates used to Measure Recoverable Amounts of Cash – generating Units Containing Goodwill or Intangible Assets with Indefinite Useful Lives

134. An entity shall disclose the information required by (a)-(f) for each cash-generating unit (group of units) for which the carrying amount of goodwill or intangible assets with indefinite useful lives allocated to that unit (group of units) is significant in comparison with the entity's total carrying amount of goodwill or intangible assets with indefinite useful lives:

- (a) the carrying amount of goodwill allocated to the unit (group of units);

- (b) the carrying amount of intangible assets with indefinite useful lives allocated to the unit (group of units);**
 - (c) the basis on which the unit's (group of units') recoverable amount has been determined (i.e. value in use or fair value less costs to sell);**
 - (d) if the unit's (group of units') recoverable amount is based on value in use:**
 - (i) a description of each key assumption on which management has based its cash flow projections for the period covered by the most recent budgets/forecasts. Key assumptions are those to which the unit's (group of units') recoverable amount is most sensitive;**
 - (ii) a description of management's approach to determining the value(s) assigned to each key assumption, whether those value(s) reflect past experience or, if appropriate, are consistent with external sources of information, and, if not, how and why they differ from past experience or external sources of information;**
 - (iii) the period over which management has projected cash flows based on financial budgets/forecasts approved by management and, when a period greater than five years is used for a cash-generating unit (group of units), an explanation of why that longer period is justified;**
 - (iv) the growth rate used to extrapolate cash flow projections beyond the period covered by the most recent budgets/forecasts, and the justification for using any growth rate that exceeds the long-term average growth rate for the products, industries, or country or countries in which the entity operates, or for the market to which the unit (group of units) is dedicated; and**
 - (v) the discount rate(s) applied to the cash flow projections;**
 - (e) if the unit's (group of units') recoverable amount is based on fair value less costs to sell, the methodology used to determine fair value less costs to sell. If fair value less costs to sell is not determined using an observable market price for the unit (group of units), the following information shall also be disclosed:**
 - (i) a description of each key assumption on which management has based its determination of fair value less costs to sell. Key assumptions are those to which the unit's (group of units') recoverable amount is most sensitive.**
 - (ii) a description of management's approach to determining the value (or values) assigned to each key assumption, whether those values reflect past experience or, if appropriate, are consistent with external sources of information, and, if not, how and why they differ from past experience or external sources of information.**
- If fair value less costs to sell is determined using discounted cash flow projections, the following information shall also be disclosed:**
- (iii) the period over which management has projected cash flows;**
 - (iv) the growth rate used to extrapolate cash flow projections;**
 - (v) the discount rate(s) applied to the cash flow projections;**

- (f) if a reasonably possible change in a key assumption on which management has based its determination of the unit's (group of units') recoverable amount would cause the unit's (group of units') carrying amount to exceed its recoverable amount:
- (i) the amount by which the unit's (group of units') recoverable amount exceeds its carrying amount;
 - (ii) the value assigned to the key assumption; and
 - (iii) the amount by which the value assigned to the key assumption must change, after incorporating any consequential effects of that change on the other variables used to measure recoverable amount, in order for the unit's (group of units') recoverable amount to be equal to its carrying amount.

135. If some or all of the carrying amount of goodwill or intangible assets with indefinite useful lives is allocated across multiple cash-generating units (groups of units), and the amount so allocated to each unit (group of units) is not significant in comparison with the entity's total carrying amount of goodwill or intangible assets with indefinite useful lives, that fact shall be disclosed, together with the aggregate carrying amount of goodwill or intangible assets with indefinite useful lives allocated to those units (groups of units). In addition, if the recoverable amounts of any of those units (groups of units) are based on the same key assumption(s) and the aggregate carrying amount of goodwill or intangible assets with indefinite useful lives allocated to them is significant in comparison with the entity's total carrying amount of goodwill or intangible assets with indefinite useful lives, an entity shall disclose that fact, together with:

- (a) the aggregate carrying amount of goodwill allocated to those units (groups of units);
- (b) the aggregate carrying amount of intangible assets with indefinite useful lives allocated to those units (groups of units);
- (c) a description of the key assumption(s);
- (d) a description of management's approach to determining the value(s) assigned to the key assumption(s), whether those value(s) reflect past experience or, if appropriate, are consistent with external sources of information, and, if not, how and why they differ from past experience or external sources of information;
- (e) if a reasonably possible change in the key assumption(s) would cause the aggregate of the units' (groups of units') carrying amounts to exceed the aggregate of their recoverable amounts:
 - (i) the amount by which the aggregate of the units' (groups of units') recoverable amounts exceeds the aggregate of their carrying amounts;
 - (ii) the value(s) assigned to the key assumption(s); and
 - (iii) the amount by which the value(s) assigned to the key assumption(s) must change, after incorporating any consequential effects of the change on the other variables used to measure recoverable amount, in order for the aggregate of the units' (groups of units') recoverable amounts to be equal to the aggregate of their carrying amounts.

136. The most recent detailed calculation made in a preceding period of the recoverable amount of a cash-generating unit (group of units) may, in accordance with paragraph 24 or 99, be carried forward and used in the impairment test for that unit (group of units) in the current period provided specified criteria are met. When this is the case, the information for that unit (group of units) that is incorporated into the disclosures required by paragraphs 134 and 135 relate to the carried forward calculation of recoverable amount.
137. Illustrative Example 9 illustrates the disclosures required by paragraphs 134 and 135.