

IFRS in Focus

Amendments to IAS 36 – recoverable amount disclosures

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This edition of IFRS in Focus outlines the recent amendments to the recoverable amount disclosures required by IAS 36 *Impairment of Assets*.

The Bottom Line

- The amendments to IAS 36 restrict the requirement to disclose the recoverable amount of an asset or CGU to periods in which an impairment loss has been recognised or reverses.
- They also expand and clarify the disclosure requirements applicable when an asset or CGU's recoverable amount has been determined on the basis of fair value less costs of disposal.
- The amendments are effective from 1 January 2014.

Why has this amendment been issued?

In issuing IFRS 13 *Fair Value Measurement*, the International Accounting Standards Board (IASB) made some consequential amendments to the disclosure requirements in IAS 36. Those changes had a broader impact than the IASB had intended.

In particular, introducing a requirement to disclose in every reporting period the recoverable amount of each cash-generating unit (CGU) or group of units to which a significant portion of the overall carrying amount of goodwill (or other intangible assets with indefinite useful lives) had been allocated. The IASB had intended to limit such disclosures to reporting periods in which an impairment loss was recognised or reversed. They also wanted to maintain broadly consistent disclosure requirements for recoverable amounts based on fair value less costs of disposal and those based on value in use.

In January 2013, the IASB published exposure draft ED/2013/1 *Recoverable Amount Disclosures for Non-Financial Assets* (Proposed Amendments to IAS 36). That due process is now complete and the IASB has issued amendments to IAS 36 to clarify their intended disclosures requirements.

For more information please see the following websites:

www.iasplus.com

www.deloitte.com

Observation

Although not formally part of the due process for this round of amendments, the IASB decided to incorporate a further change to IAS 36 arising from Exposure Draft ED/2012/1 *Annual Improvements to IFRSs 2010-2012 Cycle*. That amendment requires an entity to disclose discount rates that have been used in current and previous measurements of the recoverable amount of impaired assets based on fair value less costs of disposal using a present value technique.

What disclosure requirements change?

In addition to removing the requirement to disclose recoverable amounts when there has been no impairment or reversal of impairment, the amendments require the following disclosures (in addition to the others already required by IAS 36) when an impairment is recognised or reversed and recoverable amount is based on fair value less costs of disposal:

- The level of the IFRS 13 'fair value hierarchy' within which the fair value measurement of the asset or CGU has been determined.
- For fair value measurements at Level 2 or Level 3 of the fair value hierarchy:
 - A description of the valuation techniques used and any changes in that valuation technique.
 - key assumptions used in the measurement of fair value, including the discount rate(s) used in the current measurement and previous measure if fair value less costs of disposal is measured using a present value technique.

The disclosure requirements for impairments and reversals based on the value in use of an asset or CGU have not been amended.

Observation

The disclosure requirements in IAS 36 regarding fair value measurement have now been aligned with those under US GAAP for impaired assets. Although IFRS and US GAAP employ different impairment models, the IASB notes in their Basis for Conclusions that the alignment in the information disclosed would improve comparability between financial statements prepared under IFRS and US GAAP.

When do the new requirements apply?

The amendment applies retrospectively to annual reporting periods beginning on or after 1 January 2014.

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