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IFRS Global office
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IFRS in Focus
IASB proposes limited scope amendments to IAS 36

Contents

The Bottom Line

- The proposals would narrow the application of the requirement to disclose the recoverable amount of an asset or CGU and expand and clarify the disclosure requirements when an asset or CGU's recoverable amount has been determined on the basis of fair value less costs of disposal.
- The proposed amendments would apply retrospectively for annual periods beginning on or after 1 January 2014.
- Comments on the proposals are due by 19 March 2013.

Introduction

In January 2013, the International Accounting Standards Board (IASB) published exposure draft ED/2013/1 *Recoverable Amount Disclosures for Non-Financial Assets* (Proposed Amendments to IAS 36) ('the ED') proposing changes to the disclosure requirements in IAS 36 *Impairment of Assets* on the impairment of non-financial assets.

IFRS 13 *Fair Value Measurement*, issued in May 2011 and effective for annual periods beginning 1 January 2013, made consequential amendments to the disclosure requirements in IAS 36 related to measurement of the recoverable amount of impaired assets. It recently came to the IASB's attention that some of the amendments made to IAS 36 have resulted in the requirements applying more broadly than the IASB intended. Specifically, the consequential amendments to IAS 36 introduced a requirement to disclose the recoverable amount of each cash-generating unit (CGU) to which a significant portion of the overall carrying amount of goodwill or intangible assets with indefinite useful lives has been allocated regardless of whether an impairment loss has been recognised in respect of that unit in the current period. However, the IASB's intention was that disclosure would only be required for the recoverable amount of an asset for which an impairment loss was recognised or reversed during the reporting period.

For more information please see the following websites:

www.iasplus.com

www.deloitte.com

The proposals

The ED sets out proposals to amend IAS 36 to remove this requirement for all CGUs, and instead require the disclosure of the determined recoverable amount only where an impairment loss was recognised or reversed during the reporting period. The ED also proposes the introduction of additional disclosures about fair value measurements when the recoverable amount is determined based on fair value less costs of disposal. The following changes would be made to IAS 36:

- only requiring disclosure of the recoverable amount of an asset or CGU when an impairment loss has been recognised or reversed during the period; and

- requiring disclosure of how the fair value less costs of disposal has been measured when an impairment loss has been recognised or reversed. Disclosures would mirror the required disclosures when an asset or CGU's recoverable amount has been determined on the basis of value in use, including:

  – the valuation techniques used and any changes in that valuation technique;

  – the level of the IFRS 13 'fair value hierarchy' within which the fair value measurement of the asset or CGU has been determined; and

  – for fair value measurements in Levels 2 and 3 of the IFRS 13 'fair value hierarchy', key assumptions used in the measurement of fair value, including an explicit requirement to include the discount rate used if a present value technique has been used.

Observation

The proposals are intended to provide equivalent levels of disclosure on recoverable amount regardless of whether that amount has been determined on the basis of fair value less costs of disposal or value in use. The proposals would also align the IFRS disclosure requirements related to fair value measurement with US GAAP.

Effective date and comment period

The ED proposes that the amendments, if finalised, should be applied retrospectively for annual periods beginning on or after 1 January 2014. Earlier application is proposed to be permitted when an entity also applies IFRS 13.

Comments on the ED are due by 19 March 2013.

Observation

The ED has a 60 day comment period – shorter than many recent exposure drafts – as the IASB considers the issue to be urgent (as IFRS 13 is effective from 1 January 2013). Following necessary due process procedures, the IASB intends to issue a final amendment during the second quarter of 2013.

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