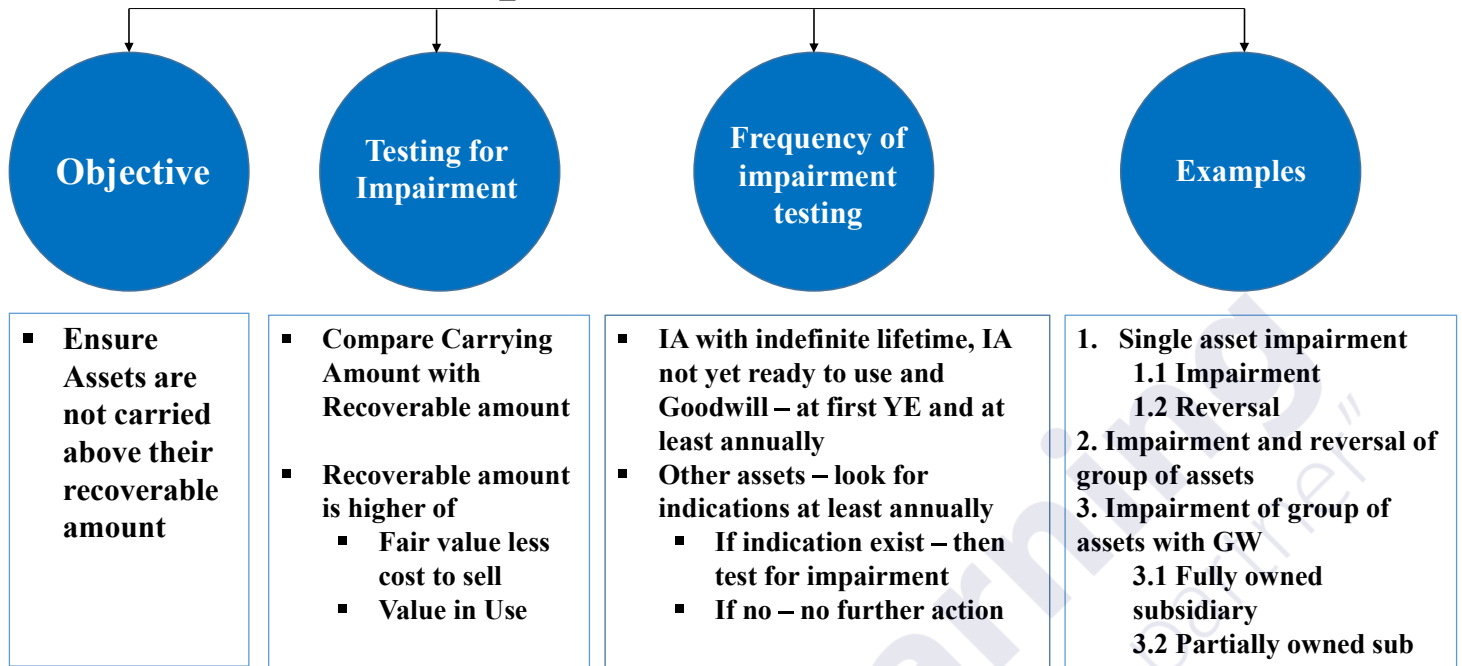


# LKAS 36 : Impairment of Assets

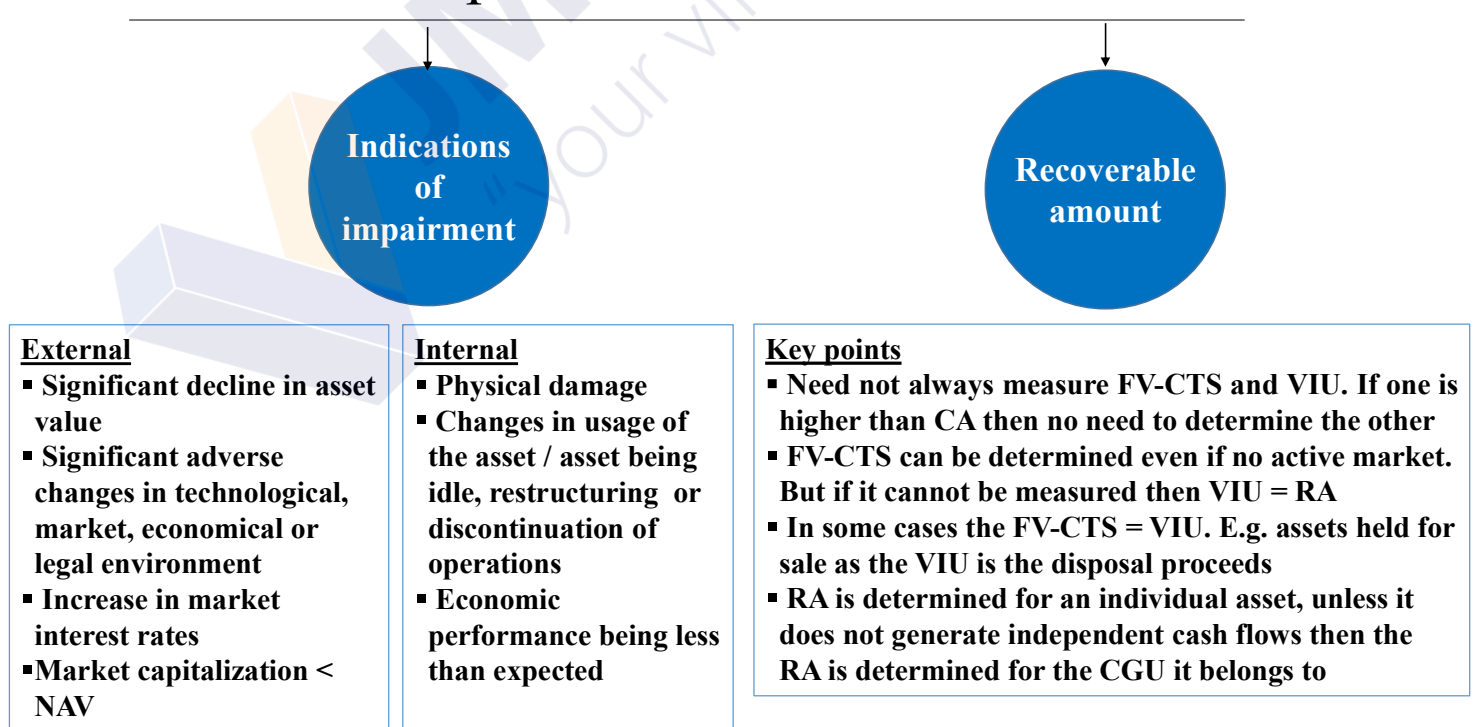
## Chartered Accountancy Strategic Level Advanced Business Reporting (ABR)

Imraz Iqbal  
FCA, ACMA, MBA, ASA

# LKAS 36 Impairment of Assets - overview



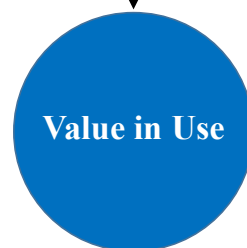
# LKAS 36 Impairment of Assets - Discussion



# LKAS 36 Impairment of Assets - Discussion



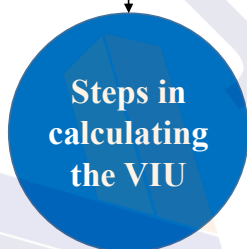
- FV is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date
- Cost of disposals include,
  - Legal, stamp duty and similar transaction cost / Cost of removing the asset / Incremental cost incurred to bring the asset to a saleable condition
  - Doesn't include termination benefits and cost related to reorganizing a business after disposal



- Following to be included in VIU calculation
- Estimate of FCF expected from the asset
  - Expectation on the possible variation on amount and timing of those CF
  - Time value of money represented by current market risk free rate of interest
  - the price for bearing the uncertainty of the asset
  - other factors, such as illiquidity, that market participants would reflect in pricing the future cash flows the entity expects to derive from the asset.

Can be adjusted to either CF or DF

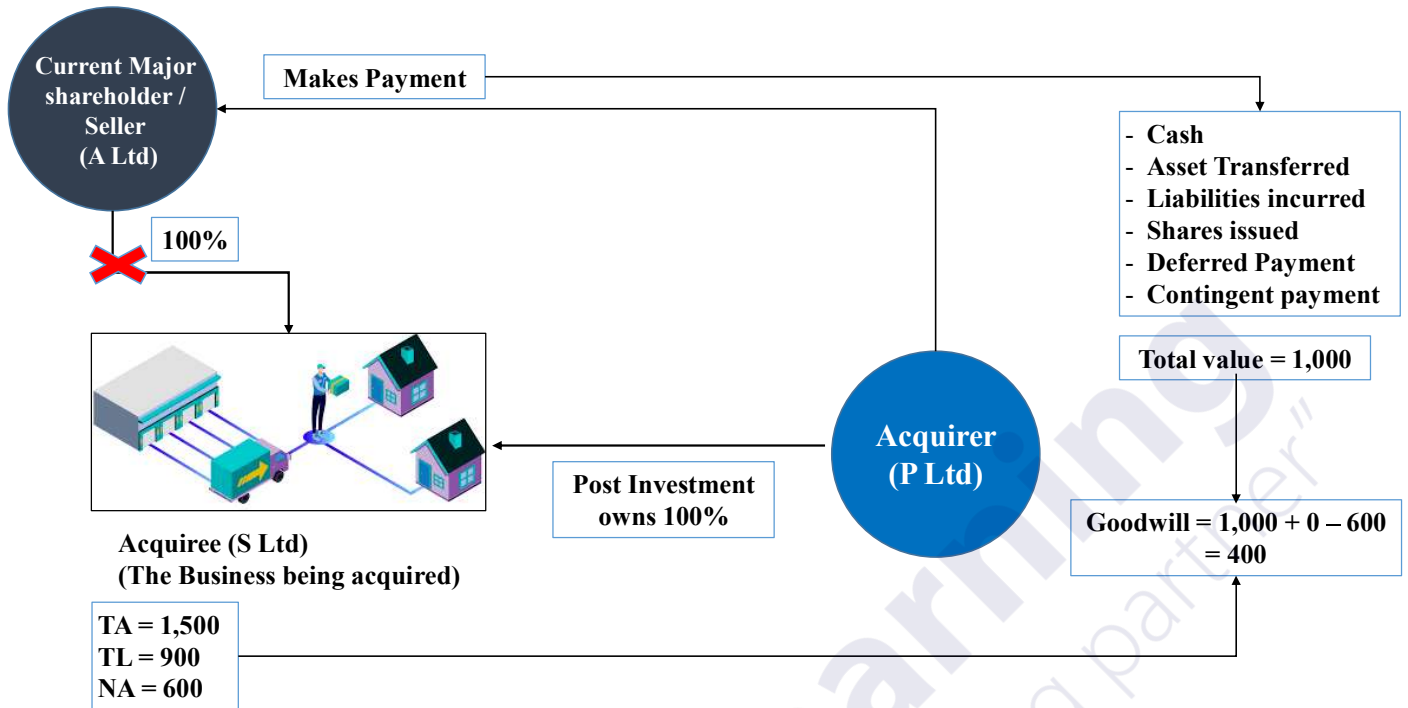
# LKAS 36 Impairment of Assets - Discussion



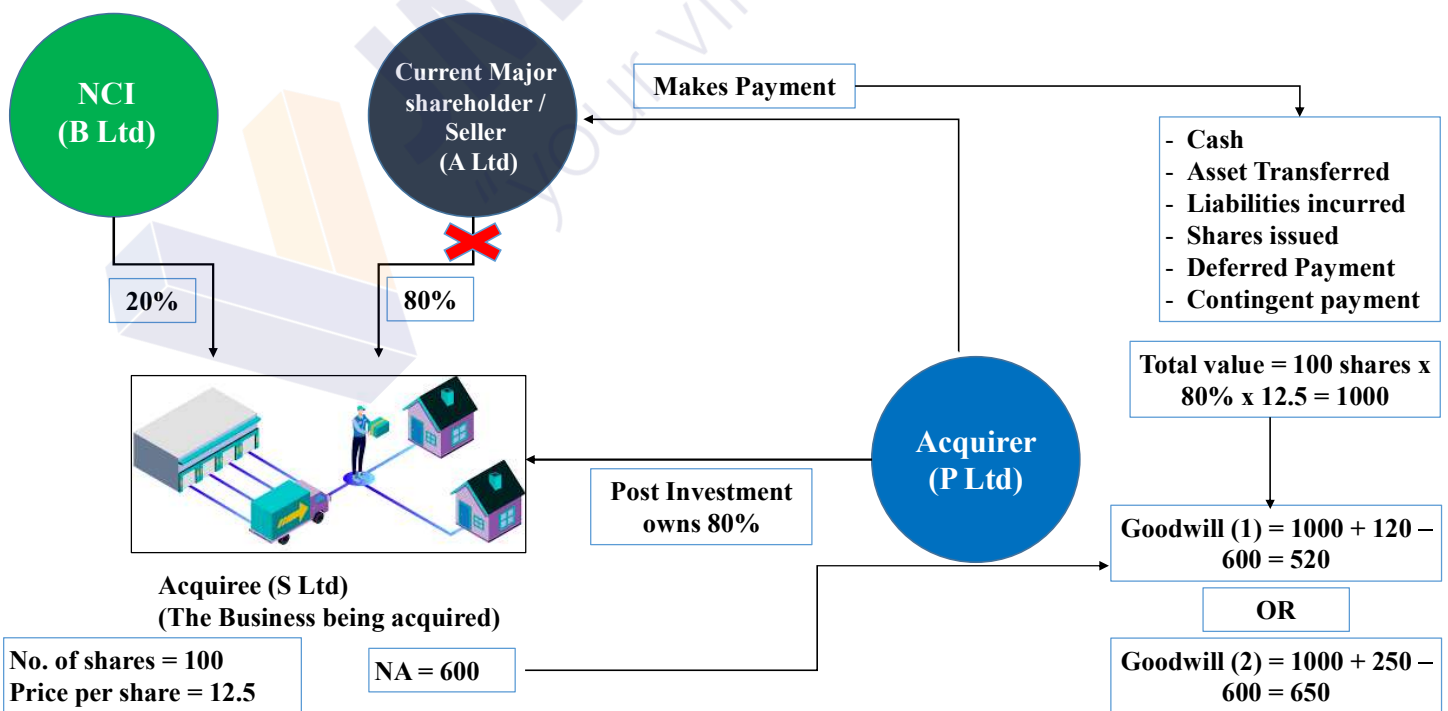
- 1.) Estimate the future cash inflows and outflows from continuing to use the asset.
- 2.) Estimate the FCF to be derived by disposing the asset
- 3.) Apply appropriate discount rate to those FCF



# Goodwill Calculation Illustration



# Goodwill Calculation Illustration



# Goodwill Calculation Illustration

## PARTIAL Goodwill Method

Investment = 1,000

+

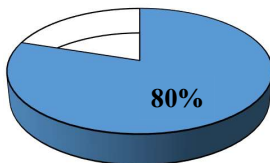
NCI = 600 x 20% = 120

(-)

NA = 600

=

Goodwill (1) = 1,000 + 120 - 600 = 520



## FULL Goodwill Method

Investment = 1,000

+

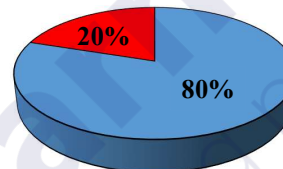
NCI = 100 shares x 20% x 12.5 = 250

(-)

NA = 600

=

Goodwill (2) = 1,000 + 250 - 600 = 650



JMC vLea...  
"your virtual learning partner"