This accounting policy paper is based on IPSAS 26 Impairment of Cash-Generating Assets, as adopted by the Treasury of the Republic of Cyprus.

Impairment of Cash Generating Assets

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TABLE OF CONTENTS

1. INTRODUCTION

1.1 PREAMBLE

Assets shall not be overstated in the statements of financial position, therefore, an asset's carrying amount shall not exceed its recoverable amount. If the reduction of value made through the depreciation/amortisation is not enough to keep the asset's value equal to its recoverable amount, an additional reduction in value is required to be recorded through the statement of financial position. This reduction in value is called impairment. Assets shall be impaired following the provisions of the Accounting Policy on Cash-generating Assets and the Accounting Policy on Non-cash-generating Assets. In order to determine which accounting policy should apply, an entity should determine the intention of holding an asset.

The Republic of Cyprus and other entities may hold assets with the intention to generate a commercial return, even though assets may not achieve that objective during a certain reporting period. These assets are classified as cash generating assets. On the contrary, an asset may be non-cash-generating even if it generated a commercial return during a particular reporting period.

Assets will generate a commercial return when the entity intends to generate positive cash flows from the asset similar to a profit-orientated entity and therefore the cash flows (or return) generated should reflect the risk involved in holding the asset. In other words, in addition to the primary intention to hold assets to generate cash flows the intention should also be to generate market related cash flows from that asset. To the extent that the cash flows are not market related, those cash flows are not representative of the risk involved in holding the asset.

IPSAS 26 Impairment of Cash Generating Assets defines cash generating assets as:

> Cash-generating assets are held with the primary objective of generating a commercial return.

Conversely, IPSAS 21 Impairment of Non-Cash Generating Assets, defines non-cash generating assets as:

> Non-cash generating assets are assets other than cash-generating assets.

1.2 OBJECTIVES

The objective of this accounting policy is to describe the procedures that an entity applies to determine whether a cash-generating asset is impaired, and the appropriate accounting treatment and disclosures on impaired assets. The aim of this policy is to provide technical accounting guidance for the preparation of financial statements, so as to enable them to give a true and fair view. The aforementioned policy is prepared following guidance from all relevant International Public Sector Accounting Standards (IPSASs).

1.3 SCOPE

This accounting policy applies to the accounting treatment of cash generating assets in the financial statements of the Republic of Cyprus and its consolidated entities, as these are defined in the relevant accounting policy, except:

a) Inventories that are within the scope of the Accounting Policy on Inventories;

b) Assets arising from Construction Contracts that are within the scope of the Accounting Policy on Construction Contracts;

c) Financial assets that are included in the scope of the Accounting Policy on Financial Instruments;

d) Investment Property that is measured using the fair value model, and is within the scope of the Accounting Policy on Property, Plant and Equipment;

e) Assets arising from employee benefits that are within the scope of the Accounting Policy on Employee Benefits;

f) Other cash-generating assets in respect of which accounting requirements for impairment are included in another accounting policy.

Investments in:

i. Controlled entities, as defined in the Accounting Policy on Consolidated Financial Statements;

ii. Associates, as defined in the Accounting Policy on Investments in Associates and Joint Ventures; and

iii. Joint arrangements, as defined in the Accounting Policy on Joint Arrangements,

are financial assets that are excluded from the scope of the Accounting Policy on Financial Instruments. Where such investments are in the nature of cash-generating assets, they are dealt with under this accounting policy. Where these assets are in the nature of non-cash-generating assets, they are dealt with the Accounting Policy on Non-Cash Generating Assets.

1.4 DEFINITIONS

The following terms are used in this accounting policy with the meanings specified:

A **cash-generating unit** is the smallest identifiable group of assets held with the primary objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

Recoverable amount is the higher of an asset's or a cash-generating unit's fair value less costs to sell and its value in use.

Value in use of a cash-generating asset is the present value of the estimated future cash flows expected to be derived from the continuing use of an asset and from its disposal at the end of its useful life.

Any other terms defined in other accounting policies that have been adopted by the government of the Republic of Cyprus, have the meaning presented in those accounting policies.

2. GENERAL

2.1 DETERMINE WHETHER THE ASSET IS A CASH OR NON-CASH GENERATING ASSET

Cash-generating assets are assets held with the **primary objective of generating a commercial return**. An asset generates a commercial return when it is deployed in a manner consistent with that adopted by a profit-oriented entity. Holding an asset to generate a commercial return indicates that an entity intends to generate positive cash inflows from the asset (or from the cash-generating unit of which the asset is a part), and earn a commercial return that reflects the risk involved in holding the asset.

Assets that are held with the **primary objective to provide public services** are **non-cash-generating assets** and therefore are subject to the provisions of the Accounting Policy On Non-Cash-Generating Assets.

An asset may be held with the primary objective of generating a commercial return, even though it does not meet that objective during a particular reporting period. Conversely, an asset may be a non-cash-generating asset, even though it may be breaking even or generating a commercial return during a particular reporting period.

There are cases where an asset is **used for cash generating purposes**, generating cash flows **and also used for non-cash-generating purposes**. The extent to which the asset is held with **the objective** of providing a commercial return **needs to be considered** to determine whether the entity should apply the provisions of the Accounting Policy on Non-Cash Generating Assets or the Accounting Policy on Cash-Generating Assets. The significance of both components (cash component and non-cash component of the asset) shall be evaluated.

In some cases, it **may be difficult to determine whether an asset's objective is to generate a commercial return**. In such cases it is necessary to **evaluate the significance of the cash flow**. In cases were an entity is still in doubt, whether an asset is a cash-generating asset or a non-cash-generating asset, it is presumed that the asset is a non-cash-generating asset, providing a public service objective, and shall be treated following the provisions of the Accounting Policy On Non-cash Generating Assets.

Impairment

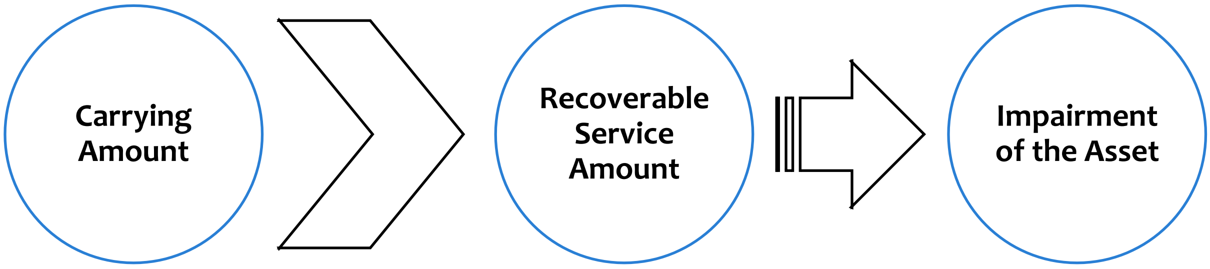
IPSAS 26, Impairment of Cash-Generating Assets defines impairment as:

> ***An impairment is a loss in the future economic benefits or service potential of an asset, <u>over and above</u> the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation or amortisation.***

Therefore, it reflects a decline in the future economic benefits or service potential embodied in an asset to the entity that controls it.

2.2 IDENTIFICATION OF WHETHER AN ASSET SHOULD BE TESTED FOR IMPAIRMENT

A cash generating asset is impaired when the carrying amount of the asset exceeds its recoverable service amount.



1. An entity shall assess at each reporting date whether there is any indication that an asset may be impaired. Paragraph 2.2.1 identifies key indications that a cash-generating asset may be impaired and an impairment loss may have occurred. If any such indication exists, the entity shall estimate the recoverable amount of the asset. If no indication of a potential impairment loss is present, the current accounting policy does not require an entity to make a formal estimate of recoverable amount.
2. Irrespective of whether there is any indication of impairment, an entity shall also:
   a) Test an intangible asset with an indefinite useful life or an intangible asset not yet available for use for impairment annually by comparing its carrying amount with its recoverable amount. This impairment test must be performed at least once a year within the last quarter of the reporting period.
   b) Test goodwill acquired in an acquisition for impairment annually in accordance with paragraphs 5.2.1 to 5.2.3.

2.2.1 KEY INDICATIONS FOR IMPAIRMENT

1. In assessing whether there is any indication that an asset may be impaired, an entity shall consider, as a minimum, the following indications:

   a. External sources of information

   i. During the period, an asset's market value has declined significantly more than expected as a result of the passage of time or normal use;
   ii. Significant changes with an adverse effect on the entity have taken place during the period, or will take place in the near future, market, economic or legal environment in which the entity operates or in the market to which an asset is dedicated;
   iii. Market interest rates or other market rates of return on investments have increased during the period, and those increases are likely to affect the discount rate used in calculating an asset's value in use and decrease the asset's recoverable amount materially.

   b. Internal sources of information

   i. Evidence is available of obsolescence or physical damage of an asset;
   ii. Significant changes with an adverse effect on the entity have taken place during the period, or are expected to take place in the near future, in the extent to which, or manner in which, an asset is used or is expected to be used. These changes include the asset becoming idle, plans to discontinue or restructure the operation to which an asset belongs, plans to dispose of an asset before the previously expected date and reassessing the useful life of an asset as finite rather than indefinite;
   iii. A decision to halt the construction of the asset before it is complete or in a usable condition; and
   iv. Evidence is available from internal reporting that indicates that the economic performance of an asset is, or will be, worse than expected.

2. The indications listed in paragraph 2.2.1(1) above, are not exhaustive. There may be other indications that an asset may be impaired. The existence of other indications of impairment should be considered, and therefore may result in the entity estimating the asset's recoverable service amount. Such indications may be:

   a) Cash flows for acquiring the asset, or subsequent cash needs for operating or maintaining it, that are significantly higher than those originally budgeted;

b) Actual net cash flows or surplus or deficit flowing from the asset that are significantly worse than those budgeted;

c) A significant decline in budgeted net cash flows or surplus, or a significant increase in budgeted loss, flowing from the asset; or

d) Deficits or net cash outflows for the asset, when current period amounts are aggregated with budgeted amounts for the future.

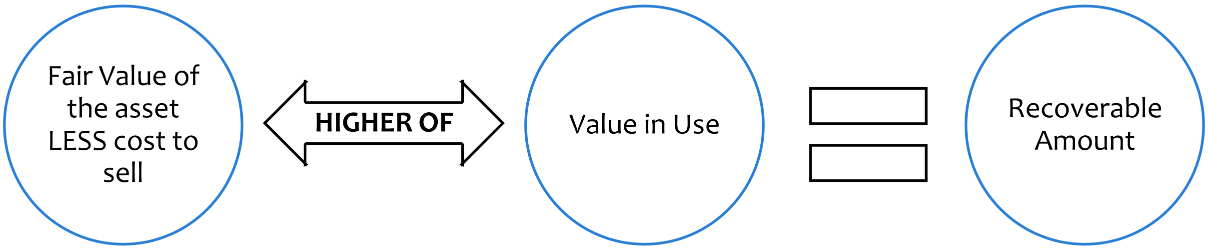
3. Apart from when the requirements in paragraph 2.2(2) apply, the concept of materiality applies in identifying whether the recoverable amount of an asset needs to be estimated. For example, if previous calculations show that an asset's recoverable amount is significantly greater than its carrying amount, the entity need not re-estimate the asset's recoverable amount if no events have occurred that would eliminate that difference. Similarly, previous analysis may show that an asset's recoverable amount is not sensitive to one (or more) of the indications listed in paragraph 2.2.1(1) above.

4. If there is an indication that an asset may be impaired, this may indicate that the remaining useful life, the depreciation (amortisation) method or the residual value for the asset need to be reviewed and adjusted in accordance with the accounting policy applicable to the asset, even if no impairment loss is recognised for the asset.

3. MEASURING RECOVERABLE AMOUNT

As previously stated in paragraph 2.1 above, an asset is impaired when its carrying amount exceeds its recoverable amount.

The current accounting policy defines recoverable amount as the higher of an asset's fair value less costs to sell, and its value in use. Section 3 set out the requirements for measuring recoverable amount. These requirements use the term "an asset" but apply equally to an individual asset or a cash-generating unit.



It is not always necessary to determine both an asset's fair value less costs to sell and its value in use. If either of these amounts exceeds the asset's carrying amount, the asset is not impaired and it is not necessary to estimate the other amount.

It may be possible to determine fair value less costs to sell, even if an asset is not traded in an active market. Paragraph 3.2.1(3) below sets out possible alternative bases for estimating fair value less costs to sell when an active market for the asset does not exist. However, sometimes it will not be possible to determine fair value less costs to sell because there is no basis for making a reliable estimate of the amount obtainable from the sale of the asset in an arm's length transaction between knowledgeable and willing parties. In this case, the entity shall use the asset's value in use as its recoverable service amount.

If there is no reason to believe that an asset's value in use materially exceeds its fair value less costs to sell, the asset's fair value less costs to sell shall be used as its recoverable amount. This will often be the case for an asset that is held for disposal. This is because the value in use of an asset held for disposal will consist mainly of the net disposal proceeds, as the future cash flows from continuing use of the asset until its disposal are likely to be negligible.

Recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. If this is the case, recoverable amount is determined for the cash-generating unit to which the asset belongs (see paragraph 5.2), unless either:

a) The asset's fair value less costs to sell is **higher** than its carrying amount; or
b) The asset is a **part** of a cash-generating unit but is capable of generating cash flows individually, in which case the asset's value in use can be estimated to be close to its fair value less costs to sell and the asset's fair value less costs to sell can be determined.

In some cases, estimates, averages and computational shortcuts may provide reasonable approximations of the detailed computations for determining fair value less costs to sell or value in use.

3.1 MEASURING RECOVERABLE AMOUNT OF AN INTANGIBLE ASSET WITH AN INDEFINITE USEFUL LIFE

1. Following the requirements of paragraph 2.2(2) an intangible asset with an indefinite useful life shall be tested for impairment annually, at least once a year within the last quarter of the reporting period, by comparing its carrying amount with its recoverable amount, irrespective of whether there is any indication that it may be impaired. However, the most recent detailed calculation of such an asset's recoverable amount made in a preceding period shall be used in the impairment test for that asset in the current period, provided **all** of the following criteria are met:
   a) If the intangible asset does not generate cash inflows from continuing use that are largely independent of those from other assets or groups of assets and is therefore tested for impairment as part of the cash-generating unit to which it belongs, the assets and liabilities making up that unit have not changed significantly since the most recent recoverable amount calculation;
   b) The most recent recoverable amount calculation resulted in an amount that exceeded the asset's carrying amount by a substantial margin; and
   c) Based on an analysis of events that have occurred and circumstances that have changed since the most recent recoverable amount calculation, the likelihood that a current recoverable amount determination would be less than the asset's carrying amount is remote.

3.2 MEASURING RECOVERABLE AMOUNT OF AN ASSET

3.2.1 DETERMINING FAIR VALUE LESS COSTS TO SELL

1. The best evidence of an asset's fair value less costs to sell is a price in a binding sale agreement in an arm's length transaction, adjusted for incremental costs that would be directly attributable to the disposal of the asset.
2. **Assets with an active market**
   If there is no binding sale agreement, but an asset is traded in an active market, fair value less costs to sell **is the asset's market price less the costs of disposal**. The appropriate market price is usually the **current bid price**. When current bid prices are unavailable, the price of the most recent transaction may provide a basis from which to estimate fair value less costs to sell, provided that there has not been a significant change in economic circumstances between the transaction date and the date as at which the estimate is made.
3. **Assets without an active market**
   If there is no binding sale agreement or active market for an asset, fair value less costs to sell is based on **the best information available** that reflects the amount that an entity could obtain, at reporting date, from the disposal of the asset in an arm's length transaction between knowledgeable, willing parties, after deducting the costs of disposal. In determining this amount, an entity **could consider the outcome of recent transactions for similar assets within the same industry**. Fair value less costs to sell does not reflect a forced sale.
4. Costs of disposal, other than those that have been recognised as liabilities, shall be deducted in determining fair value less costs to sell. Examples of such costs are legal costs, stamp duty and similar transaction taxes, costs of removing the asset, and direct incremental costs to bring an asset into condition for its sale. However, termination benefits (as defined in the Accounting Policy on Employee Benefits) and costs associated with reducing or reorganising a business following the disposal of an asset are not direct incremental costs to dispose of the asset.
5. In some cases, the disposal of an asset would require the buyer to assume a liability, and only a single fair value less costs to sell is available for both the asset and the liability. In this case, the fair value less costs to sell of the cash-generating unit is the estimated selling price for the assets of the cash generating unit and the liability together, less the cost of disposal. The carrying amount of the liability is deducted in determining the cash-generating unit's value in use and its carrying amount.

3.2.2 DETERMINING VALUE IN USE

1. For the purpose of this accounting policy, the value in use of a cash-generating asset is defined as:

   The present value of estimated future cash flows expected to be derived from the continuing use of an asset and from its disposal at the end of its useful life.

2. The following elements shall be reflected in the calculation of an asset's value in use:
   a) An estimate of the future cash flows the entity expects to derive from the asset;
   b) Expectations about possible variations in the amount or timing of those future cash flows;
   c) The time value of money, represented by the current market risk-free rate of interest;
   d) The price for bearing the uncertainty inherent in the asset; and
   e) Other factors, such as illiquidity, that market participants would reflect in pricing the future cash flows the entity expects to derive from the asset.

3. Estimating the value in use of an asset involves the following steps:
   a) Estimating the **future cash inflows and outflows** to be derived from continuing use of the asset and from its ultimate disposal; and
   b) Applying the appropriate **discount rate** to those future cash flows.

4. The elements identified in paragraph (2)(b), (d) and (e) above, can be reflected either as adjustments to the future cash flows or as adjustments to the discount rate.

5. In order to measure "Value in Use" the Present Value Technique shall be utilised. In computing present value, two approaches may be used (depending on the circumstances), either of which can be used to estimate the value in use of an asset, the Traditional Approach and the Expected Cash Flow Approach[1]. Under the Traditional Approach, adjustments for factors (b)-(e) described in paragraph (2) above, are embedded in the discount rate. Under the Expected Cash Flow Approach, factors (b), (d) and (e) in paragraph (2) above, cause adjustments in arriving at risk-adjusted expected cash flow. Whichever approach an entity adopts to reflect expectations about possible variations in the amount or timing of future cash flows, the result shall be to reflect the expected present value of the future cash flows, i.e., the weighted average of all possible outcomes.

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[1] Application guidance and examples regarding the alternative approaches will be given in the "Impairment of cash-generating assets manual".

3.2.2.1 Basis for Estimates of Future Cash Flows

In measuring value in use, an entity shall:

a) Base cash flow projections on reasonable and supportable assumptions that represent management's best estimate of the range of economic conditions that will exist over the remaining useful life of the asset. Greater weight shall be given to external evidence;
b) Base cash flow projections on the most recent financial budgets/forecasts approved by management, but shall exclude any estimated future cash inflows or outflows expected to arise from future or from improving or enhancing the asset's performance. Projections based on these budgets/forecasts shall cover a maximum period of five years, unless a longer period can be justified[2]; and
c) Estimate cash flow projections beyond the period covered by the most recent budgets/forecasts by extrapolating the projections based on the budgets/forecasts using a steady or declining growth rate for subsequent years, unless an increasing rate can be justified. This growth rate shall not exceed the long-term average growth rate for the products, industries, or country or countries in which the entity operates, or for the market in which the asset is used, unless a higher rate can be justified.

3.2.2.2 Composition of Estimates of Future Cash Flows

1. Estimates of future cash flows shall include:
   a) Projections of **cash inflows** from the continuing use of the asset;
   b) Projections of **cash outflows** that are necessarily incurred to generate the cash inflows from continuing use of the asset (including cash outflows to prepare the asset for use) and can be directly attributed, or allocated on a reasonable and consistent basis, to the asset; and
   c) **Net cash flows, if any**, to be received (or paid) for the disposal of the asset at the end of its useful life.

2. Estimates of future cash flows and the discount rate reflect consistent assumptions about price increases attributable to general inflation. Therefore, if the discount rate includes the effect of price increases attributable to general inflation, future cash flows are estimated in nominal terms. If the discount rate excludes the effect of price increases attributable to general inflation, future cash flows are estimated in real terms (but include future specific price increases or decreases).

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[2] Management may use cash flow projections based on financial budgets/forecasts over a period longer than five years if it is confident that these projections are reliable and it can demonstrate its ability, based on past experience, to forecast cash flows accurately over that longer period.

3. Projections of cash outflows include those for the day-to-day servicing of the asset as well as future overheads that can be attributed directly, or allocated on a reasonable and consistent basis, to the use of the asset.
4. When the carrying amount of an asset does not yet include all the cash outflows to be incurred before it is ready for use or sale, the estimate of future cash outflows includes an estimate of any further cash outflow that is expected to be incurred before the asset is ready for use or sale. For example, this is the case for a building under construction or for a development project that is not yet completed.
5. To avoid double-counting, estimates of future cash flows shall not include:
   a) Cash inflows from assets that generate cash inflows that are largely independent of the cash inflows from the asset under review (for example, financial assets such as receivables); and
   b) Cash outflows that relate to obligations that have been recognized as liabilities (for example, payables, pensions or provisions).
6. Future cash flows shall be estimated for the asset in its current condition. Estimates of future cash flows shall not include estimated future cash inflows or outflows that are expected to arise from:
   a) A future restructuring to which an entity **is not yet committed**; or
   b) Improving or enhancing the **asset's performance**.
7. Because future cash flows are estimated for the asset in its current condition, value in use does not reflect:
   a) Future cash outflows or related cost savings (for example, reductions in staff costs) or benefits that are expected to arise from a future restructuring to which an entity is not yet committed; or
   b) Future cash outflows that will improve or enhance the asset's performance or the related cash inflows that are expected to arise from such outflows.
8. Until an entity incurs cash outflows that improve or enhance the asset's performance, estimates of future cash flows do not include the estimated future cash inflows that are expected to arise from the increase in economic benefits or service potential associated with the expected cash outflow.

9. Estimates of future cash flows include future cash outflows necessary to maintain the level of economic benefits or service potential expected to arise from the asset in its current condition. When a unit consists of assets with different estimated useful lives, all of which are essential to the ongoing operation of the unit, the replacement of assets with shorter lives is considered to be part of the day-to-day servicing of the unit when estimating the future cash flows associated with the unit. Similarly, when a single asset consists of components with different estimated useful lives, the replacement of components with shorter lives is considered to be part of the day-to-day servicing of the asset when estimating the future cash flows generated by the asset.

10. Estimates of future cash flows shall not include:
    a) Cash inflows or outflows from financing activities; or
    b) Income tax receipts or payments.

11. Estimated future cash flows reflect assumptions that are consistent with the way the discount rate is determined. Otherwise, the effect of some assumptions will be counted twice or ignored. Because the time value of money is considered by discounting the estimated future cash flows, these cash flows exclude cash inflows or outflows from financing activities. Similarly, since the discount rate is determined on a pre-tax basis, future cash flows are also determined on a pre-tax basis.

12. The estimate of net cash flows to be received (or paid) for the disposal of an asset at the end of its useful life shall be the amount that an entity expects to obtain from the disposal of the asset in an arm's length transaction between knowledgeable, willing parties, after deducting the estimated costs of disposal.

13. The estimate of net cash flows to be received (or paid) for the disposal of an asset at the end of its useful life is determined in a similar way to an asset's fair value less costs to sell, except that, in estimating those net cash flows:
    a) An entity uses prices prevailing at the date of the estimate for similar assets that have reached the end of their useful life and have operated under conditions similar to those in which the asset will be used; and
    b) The entity adjusts those prices for the effect of both future price increases due to general inflation and specific future price increases or decreases. However, if estimates of future cash flows from the asset's continuing use and the discount rate exclude the effect of general inflation, the entity also excludes this effect from the estimate of net cash flows on disposal.

3.2.2.3 Foreign Currency Future Cash Flows

Future cash flows are estimated in the currency in which they will be generated and then discounted using a discount rate appropriate for that currency. An entity translates the present value using the spot exchange rate at the date of the value in use calculation.

3.2.2.4 Discount Rate

The discount rate(s)[3] shall be a pre-tax rate(s) that reflect(s) current market assessments of:

a) The time value of money, represented by the current risk-free rate of interest; and
b) The risks specific to the asset for which the future cash flow estimates have not been adjusted.

[3] The discount rate shall be independent of the entity's capital structure and the way the entity financed the purchase of the asset, because the future cash flows expected to arise from an asset do not depend on the way in which the entity financed the purchase of the asset.

4. RECOGNITION AND MEASURMENT OF AN IMPAIRMENT LOSS

1. An impairment loss arises **if, and only if,** the recoverable amount of an asset is less than its carrying amount. In such a case, the carrying amount of the asset shall be reduced to its recoverable amount, therefore, that reduction is an impairment loss and shall be recognised in surplus or deficit.

Recognition and Measurement of An Impairment Loss For An Individual Asset

2. An impairment loss shall be recognised immediately in surplus or deficit, unless the asset is carried at revalued amount in accordance with another accounting policy (for instance the Accounting Policy on Property, Plant and Equipment or the Accounting Policy on Intangible Assets). Any impairment loss of a revalued asset shall be treated as a revaluation decrease in accordance with the appropriate accounting policy (provided that the impairment loss does not exceed the amount in the revaluation surplus of that class of assets).
3. When the amount estimated for an impairment loss is greater than the carrying amount of the asset to which it relates, an entity shall recognise a liability **if, and only if,** that is required by another accounting policy.
4. After the recognition of an impairment loss, the depreciation (amortisation) charge for the asset shall be adjusted in future periods to allocate the asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

5. CASH-GENERATING UNITS AND GOODWILL

5.1 IDENTIFYING THE CASH-GENERATING UNIT TO WHICH THE ASSET BELONGS

1. If there is any indication that an asset may be impaired, the recoverable amount shall be estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, an entity shall determine the recoverable amount of the cash-generating unit to which the asset belongs (the asset's cash-generating unit).

2. The recoverable amount of an individual asset cannot be determined if:
   a. The asset's value in use cannot be estimated to be close to its fair value less costs to sell (e.g., when the future cash flows from continuing use of the asset cannot be estimated to be negligible); and
   b. The asset does not generate cash inflows that are largely independent of those from other assets and is not capable of generating cash flows individually.

   In such cases, value in use and, therefore, recoverable amount, can be determined only for the asset's cash-generating unit.

3. An asset's cash-generating unit is the smallest group of assets that i) includes the asset, and ii) generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. Identification of an asset's cash-generating unit involves judgment. If recoverable amount cannot be determined for an individual asset, an entity identifies the lowest aggregation of assets that generate largely independent cash inflows.

4. Cash inflows are inflows of cash and cash equivalents received from parties external to the entity. In identifying whether cash inflows from an asset (or group of assets) are largely independent of the cash inflows from other assets (or groups of assets), an entity considers various factors, including how management i) monitors the entity's operations (such as by product lines, businesses, individual locations, districts or regional areas) or ii) makes decisions about continuing or disposing of the entity's assets and operations.

5. If an active market exists for the output produced by an asset or group of assets, that asset or group of assets shall be identified as a cash-generating unit, even if some or all of the output is used internally. If the cash inflows generated by any asset or cash-generating unit are affected by internal transfer pricing, an entity shall use management's best estimate of future price(s) that could be achieved in arm's length transactions in estimating:
   a) The future cash inflows used to determine the asset's or cash generating unit's value in use; and
   b) The future cash outflows used to determine the value in use of any other assets or cash-generating units that are affected by the internal transfer pricing.

6. Cash-generating units shall be identified consistently from period to period for the same asset or types of assets, unless a change is justified.

7. If an entity determines that an asset belongs to a cash-generating unit different from that in previous periods, or that the types of assets aggregated for the asset's cash-generating unit have changed, section 8 requires disclosures about the cash generating unit if an impairment loss is recognised or reversed for the cash generating unit.

5.2 Recoverable Amount And Carrying Amount Of A Cash-Generating Unit

1. The recoverable amount of a cash-generating unit is the higher of the cash generating unit's fair value less costs to sell and its value in use, as described in section 3 above. For the purpose of determining the recoverable amount of a cash-generating unit, any reference in the section 3 to 'an asset' is read as a reference to “a cash-generating unit”.
2. The carrying amount of a cash-generating unit shall be determined on a basis consistent with the way the recoverable amount of the cash-generating unit is determined.
3. The carrying amount of a cash-generating unit:
   a) Includes the carrying amount of **only those assets** that can be **attributed directly**, or **allocated** on a reasonable and consistent basis, **to the cash generating unit** and will generate the future cash inflows used in determining the cash-generating unit's value in use; and
   b) Does not include the carrying amount of any recognised liability, unless the recoverable amount of the cash-generating unit cannot be determined without consideration of this liability.
4. When assets are grouped for recoverability assessments, it is important to include in the cash-generating unit all assets that generate or are used to generate the relevant stream of cash inflows. Otherwise, the cash-generating unit may appear to be fully recoverable when in fact an impairment loss has occurred.
5. For practical reasons, the recoverable amount of a cash-generating unit is sometimes determined after consideration of assets that are not part of the cash generating unit (for example, receivables or other financial assets) or liabilities that have been recognised (for example, payables, pensions and other provisions). In such cases, the carrying amount of the cash-generating unit is increased by the carrying amount of those assets and decreased by the carrying amount of those liabilities.

5.2.1 ALLOCATING GOODWILL TO CASH-GENERATING UNITS

1. For the purpose of impairment testing, goodwill acquired in an acquisition shall, from the acquisition date, be allocated to each of the acquirer's cash-generating units, or groups of cash-generating units, that is expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the acquired operation are assigned to those units or groups of units. Where goodwill is acquired in an acquisition of a non-cash-generating operation that results in a reduction in the net cash outflows of the acquirer, the acquirer shall be considered as the cash-generating unit. Except where goodwill relates to the acquisition of a non-cash-generating operation, each unit or group of units to which the goodwill is allocated shall:
   a) Represent the lowest level within the entity at which the goodwill is monitored for internal management purposes; and
   b) Not be larger than a segment as defined within the Accounting Policy on Segment Reporting.
2. Applying the above paragraph, goodwill shall be tested for impairment at a level that reflects the way an entity manages its operations and with which the goodwill would naturally be associated. Therefore, the development of additional reporting systems is typically not necessary.
3. A cash-generating unit to which goodwill is allocated for the purpose of impairment testing may not coincide with the level at which goodwill is allocated in accordance with the Accounting Policy on The Effects of Changes in Foreign Exchange Rates, for the purpose of measuring foreign currency gains and losses.
4. If the initial allocation of goodwill acquired in an acquisition cannot be completed before the end of the annual period in which the acquisition is effected, that initial allocation shall be completed before the end of the first annual period beginning after the acquisition date. In such circumstances, the entity shall apply the provisions of the Accounting Policy on Public Sector Combinations. The entity shall also disclose the information provided by paragraph 8(8).
5. If goodwill has been allocated to a cash-generating unit and the entity disposes of an operation within that unit, the goodwill associated with the operation disposed of shall be:
   a) Included in the carrying amount of the operation when determining the gain or loss on disposal; and
   b) Measured on the basis of the relative values of the operation disposed of and the portion of the cash-generating unit retained, unless the entity can demonstrate that some other method better reflects the goodwill associated with the operation disposed of.

6. If an entity reorganizes its reporting structure in a way that changes the composition of one or more cash-generating units to which goodwill has been allocated, the goodwill shall be reallocated to the units affected. This reallocation shall be performed using a relative value approach similar to that used when an entity disposes of an operation within a cash-generating unit, unless the entity can demonstrate that some other method better reflects the goodwill associated with the reorganized units.

5.2.2 TESTING CASH-GENERATING UNITS WITH GOODWILL FOR IMPAIRMENT

1. When goodwill relates to a cash-generating unit but has not been allocated to that unit, the unit shall be tested for impairment, whenever there is an indication that the unit may be impaired, by comparing the unit's carrying amount, excluding any goodwill, with its recoverable amount. Any impairment loss shall be recognized in accordance with paragraph 5.3(1) below. If a cash-generating unit includes in its carrying amount an intangible asset that has an indefinite useful life or is not yet available for use and that asset can be tested for impairment only as part of the cash-generating unit, paragraph 2.2(2) requires the unit also to be tested for impairment at least once a year within the last quarter of the reporting period.
2. A cash-generating unit to which goodwill has been allocated shall be tested for impairment annually, and whenever there is an indication that the unit may be impaired, by comparing the carrying amount of the unit, including the goodwill, with the recoverable amount of the unit. If the recoverable amount of the unit exceeds the carrying amount of the unit, the unit and the goodwill allocated to that unit shall be regarded as not impaired. If the carrying amount of the unit exceeds the recoverable amount of the unit, the entity shall recognise the impairment loss in accordance with paragraph 5.3(1) below.

5.2.3 TIMING FOR IMPAIRMENT TEST

1. The **annual impairment test** for a cash-generating unit to which goodwill has been allocated **shall be performed at any time during** the last quarter of the reporting period, **provided** the test is performed **at the same time every year**. Different cash-generating units may be tested for impairment at different times within the last quarter of the reporting period. However, if some or all of the goodwill allocated to a cash-generating unit was acquired in an acquisition during the current annual period, that unit shall be tested for impairment before the end of the current annual period but within the last quarter of the reporting period.

2. If the assets constituting the cash-generating unit to which goodwill has allocated are tested for impairment at the same time as the unit containing the goodwill, they shall be tested for impairment before the unit containing the goodwill. Similarly, if the cash-generating units constituting a group of cash-generating units to which goodwill has been allocated are tested for impairment at the same time as the group of units containing the goodwill, the individual units shall be tested for impairment before the group of units containing the goodwill.

3. At the time of impairment testing a cash-generating unit to which goodwill has been allocated, there may be an indication of an impairment of an asset within the unit containing the goodwill. In such circumstances, the entity tests the asset for impairment first, and recognizes any impairment loss for that asset before testing for impairment the cash-generating unit containing the goodwill. Similarly, there may be an indication of an impairment of a cash-generating unit within a group of units containing the goodwill. In such circumstances, the entity tests the cash-generating unit for impairment first, and recognizes any impairment loss for that unit, before testing for impairment the group of units to which the goodwill is allocated.

4. The most recent detailed calculation made in a preceding period of the recoverable amount of a cash-generating unit to which goodwill has been allocated shall be used in the impairment test of that unit in the current period provided all of the following criteria are met:
   a) The assets and liabilities making up the unit have not changed significantly since the most recent recoverable amount calculation;
   b) The most recent recoverable amount calculation resulted in an amount that exceeded the carrying amount of the unit by a substantial margin; and
   c) Based on an analysis of events that have occurred and circumstances that have changed since the most recent recoverable amount calculation, the likelihood that a current recoverable amount calculation, the likelihood that a current recoverable amount determination would be less than the current carrying amount of the unit is remote.

5.3 IMPAIRMENT LOSS FOR A CASH GENERATING UNIT

1. An impairment loss shall be recognised for a cash-generating unit (the smallest group of cash-generating units to which goodwill has been allocated) **if, and only if,** the recoverable amount of the unit (group of units) is less than the carrying amount of the unit (group of units). The impairment loss shall be allocated to reduce the carrying amount of the cash-generating assets of the unit (group of units) in the following order:
   a) First, to reduce the carrying amount of any goodwill allocated to the cash-generating unit (group of units); and
   b) Then, to the other assets of the unit (group of units) on a pro rata basis, based on the carrying amount of each asset in the unit.

   These reductions in carrying amounts shall be treated as impairment losses on individual assets and recognised in accordance with paragraph 4(2) above.

2. In allocating an impairment loss in accordance with paragraph (1) above, an entity **shall not reduce the carrying amount of an asset below the highest of:**
   a) Its fair value less costs to sell (if determinable);
   b) Its value in use (if determinable); and
   c) Zero.

   The amount of the impairment loss that would otherwise have been allocated to the asset shall be allocated pro rata to the other cash-generating assets of the unit (group of units).

3. Where a non-cash-generating asset contributes to a cash-generating unit, a proportion of the carrying amount of that non-cash-generating asset shall be allocated to the carrying amount of the cash-generating unit prior to estimation of the recoverable amount of the cash-generating unit. The carrying amount of the non-cash-generating asset shall reflect any impairment losses at the reporting date that have been determined under the requirements of the Accounting Policy on Impairment on Non-cash Generating Assets.

4. If the recoverable amount of an individual asset cannot be determined (see paragraph 5.1(2)):
   a) An impairment loss is recognised for the asset if its carrying amount is greater than the higher of its fair value less costs to sell and the results of the allocation procedures described in paragraphs (1) to (3) above; and
   b) No impairment loss is recognised for the asset if the related cash-generating unit is not impaired. This applies even if the asset’s fair value less costs to sell is less than its carrying amount.

5. In some cases, non-cash generating assets contribute to cash generating units. This accounting policy requires that, where a cash-generating unit subject to an impairment test contains a non-cash-generating asset, that non-cash generating asset is tested for impairment in accordance with the requirements of the Accounting Policy on Impairment on Non-cash Generating Assets. A proportion of the carrying amount of that non-cash generating asset, following that impairment test, is included in the carrying amount of the cash-generating unit. The proportion reflects the extent to which the service potential of the non-cash-generating asset contributes to the cash-generating unit. The allocation of any impairment loss for the cash-generating unit is then made on a pro rata basis to all cash generating assets in the cash-generating unit, subject to the limits in paragraph (2) above. The non-cash generating asset is not subject to a further impairment loss beyond that which has been determined in accordance with the Accounting Policy on Impairment on Non-cash Generating Assets.
6. After the requirements in paragraphs (1) to (3) above, have been applied, a liability shall be recognised for any remaining amount of an impairment loss for a cash-generating unit if, and only if, that is required by another accounting policy.

5.4 IMPAIRMENT TESTING CASH-GENERATING UNITS WITH GOODWILL AND NON-CONTROLLING INTERESTS

1. In accordance with the Accounting Policy on Public Sector Combinations the acquirer measures and recognises goodwill as of the acquisition date, following the provisions of paragraph 4.1.2 of that accounting policy.
2. Paragraph 5.2.1(1) requires goodwill acquired in an acquisition to be allocated to each of the acquirer's cash-generating units, or groups of cash-generating units, expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the acquired operation are assigned to those units, or groups of units. It is possible that some of the synergies resulting from an acquisition will be allocated to a cash-generating unit in which the non-controlling interest does not have an interest.
3. If an entity measures non-controlling interests as its proportionate interest in the net identifiable assets of a controlled entity at the acquisition date, rather than at fair value, goodwill attributable to non-controlling interests is included in the recoverable amount of the related cash-generating unit but is not recognized in the controlling entity's consolidated financial statements. Consequently an entity shall gross up the carrying amount of goodwill allocated to the unit to include the goodwill attributable to the non-controlling interest. The adjusted carrying amount is then compared with the recoverable amount of the unit to determine whether the cash-generating unit is impaired.

4. If a controlled entity, or part of a controlled entity, with a non-controlling interest is itself a cash-generating unit, the impairment loss is allocated between the controlling entity and the non-controlling interest on the same basis as that on which surplus or deficit is allocated.

5. If a controlled entity, or part of a controlled entity, with a non-controlling interest is part of a larger cash-generating unit, goodwill impairment losses are allocated to the parts of the cash-generating unit that have a non-controlling interest and the parts that do not. The impairment losses should be allocated to the parts of the cash-generating unit on the basis of:
   a) To the extent that the impairment relates to goodwill in the cash-generating unit, the relative carrying values of the goodwill of the parts before the impairment; and
   b) To the extent that the impairment relates to identifiable assets in the cash-generating unit, the relative carrying values of the net identifiable assets of the parts before the impairment. Any such impairment is allocated to the assets of the parts of each unit pro rata on the basis of the carrying amount of each asset in the part.

   In those parts that have a non-controlling interest, the impairment loss is allocated between the controlling entity and the non-controlling interest on the same basis as that on which surplus or deficit is allocated.

6. If an impairment loss attributable to a non-controlling interest relates to goodwill that is not recognised in the controlling entity's consolidated financial statement (see paragraph 3 above), that impairment is not recognised as a goodwill impairment loss. In such cases, only the impairment loss relating to the goodwill that is allocated to the controlling entity is recognised as a goodwill impairment loss.

6. REVERSING AN IMPAIRMENT LOSS

1. An entity shall assess at each reporting date whether there is any indication that an impairment loss recognised in prior periods for an asset other than goodwill may no longer exist or may have decreased. If any such indication exists, the entity shall estimate the recoverable amount of that asset.

2. In assessing whether there is any indication that an impairment loss recognised in prior periods for an asset other than goodwill may no longer exist or may have decreased, an entity shall consider, as a minimum, the following indications:

   a) External sources of information

      i. The asset's market value has increased significantly during the period;

      ii. Significant changes with a favourable effect on the entity have taken place during the period, or will take place in the near future, in the technological, market, economic, or legal environment in which the entity operates or in the market to which the asset is dedicated;

      iii. Market interest rates or other market rates of return on investments have decreased during the period, and those decreases are likely to affect the discount rate used in calculating the asset's value in use and increase the asset's recoverable amount materially.

   b) Internal sources of information

      i. Significant changes with a favourable effect on the entity have taken place during the period, or are expected to take place in the near future, in the extent to which, or the manner in which, the asset is used or is expected to be used. These changes include costs incurred during the period to improve or enhance the asset's performance or restructure the operation to which the asset belongs;

      ii. A decision to resume construction of the asset that was previously halted before it was completed or in a usable condition; and

      iii. Evidence is available from internal reporting that indicates that the economic performance of the asset is, or will be, better than expected.

3. If there is an indication that an impairment loss recognised for an asset **other than goodwill** may no longer exist or may have decreased, this may indicate that (i) the remaining useful life, (ii) the depreciation (or amortisation) method or (iii) the residual value may need to be reviewed and adjusted in accordance with the accounting policy applicable to the asset, even if no impairment loss is reversed for the asset.

4. An impairment loss recognised in prior periods for an asset other than goodwill shall be reversed if, and only if, there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If this is the case, the carrying amount of the asset shall, except as described in paragraph 6.1(1) below, be increased to its recoverable amount. That increase is a reversal of an impairment loss.

5. A reversal of an impairment loss reflects an increase in the estimated recoverable service potential of an asset, either from use or from sale, since the date when an entity last recognised an impairment loss for that asset. An entity is required to identify the change in estimates that causes the increase in estimated service potential. Examples of changes in estimates that causes the increase in recoverable service amount include:

   a) A change in the basis for recoverable amount (i.e. whether recoverable amount is based on fair value less costs to sell or value in use);
   b) If recoverable amount was based on value in use, a change in the amount or timing of estimated future cash flows, or in the discount rate; or
   c) If recoverable amount was based on fair value less costs to sell, a change in estimate of fair value less costs to sell.

6.1 Reversing an Impairment Loss for an Individual Asset

1. The increased carrying amount of an asset other than goodwill attributable to a reversal of an impairment loss **shall not exceed** the carrying amount that would have been determined (net of depreciation or amortization) had no impairment loss been recognised for the asset in prior years. Any increase in the carrying amount shall be treated as a revaluation, applying the requirements of the appropriate accounting policy for that asset.

2. A reversal of an impairment loss for an asset other than goodwill shall be recognised immediately in surplus or deficit, unless the asset is carried at revalued amount in accordance with another accounting policy (for instance, the revaluation model in the Accounting Policy on Property, Plant and Equipment or the Accounting Policy on Intangible Assets). Any reversal of an impairment loss of a revalued asset shall be treated as a revaluation increase in accordance with the appropriate accounting policy.

3. After a reversal of an impairment loss is recognised, the depreciation (amortisation) charge for the asset shall be adjusted in future periods to allocate the asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

6.2 Reversing an Impairment Loss For a Cash-generating Unit

1. A reversal of an impairment loss for a cash-generating unit shall be allocated to the cash-generating assets of the unit, except for goodwill, pro rata with the carrying amounts of those assets. These increases in carrying amounts shall be treated as reversals of impairment losses for individual assets and recognized in accordance with paragraph 6.1(2) above. No part of the amount of such a reversal shall be allocated to a non-cash-generating asset contributing service potential to a cash-generating unit.

2. In allocating a reversal of an impairment loss for a cash-generating unit in accordance with the above paragraph, the carrying amount of an asset shall not be increased above the lower of:
   a) Its recoverable amount (if determinable); and
   b) The carrying amount that would have been determined (net of amortization or depreciation) if no impairment loss had been recognized for the asset in prior periods.

3. The amount of the reversal of the impairment loss that would otherwise have been allocated to the asset shall be allocated pro rata to the other assets of the unit, except for goodwill.

6.3 Reversing An Impairment Loss For Goodwill

1. An impairment loss recognised for goodwill shall not be reversed in a subsequent period.

2. The Accounting Policy on Intangible Assets prohibits the recognition of internally generated goodwill. Any increase in the recoverable amount of goodwill in the periods following the recognition of an impairment loss for that goodwill is likely to be an increase in internally generated goodwill, rather than a reversal of the impairment loss recognised for the acquired goodwill.

7. REDESIGNATION OF ASSETS

The redesignation of assets from cash generating assets to non-cash generating assets or from non-cash generating assets to cash generating assets **shall only occur** when **there is clear evidence** that such a re-designation is appropriate. A redesignation, by itself, does not necessarily trigger an impairment test or a reversal of an impairment loss. At the subsequent reporting date after a redesignation, an entity shall consider, as a minimum, the listed indications in paragraph 2.2.1(1), applicable to the asset after redesignation.

8. DISCLOSURES

1. An entity shall disclose the criteria developed by the entity to distinguish cash-generating assets from non-cash-generating assets.
2. An entity shall disclose the following for each class of assets:
   a) The amount of impairment losses recognised in surplus or deficit during the period and the line item(s) of the statement of financial performance in which those impairment losses are included;
   b) The amount of reversals of impairment losses recognised in surplus or deficit during the period and the line item(s) of the statement of financial performance in which those impairment losses are reversed;
   c) The amount of impairment losses on revalued assets recognised directly in revaluation surplus during the period; and
   d) The amount of reversals of impairment losses on revalued assets recognised directly in revaluation surplus during the period.
3. A class of assets is a grouping of assets of similar nature or function in an entity's operations that is shown as a single item for the purpose of disclosure in the financial statements.
4. The information required in paragraph 2 above 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 Accounting Policy on Property, Plant and Equipment.
5. An entity that reports segment information in accordance with the Accounting Policy on Segment Reporting, shall disclose the following for each reported segment on an entity's reporting format:
   a) The amount of impairment losses recognised in surplus or deficit during the period; and
   b) The amount of reversals of impairment losses recognised in surplus or deficit during the period.
6. An entity shall disclose the following for each material impairment loss recognised or reversed during the period for a cash-generating 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;

c) For a cash-generating asset:
   i. The nature of the asset;
   ii. If the entity reports segment information in accordance with the Accounting Policy on Segment Reporting, the reported segment to which the asset belongs, based on the entity's reporting format.
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 reported segment);
   ii. The amount of the impairment loss recognised or reversed by class of assets, and, if the entity reports segment information in accordance with the Accounting Policy on Segment Reporting, by reported segment based on the entity's reporting format; and
   iii. If the aggregation of assets for identifying 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.
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 the 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 the recoverable service amount is value in use, the discount rate(s) used in the current estimate and previous estimate (if any) of value in use.

7. An entity shall disclose the following information for the aggregate of impairment losses and aggregate reversals of impairment losses recognised during the period for which no information is disclosed in accordance with paragraph 6 above:
   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.

8. If, in accordance with paragraph 5.2.1(4), any portion of the goodwill acquired in an acquisition during the period has not been allocated to a cash-generating unit (group of units) at the end of the reporting period, the amount of the unallocated goodwill shall be disclosed together with the reasons why that amount remains unallocated.
   Disclosure of estimates used to measure recoverable amount of cash-generating units containing intangible assets with indefinite useful lives.

9. An entity shall disclose the information required by (a)-(f) below 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 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, 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; and

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:

i. The period over which management has projected cash flows;
ii. The growth rate used to extrapolate cash flow projections; and
iii. 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 carrying amount to exceed its recoverable amount:

i. The amount by which the unit's (group of units') recoverable amount would exceed 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.

10. If some or all of the carrying amount of intangible assets with indefinite useful lives is allocated across multiple cash-generating units (group 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 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 (group of units). In addition, if the recoverable amounts of any of those units (group 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 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 (group 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' (group of units') carrying amounts to exceed the aggregate of their recoverable amounts:

   i. The amount by which the aggregate of the units' (group of units) recoverable amounts would exceed 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' (group of units) recoverable amounts to be equal to the aggregate of their carrying amounts.

9. TRANSITIONAL PROVISIONS

On first-time adoption of Accrual Accounting, an entity shall adopt the requirements of the current accounting policy prospectively from the date of adoption. Therefore an entity shall assess whether there is an indication that any cash-generating assets included in the opening statements of financial position, are impaired.

10. EFFECTIVE DATE

This accounting policy shall be effective for annual financial statements covering periods beginning on or after 1 January 2020.

11. REFERENCES

This accounting policy is based on the following IPSAS standards:

IPSAS 26 Impairment of Cash Generating Assets

IPSAS 33 First–Time Adoption of Accrual Basis IPSASs

12. APPENDICES

Appendix 1: Impairment Test Process