

AS 36

Review comments

1. The revised AS 36 is largely aligned to Indian Accounting Standards (Ind AS), Ind AS 36- *Impairment of Assets*, and the relevant international standard , IAS 36 .
2. The revised AS 36 is comprehensive and prescribes accounting treatment for different situations that entities will face in recognising, accounting and disclosure of impairment in assets . Some implementation / transition guidance for SME sector may be included.
3. Revised AS 36, compared to Ind AS 36, includes different definition of the term 'value-in-use' to provide that Small and Medium sized Companies as defined in the MCA notification and Small and Medium sized Entities (Level III and II non-company entities) as per criteria prescribed by the ICAI, instead of using the present value technique can make a reasonable estimate of the 'value in use'. This will ensure ease of compliance for SME s. Also, due to this change , disclosure requirement under paragraph 130(g) of Ind AS 36 has been exempted for such entities in revised AS 36. The SME reporting entities will benefit from this revision.

4. Rationale :

Ind AS 36 requires annual impairment testing for an intangible asset with an indefinite useful life or not yet available for use and goodwill acquired in a business combination. The concept of Intangible assets with indefinite useful life has not been included in revised AS 36 . The rationale of the same and the ensuing benefit to SME sector reporting entities may be included in the Standard or in Appendix

5. Possible challenge :

Revised AS 36 defines 'recoverable amount' of an asset or a cash-generating unit as the higher of its fair value less costs of disposal and its value in use . The computation of 'fair value' may pose some challenge in SME reporting entities.

6. The impact of COVID on impairment of assets may be included in the Appendix through a suitable illustration.
7. An appendix may be included with practical Illustrations of impairment of assets – covering both external and internal indicators , specially identifiable in SME sector.