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Subject: Comments on Exposure draft on Accounting Standard (AS) 36 Impairment of Assets

- 1) I welcome the opportunity provided for sending comments on Exposure draft on Accounting Standard (AS) 36 Impairment of Assets
- 2) My view

Existing	Proposed change	Comments	Rational
<p>Para 6 and 117 (g)</p> <p>Value in use is the present value of future cash flows expected to be derived from an asset or cash generating unit or a reasonable estimate thereof.</p> <p>Explanation: The definition of the term 'value in use' in the proviso implies that instead of using the present value technique, a reasonable estimate of the 'value in use' can be made. Consequently, if an SMC/SME chooses to measure the 'value in use' by not using the present value technique, the relevant provisions of AS 36, such as discount rate etc., would not be applicable to such an SMC/SME.</p>	<p>Technique of estimation is required to indicated</p>	<p>At present the standard is judgmental</p>	<p>Users require some indicative guidelines to implement the same on a uniform basis</p>
<p>Para 7 d Paragraph 113-118 specify the information to be disclosed about impairment losses and</p>	<p>Para 7 d Paragraphs 113-118 specify the information to be disclosed about impairment losses and</p>	<p>At present there are no guidance for testing goodwill or intangible with indefinite useful life</p>	<p>It would be better to include intangible in scope or else define impairment asset in intangible standards</p>

<p>reversals of impairment losses for assets and cash-generating units.</p>	<p>reversals of impairment losses for assets and cash-generating units.  Also specify additional disclosure requirements for cash-generating units to which goodwill or intangible assets with indefinite useful lives have been allocated for impairment testing purposes.</p>		
<p>Para 8</p> <p>8An asset is impaired when its carrying amount exceeds its recoverable amount. Paragraphs 10-12-14 describe some indications that an impairment loss m may have occurred. If any of those indications is present, an entity is required to make a formal estimate of recoverable amount.</p>	<p>Para 8</p> <p>An asset is impaired when its carrying amount exceeds its recoverable amount. Paragraphs 10-12-14 describe some indications that an impairment loss may have occurred. If any of those indications is present, an entity is required to make a formal estimate of recoverable amount.</p> <p>Standard does not require an entity to make a formal estimate of recoverable amount if no indication of an impairment loss is present.</p>	<p>At present standard requires estimation even when there are no indication</p>	<p>It would be onerous on the entities implementing AS 36</p>
<p>Missing intangible testing</p>	<p>Irrespective of whether there is any indication of impairment, an entity shall also:</p> <p>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 may be performed at any time during an annual period, provided it is performed at the same time every year.</p>	<p>At present intangible is not covered</p>	<p>It would be better to include intangible in scope or else define impairment asset in intangible standards</p>

	<p>Different intangible assets may be tested for impairment at different times. However, if such an intangible asset was initially recognised during the current annual period, that intangible asset shall be tested for impairment before the end of the current annual period.</p> <p>test goodwill acquired in an amalgamation for impairment annually</p> <p>The ability of an intangible asset to generate sufficient future economic benefits to recover its carrying amount is usually subject to greater uncertainty before the asset is available for use than after it is available for use. Therefore, this Standard requires an entity to test for impairment, at least annually, the carrying amount of an intangible asset that is not yet available for use.</p> <p>If a cash-generating unit described in paragraph 88 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.</p> <p>The annual impairment test for a cash-generating unit to which goodwill has been allocated may be performed at any time during an annual period, provided the test is</p>		
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	performed at the same time every year. Different cash- generating units may be tested for impairment at different times. However, if some or all of the goodwill allocated to a cash-generating unit was acquired in amalgamation during the current annual period, that unit shall be tested for impairment before the end of the current annual period.		
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I concur that views stated above are my individual opinion and not of any organization where I am working or not of any committee or organization I am connected with.

Regards  
Sounder Rajan  
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