



IFRS Judgments in Impairment Testing

Singapore - 4 November 2010

KPMG LLP

AUDIT • TAX • ADVISORY

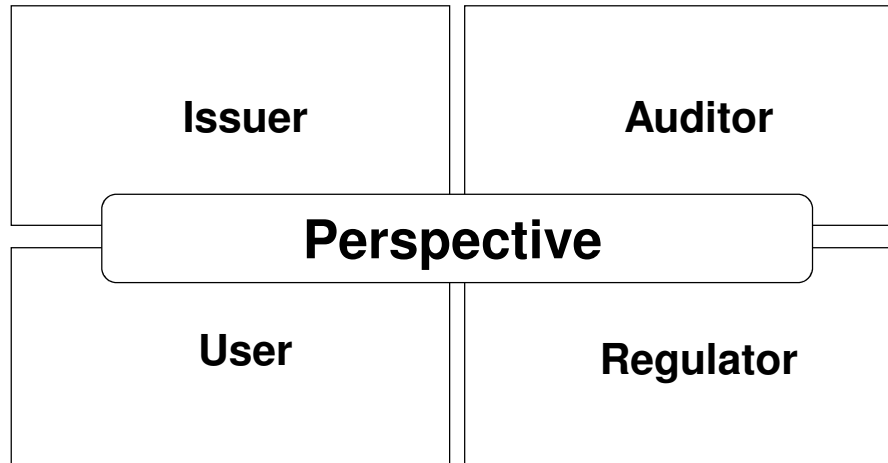
KPMG Presenter

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Understanding IFRS Judgments



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2

IAS 1 Presentation of Financial Statements

IAS 1.122 (Disclosure of Accounting Policies)

“An entity shall disclose, in the summary of significant accounting policies or other notes, the judgments, apart from those involving estimations, that management has made in the process of applying the entity’s accounting policies and that have the most significant effect on the amounts recognized in the financial statements.”

IAS 1.123 provides examples of judgments to be made by management.



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3

IAS 1 Presentation of Financial Statements

IAS 1.125 (Sources of Estimation Uncertainty)

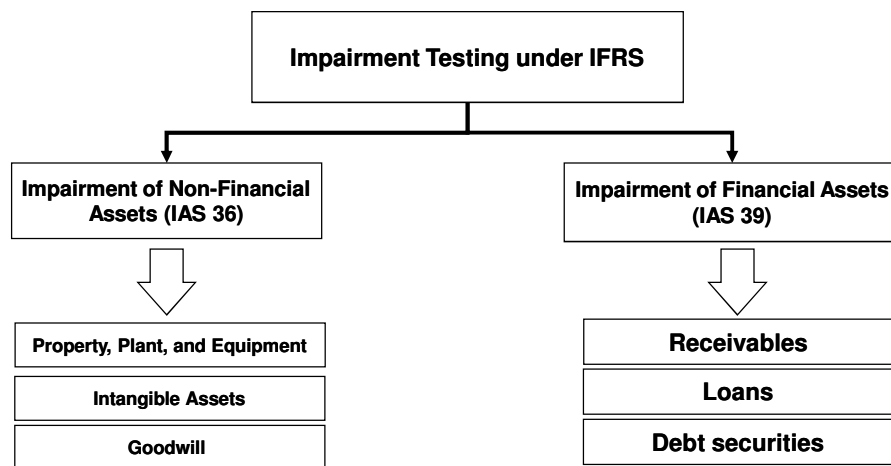
“An entity shall disclose information about the assumptions it makes about the future, and other major sources of estimation uncertainty at the end of the reporting period, that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next fiscal year. In respect of those assets and liabilities, the notes shall include details of:

(a) their nature, and

(b) their carrying amount as at the end of the reporting period.



IFRS Judgments in Impairment Testing



Judgments related to the application of the IAS 36 impairment model

Identifying an asset that may be impaired



Asset or Cash Generating Unit (CGU)



Indication of Impairment (external/internal sources)

Measuring the recoverable amount



Fair value less costs to sell



Value in use



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6

Judgments related to the application of the IAS 36 impairment model

Goodwill



Allocation of goodwill to cash-generating units



Disposition or reorganization of an operation

Reversing an impairment loss



Assessment for indication



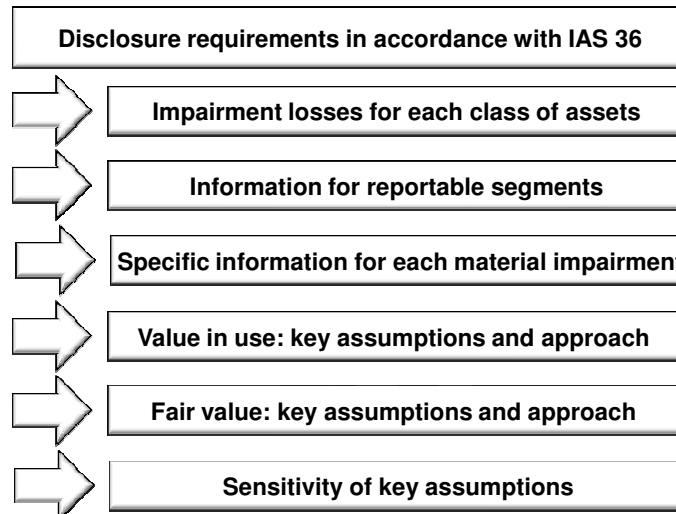
Limitation of reversal



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7

Judgments related to the application of the IAS 36 impairment model



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8

Judgments related to the application of the IAS 39 impairment model

IAS 39.58 states:

“An entity shall assess at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets measured at amortized cost is impaired.”



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9

Judgments related to the application of the IAS 39 impairment model

Objective evidence



Significant financial difficulty of the issuer



Probable that the borrower will enter bankruptcy



Disappearance of an active market for that asset



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10

Judgments related to the application of the IAS 39 impairment model

IAS 39.63 states:

“If there is objective evidence that an impairment loss on financial assets measured at amortized cost has been incurred, the amount of the loss is measured as the difference between the asset’s carrying amount and the present value of estimated future cash flows (excluding credit losses that have not been incurred) discounted at the financial asset’s original effective interest rate.”



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11

Judgments related to the application of the IAS 39 impairment model

IFRS 7.37 states:

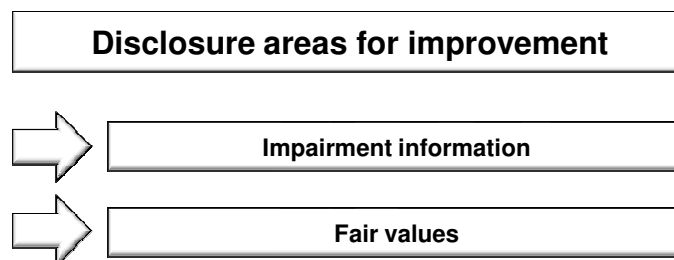
“An entity shall disclose by class of financial asset an analysis of financial assets that are individually determined to be impaired as at the end of the reporting period, including the factors the entity considered in determining that they are impaired”.



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12

Committee of European Banking Supervisors (CEBS) Assessment of banks' transparency (30 June 2010)

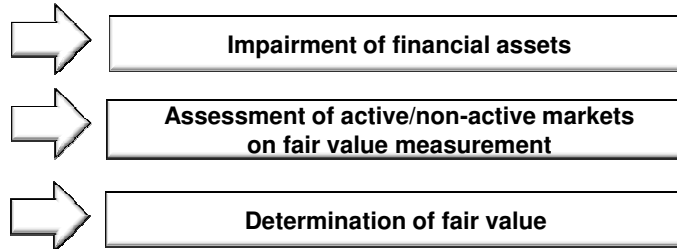


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13

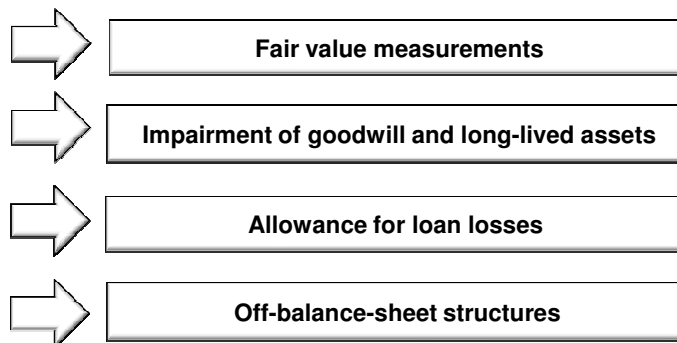
**Committee of European Securities Regulators (CESR)
Activity Report on IFRS Enforcement 2009 (23 Sept 2010)**

Recurring Issues Identified

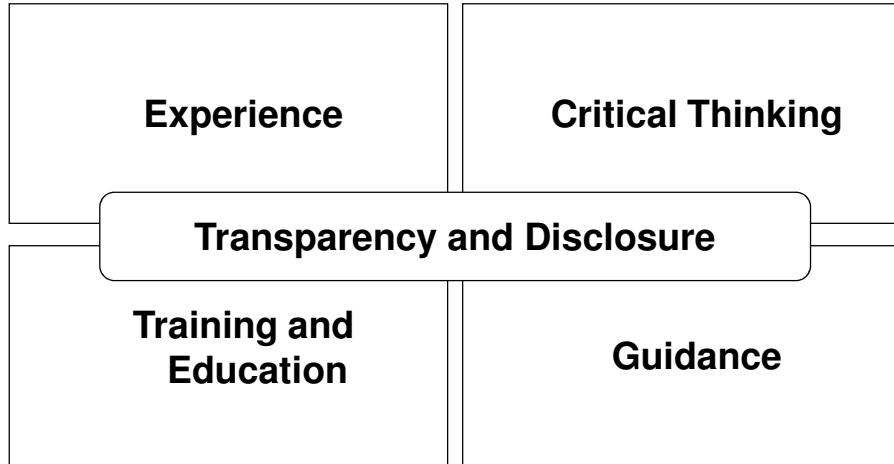


**Public Company Accounting Oversight Board (PCAOB)
Report on Inspection of Registered Accounting Firms (29 Sept 2010)**

Observations by the Board's Inspection Staff



Understanding IFRS Judgments



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