

Amendments to HKAS 36 Impairment of Assets - Recoverable Amount Disclosures for Non-Financial Assets

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MAIN FEATURES

- Require additional information about the fair value measurement when the recoverable amount of impaired assets is based on fair value less costs of disposals.
- Apply the amendments retrospectively for annual periods beginning on or after 1 January 2014. Early application is permitted.
- Apply the amendments in periods (including comparative periods) when an entity applies HKFRS 13 also.

Background

In May 2013, the International Accounting Standards Board (“IASB”) published the amendments to International Accounting Standard (“IAS”) 36 Impairment of Assets – Recoverable Amount Disclosures for Non-Financial Assets. These amendments address the disclosure of information about the recoverable amount of impaired assets if that amount is based on fair value less costs of disposal.

When developing IFRS 13 Fair Value Measurement, the IASB decided to amend IAS 36 to require the disclosures about the recoverable amount of impaired assets. The amendments to IAS 36 published clarify the scope of those disclosures is limited to the recoverable amount of impaired assets that is based on fair value less costs of disposal.

Subsequently in June 2013, the Hong Kong Institute of Certified Public Accountants also issued the same amendments so as to maintain the convergence with International Financial Reporting Standards.

What are the additional disclosure requirements?

If the recoverable amount is fair value less costs of disposal, an entity shall disclose the following information:

- a) the level of the fair value hierarchy within which the fair value measurement of the asset or cash generating unit ("CGU") is categorised in its entirety.
- b) for Level 2 and Level 3 of the fair value hierarchy,
 - a description of the valuation techniques used to measure the fair value less costs of disposals. If there is any change in valuation techniques, the fact and the reason should also be disclosed;
 - each key assumption on which management has based its determination of fair value less costs of disposal;
 - The discount rates used in the current and previous measurement if fair value less costs of disposal is measured using a present value technique.



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