FREE SAMPLE CHAPTER · UNEDITED, AS PRINTED

Ind AS 36 · Impairment of Assets

Chapter 15 of 144 · Financial Reporting · IBS 360°, CA Final Paper 6, Nov 2026 edition.

This is one complete chapter, reproduced exactly as it appears in print: the full Deep Dive, the Decision Engine (including the Ind AS 36 vs Ind AS 109 routing test), the Exam Traps, a worked illustration, and the Case Study Q&A, including two real past-paper and RTP questions. Use it to revise the standard end to end, in the same layout you will see in the full book.

144 CHAPTERS IN THE FULL BOOK

42 CHAPTERS IN FR ALONE

1 CHAPTER SHOWN HERE, IN FULL

Ans. The CFO is incorrect. As per para 30(c) of Ind AS 34, income tax expense is recognised in each interim period based on the best estimate of the weighted average annual income tax rate expected for the full financial year. The approach of estimating the effective tax rate for the year must be used even where the overall result for the year is expected to be nil. Accordingly, the effective tax rate is 30% and is applied to each quarter. Tax charge for Q ended 30 Sept 20X4 = 30% x Rs.850 lakhs = Rs.255 lakhs (credit). The management's contention that no tax expense be recognised is not correct -the interim P&L must reflect the proportionate annual tax charge based on the weighted average annual rate.

⇄ CASE SCENARIOS

Case Scenario

M Ltd. is engaged in production and agricultural activities. It also runs a chain of gyms. M Ltd. prepares its financial statements following Indian Accounting Standards and follows April-March as its financial year. During the year 20X1- 20X2, the company has faced following issues and for their solution seeks your professional advice: (i) Fixed production overheads for the financial year is ₹ 10,000. Normal expected production for the year, after considering planned maintenance, normal breakdown and also considering the future demand of the product is 2,000 MT. It is considered that there are no quarterly / seasonal variations. Therefore, the normal expected production for each quarter is 500 MT and the fixed production overheads for the quarter are ₹ 2,500. Actual production achieved Quantity (In MT) First quarter 400 Second quarter 600 Third quarter 500 Fourth quarter 400 Total 1,900 There are no quarterly / seasonal variation. (ii) On 1st April, 20X1, M Ltd.

(1) As per Ind AS 34 read with Ind AS 2, what will be the amount of fixed production overhead allocated to actual production and the amount of expenses to be debited/credited to profit and loss account by the end of first quarter?

(a) ₹ 2,000 capitalised to the cost of inventory; ₹ 500 debited to profit and loss account
(b) ₹ 2,500 capitalised to the cost of inventory; No amount is debited/credited to profit and loss account
(c) Nothing is capitalised to the cost of inventory; ₹ 2,500 debited to profit and loss account
(d) ₹ 500 capitalised to the cost of inventory; ₹ 2,000 debited to profit and loss account

✓ Answer: (a) ₹ 2,000 capitalised to the cost of inventory; ₹ 500 debited to profit and loss account

(2) As per Ind AS 34 read with Ind AS 2, what will be the amount of fixed production overhead allocated to actual production and the amount of expenses to be debited/credited to profit and loss account by the end of second quarter?

(a) ₹ 5,000 capitalised to the cost of inventory; No amount is debited/credited to profit and loss account
(b) ₹ 5,000 capitalised to the cost of inventory; ₹ 500 credited to profit and loss account
(c) ₹ 5,000 capitalised to the cost of inventory; ₹ 500 debited to profit and loss account
(d) ₹ 3,000 capitalised to the cost of inventory; ₹ 500 credited to profit and loss account

✓ Answer: (b) ₹ 5,000 capitalised to the cost of inventory; ₹ 500 credited to profit and loss account Reasoning for 1 & 2: Fixed production overhead to be allocated per unit of production in every quarter will be ₹ 5 per MT (Fixed overheads / Normal production). Quarters Allocations First ➢ Actual fixed production overheads = ₹ 2,500 Quarter ➢ Fixed production overheads based on the allocation rate of ₹ 5 per unit allocated to actual production = ₹ 5 x 400 = ₹ 2,000 ➢ Unallocated fixed production overheads to be charged as expense as per Ind AS 2 and consequently as per Ind AS 34 = ₹ 500 Second ➢ Actual fixed production overheads on year-to-date Quarter basis = ₹ 5,000 ➢ Fixed production overheads to be absorbed on year-to-date basis = 1,000 x ₹ 5 = ₹ 5,000 ➢ Earlier, ₹ 500 was not allocated to production in the 1st quarter. To give effect to the entire ₹ 5,000 to be allocated in the second quarter, as per Ind AS 34, ₹ 500 are reversed by way of a credit to the statement of profit and loss of the 2nd quarter.

(3) What is the amount of revenue to be recognised per membership in the first year and the amount of contract liability per membership against the option given to the customer for renewing the membership at discount?

(a) ₹ 7,500; Nil
(b) ₹ 6,500; ₹ 1,000
(c) ₹ 6,857; ₹ 643
(d) ₹ 7,500; ₹ 12,000

✓ Answer: (c) ₹ 6,857; ₹ 643 Reasoning Total estimated memberships is 175 members (Year 1 = 100; Year 2 = 50; Year 3 = 25) = 175 Total consideration is ₹ 12,00,000 {(100 x 7,500) + (50 x 6,000) + (25 x 6,000)} Allocated membership fee per membership per year is ₹ 6,857 approx. (12,00,000 / 175). Although M Ltd. has collected ₹ 7,500 per membership for the first year but revenue to be recognised is ₹ 6,857 approx. and remaining ₹ 643 should be recorded as a contract liability against option given to a customer for renewing their membership at discount.

(4) What is the amount of the biological asset recognised on the date of purchase?

(a) ₹ 10,00,000
(b) ₹ 9,00,000
(c) ₹ 10,20,000
(d) ₹ 9,80,000

✓ Answer: (d) ₹ 9,80,000

(5) What is the amount of gain or loss recognised on fair valuation of biological asset as on financial year ended 31st March, 20X2?

(a) ₹ 1,00,000
(b) ₹ 18,000
(c) ₹ 1,20,000
(d) ₹ 98,000

✓ Answer: (d) ₹ 98,000 Reasoning for 4 & 5: As per para 12 of Ind AS 41, a biological asset shall be measured on initial recognition and at the end of each reporting period at its fair value less costs to sell. Therefore, the transaction costs of 2% are the costs to sell the goats on 1st November 20X1, and therefore, the goats should be measured at their fair value less costs to sell on initial recognition date, i.e., ₹ 9,80,000. As on 31st March 20X2, loss on fair valuation of biological assets would be = [9,80,000 - (9,00,000 - 18,000)] = ₹ 98,000.

⇄ Case Scenario -Mr. Deepak Goel (multi-Ind AS practice) -full case & answers under FR Chapter 18 (Ind AS 40), CASE SCENARIOS band.

CHAPTER 15 -Ind AS 36 -Impairment of Assets

▣ DEEP DIVE

Ind AS 36 ensures assets are not carried above their recoverable amount. The whole standard turns on one comparison: carrying amount vs recoverable amount, where recoverable amount is the HIGHER of fair value less costs of disposal and value in use.

1 · WHEN TO TEST

- At each reporting date, assess whether there is any INDICATION of impairment (external: market value decline, adverse changes, interest rates, market capitalisation < net assets; internal: obsolescence, physical damage, idle/held-for-disposal, worse economic performance than expected).
- Irrespective of any indication, test ANNUALLY: goodwill acquired in a business combination, intangible assets with indefinite useful life, and intangible assets not yet available for use.

2 · RECOVERABLE AMOUNT

- Fair value less costs of disposal (FVLCD) -Ind AS 113 fair value minus incremental disposal costs.

- Value in use (VIU) -present value of future cash flows expected from the asset's continuing use and ultimate disposal, using a pre-tax discount rate reflecting current market assessments of the time value of money and the risks specific to the asset.
- If either exceeds the carrying amount, the asset is NOT impaired -no need to compute both.

VIU cash flows are based on reasonable and supportable assumptions, the most recent budgets/forecasts (max 5 years unless justified), and EXCLUDE future restructurings not yet committed and improvements to the asset's performance, as well as financing cash flows and income tax.

3 · CASH-GENERATING UNITS & GOODWILL

If an asset does not generate largely independent cash inflows, test the cash-generating unit (CGU) to which it belongs. Goodwill is allocated to CGUs (or groups) expected to benefit from the combination and tested at that level. Impairment of a CGU is allocated FIRST to goodwill, then to the other assets pro rata on carrying amounts -but no asset is written below the highest of its FVLCD, VIU (if determinable) and zero.

4 · REVERSALS

EXAM TRAP: An impairment loss on GOODWILL is NEVER reversed. For other assets, an impairment loss is reversed (up to the carrying amount that would have existed, net of depreciation, had no impairment been recognised) only if the estimates used to determine recoverable amount have changed. Reversal of a revalued asset's impairment is treated as a revaluation increase.

Worked example (recoverable amount & CGU allocation): An asset has a carrying amount of ₹ 10,00,000. Its fair value less costs of disposal is ₹ 7,50,000 and its value in use (PV of future cash flows) is ₹ 8,00,000. Recoverable amount = HIGHER of the two = ₹ 8,00,000, so the impairment loss = 10,00,000 - 8,00,000 = ₹ 2,00,000. For a cash-generating UNIT that contains goodwill, the impairment is allocated FIRST to goodwill, then pro-rata to the other assets -but no individual asset is written below the highest of its own fair value less costs of disposal, its value in use, and zero.

Worked example (reversal): If, next year, the recoverable amount of the same asset recovers to ₹ 9,50,000, reverse the impairment -but only up to what the carrying amount WOULD have been (net of normal depreciation) had no impairment been recognised; the reversal goes to P&L (or to OCI if the asset is carried at a revalued amount). Goodwill impairment is NEVER reversed.

INTEGRATION: Ind AS 36 connects to Ind AS 16/38 (the assets tested and revaluation interaction), Ind AS 103 (goodwill and CGU allocation), Ind AS 105 (held-for-sale measurement) and Ind AS 113 (fair value).

Mandatory annual impairment review

Irrespective of any indicator of impairment, an entity must test ANNUALLY: (i) goodwill acquired in a business combination, (ii) intangible assets with indefinite useful life, and (iii) intangible assets not yet available for use.

Recognising & measuring an impairment loss

Impairment loss = Carrying amount - Recoverable amount, where Recoverable amount = HIGHER of fair value less costs of disposal and value in use. For a cash-generating unit, allocate the loss first to goodwill, then pro-rata to other assets (but not below their own recoverable amount).

Quick-reference tables (module maps)

Value in Use -Cash Flows Included / Excluded (Ind AS 36)

Aspect	Treatment
Cash flows INCLUDE	Projections of cash inflows from continuing use of the asset; cash outflows necessarily incurred to generate those inflows (directly attributable costs + reasonably allocated overheads); and net cash flows on disposal of the asset at the end of its useful life.
Cash flows EXCLUDE	Future restructuring to which the entity is NOT yet committed; expenditure improving or enhancing the asset's performance; cash flows from financing activities; and income-tax receipts or payments.
Discount rate	A PRE-TAX rate reflecting current market assessments of (i) the time value of money and (ii) the risks specific to the asset for which the cash-flow estimates have not been adjusted.

▣ DECISION ENGINE

Ind AS 36 -Impairment of Assets

1. Check for impairment indicators (external: market decline, tech change; internal: damage, restructuring, worse performance)
2. Recoverable amount = Higher of (FVLCD) and (VIU)
3. VIU = PV of future cash flows at pre-tax discount rate
4. If carrying amount > recoverable amount → impairment loss
5. CGU allocation: first reduce goodwill; then pro-rata to other assets (but not below individual recoverable amount)
6. Reversal: allowed for non-goodwill assets if indicators change. GOODWILL IMPAIRMENT NEVER REVERSED

Impairment -Ind AS 36 vs Ind AS 109 ECL -Which Standard Applies

Step 1 -IDENTIFY ASSET TYPE FIRST: • Financial Assets (loans, trade receivables, bonds, equity investments) → Ind AS 109 (Expected Credit Loss model) • Non-Financial Assets (PPE, goodwill, intangibles, investment property at cost, investments in subsidiaries in SEPARATE FS) → Ind AS 36 (Impairment of Assets)

Step 2 -Ind AS 36 (Non-Financial Assets): Trigger → external/internal indicators OR annual mandatory test (goodwill, indefinite- life intangibles). Recoverable Amount = Higher of FVLCD and VIU. If Carrying Amount > Recoverable Amount → Impairment Loss.

Step 3 -Ind AS 109 ECL (Financial Assets): 3-Stage model: Stage 1 – performing (12-month ECL). Stage 2 – significant increase in credit risk (lifetime ECL). Stage 3 – credit impaired (lifetime ECL; interest on net carrying amount).

Step 4 -KEY EXCLUSIONS from Ind AS 36: Inventories (Ind AS 2), Financial instruments (Ind AS 109), Deferred tax assets (Ind AS 12), Assets from employee benefits (Ind AS 19), Assets held for sale (Ind AS 105).

Step 5 -EXAM TRAP: Investment in subsidiary in SEPARATE FS → Ind AS 36, NOT Ind AS 109. Equity investments under FVTOCI → impairment NOT recognised separately (all changes in OCI, no recycling). Debt instruments at FVTOCI → ECL is recognised in P&L.

VIU vs FVLCD -Ind AS 36 Recoverable Amount Calculation

Step 1 -RECOVERABLE AMOUNT = Higher of VIU and FVLCD. If either exceeds carrying amount → no impairment (no need to compute the other).

Step 2 -VIU: PV of future cash flows from USE + PV of cash flows from DISPOSAL at end of useful life. • Cash flows: from CURRENT condition (no future enhancements); BEFORE income tax (use pre-tax discount rate); based on management's best estimates; NOT including financing cash flows.

Step 3 -EXAM TRAP on VIU: Planned expansion cash flows EXCLUDED. Planned restructuring NOT yet committed EXCLUDED. Tax cash flows EXCLUDED. Cash flows beyond 5 years → use steady/declining growth rate (max = long-term average growth rate of economy/industry).

Step 4 -FVLCD: Price in arm's length transaction - costs of disposal. Use Ind AS 113 fair value hierarchy. Costs of disposal = legal costs, stamp duty, cost of removing asset.

Step 5 -CGU: If individual asset cannot generate independent cash flows → test CGU (smallest group generating independent cash inflows). Allocate impairment: first to goodwill, then to other assets pro-rata (but not below highest of FV, VIU, zero). Step 6 -REVERSAL: Non-goodwill assets → impairment CAN be reversed. Goodwill impairment → NEVER reversed.

▣ EXAM TRAPS

- Annual mandatory test: Goodwill and indefinite-life intangibles → test ANNUALLY regardless of indicators

Trap -Impairing before testing the CGU & goodwill order
Fix -Reduce goodwill first, then other assets pro-rata, with no asset below its own recoverable amount.
Trap -Using the wrong recoverable amount
Fix -Recoverable amount = higher of fair value less costs of disposal and value in use.
Trap -Reversing goodwill impairment
Fix -Goodwill impairment is NEVER reversed; other assets' reversals are capped at depreciated historical carrying amount.
Trap -Applying Ind AS 36 to financial assets
Fix -Financial assets use Ind AS 109 ECL, not Ind AS 36.

MODULE ILLUSTRATIONS

Illustration

Mercury Ltd. has an identifiable asset with a carrying amount of ₹ 1,000. Its recoverable amount is ₹ 650. The tax rate is 30% and the tax base of the asset is ₹ 800. Impairment losses are not deductible for tax purposes. Identify the impact of impairment loss on related deferred tax asset / liability against the revised carrying amount of asset.

Solution

The effect of impairment loss is as follows:

Carrying amount	1,000	(350)	650
Tax Base	800		
Taxable (deductible) temporary difference	200	(350)	(150)
Deferred tax liability (asset) at 30%	60	(105)	(45)

In accordance with Ind AS 12, the entity recognises the deferred tax asset to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised.

Illustration

Entity A acquires Entity B for ₹ 50 million, of which ₹ 35 million is the fair value of the identifiable assets acquired and liabilities assumed. The acquisition of B Ltd. is to be integrated into two of Entity A's CGUs with the net assets being allocated as follows:

₹ in million

CGU 1 CGU 2 Total

Fair value of acquired identifiable tangible and intangible assets 25 10 35

In addition to the net assets acquired that are assigned to CGU 2, the acquiring entity expects CGU 2 to benefit from certain synergies related to the acquisition (e.g. CGU 2 is expected to realise higher sales of its products because of access to the acquired entity's distribution channels). There is no synergistic goodwill attributable to other CGUs.

Entity A allocated the purchase consideration of the acquired business to CGU 1 and CGU 2 as ₹ 33 million and ₹ 17 million respectively.

Determine the allocation of goodwill to each CGU?

Solution

If goodwill is allocated to the CGUs based on the difference between the purchase consideration and the fair value of net assets acquired ie direct method, the allocation would be as follows: (All figures are ₹ in million, unless otherwise specified)

Particulars	CGU 1 (₹)	CGU 2 (₹)	Total (₹)
Allocation of Purchase consideration	33	17	50
Less: Acquired identifiable tangible and intangible assets	(25)	(10)	(35)
Goodwill assigned to CGUs	8	7	15

Illustration

Earth Infra Ltd has two cash-generating units, A and B. There is no goodwill within the units' carrying values. The carrying values of the CGUs are CGU A for ₹ 20 million and CGU B for ₹ 30 million. The company has an office building which it is using as an office headquarter and has not been included in the above values and can be allocated to the units on the basis of their carrying values. The office building has a carrying value of ₹ 10 million. The recoverable amounts are based on value-in-use of ₹ 18 million for CGU A and ₹ 38 million for CGU B.

Determine whether the carrying values of CGU A and B are impaired.

Solution

The office building is a corporate asset which needs to be allocated to CGU A and B on a reasonable and consistent basis:

Particulars	CGU A	CGU B	Total
Carrying value of CGUs	20	30	50
Allocation of office building (office building is allocated in the ratio of Carrying value of CGU's)	4	6	10
Carrying value of CGU after			
Allocation of corporate asset	24	36	60
Recoverable Amount	18	38	56

Impairment Loss 6 -

The impairment loss will be allocated on the basis of 4/24 against the building (₹ 1 million) and 20/24 against the other assets (₹ 5 million).

Illustration

A Ltd acquires 80% shares of a subsidiary B Ltd. for ₹ 3,200 thousand. At the date of acquisition, B Ltd.'s identifiable net assets is ₹ 3,000 thousand. A elects to measure NCI at proportionate share of net identifiable assets. It recognises

Particulars	Amount (₹)
Purchase Consideration	3,200
NCI (3,000 x 20%)	600
Less: Net Assets	(3,000)
Goodwill	800

At the end of next financial year, B Ltd.'s carrying amount is reduced to ₹ 2,700 thousand(excluding goodwill).

Recoverable amount of B Ltd.'s assets is

Case (i) ₹ 2,000 thousand,

Case (ii) ₹ 2,800 thousand

Calculate impairment loss allocable to Parent and NCI in both the cases.

Solution (₹ in thousands)

Particulars	Goodwill	Other Asset	Total
Carrying amount	800	2,700	3,500
Unrecognised NCI (notional) [(800 / 80%) x 20%] 200 -	200		
Notional Total	1,000	2,700	3,700
Recoverable amount - -	2,000		
Total Impairment loss - -	(1,700)		
Impairment loss recognised in CFS	(800)	(700)	(1,500)
Carrying amount after impairment -	2,000	2,000	
Impairment loss on: Parent NCI	(800)	-	(800)

Illustration

Venus Ltd. has an asset, which is carried in the balance sheet on 31 st March, 20X1 at ₹ 500 lakh. As at that date the value in use is ₹ 400 lakh and the fair value less costs to sells is ₹ 375 lakh. From the above data:
(a) Calculate impairment loss.
(b) Prepare journal entries for adjustment of impairment loss.

Solution

According to Ind AS 36, Impairment of Assets, impairment loss is the excess of 'Carrying amount of the asset' over 'Recoverable Amount'.
In the present case, the impairment loss can be computed in the following manner: Step 1: Fair value less costs to sell: ₹ 375 lakh
Step 2: Value in use: ₹ 400 lakh
Step 3: Recoverable amount, i.e., higher of 'fair value less costs to sell' & 'value in use'.
Thus, recoverable amount is ₹ 400 lakh
Step 4: Carrying amount of the asset ₹ 500 lakh
Step 5: Impairment loss, i.e., excess of amount computed in step 4 over amount computed in Step 3. ₹ 100 lakh (being the difference between ₹ 500 lakh and ₹ 400 lakh).
According to Ind AS 36, an impairment loss should be recognised as an expense in the statement of profit and loss immediately, unless the asset is carried at revalued amount in accordance with another Accounting Standard. Assuming, that the asset is not carried at revalued amount, the impairment loss of ₹ 100 lakh will be charged to Profit & Loss Account.
Journal Entries

Particulars	Amount (₹)
₹ in lakh	
31.3.20X1 Impairment Loss A/c Dr.	100
To Assets A/c	100

(Being impairment loss on an asset recognised)

Particulars	Amount (₹)
31.3.20X1 Statement of Profit & Loss Dr.	100
To Impairment Loss A/c	100

Illustration

XYZ Limited has a cash-generating unit 'Plant A' as on 1 st April, 20X1 having a carrying amount of ₹ 1,000 crore. Plant A was acquired under a business combination and goodwill of ₹ 200 crore was allocated to it. It is depreciated on straight line basis. Plant A has a useful life of 10 years with no residual value. On 31 st March, 20X2, Plant A has a recoverable amount of ₹ 600 crore.
Calculate the impairment loss on Plant A. Also, determine its allocation as per Ind AS 36.

Solution

Particulars	Goodwill (₹)	Other Assets (₹)	Total (₹)
Historical cost	200	1,000	1,200
Depreciation (20X1-20X2) -	(100)	(100)	
Carrying amount	200	900	1,100

Since, the recoverable amount is ₹ 600 crore, there is an impairment loss of ₹ 500 crore. The impairment loss of ₹ 500 crore should be allocated to goodwill first, and then to the other identifiable assets, i.e., ₹ 200 crore to goodwill and ₹ 300 crore to identifiable assets of Plant A.
(₹ in crore)

Particulars	Goodwill	Identifiable Assets	Total
Impairment loss	(200)	(300)	(500)
Carrying amount after impairment loss	-	600	600

◆ CASE STUDY Q&A

Q. What is the amount of impairment loss which Sah Fashions Ltd is required to transfer to Statement of profit and Loss and how the same should be allocated?

(a) Impairment loss is ₹ 1.98 Lakhs and the same should be allocated to goodwill and other assets proportionately.
(b) Impairment loss is ₹ 1.38 Lakhs and the same should be allocated to goodwill and other assets proportionately.
(c) Impairment loss is ₹ 1.68 Lakhs and the same should be allocated first to goodwill and then the balance to all other assets.
(d) Impairment loss is ₹ 1.38 Lakhs and the same should be allocated first to goodwill and then the balance to all other assets

Ans. (d) Impairment loss is ₹ 1.38 Lakhs and the same should be allocated first to goodwill and then the balance to all other assets. Reason: Calculation of Impairment loss Goodwill Other assets Total Lakhs ₹ Historical Cost 5 Accumulated Depreciation - (0.6) (0.6) (4.5/15) X 2 Carrying Amount (0.5) (0.88) (1.38) Impairment Loss -- Revised Carrying Amount Impairment Loss = Carrying Amount – Recoverable Amount (₹ 4.4 - ₹ 3.2) = 1.38 is charged in statement of profit and loss for the period end Impairment loss is allocated first to goodwill ₹ 0.5 and remaining loss of ₹ 0.88 (1.38-0.5) as impairment loss is allocated to the other assets

Q. Life Education Ltd. is carrying the same asset "Wing W" at ₹ 1,200 Lakhs in its books of accounts as on 31.03.2025. Do you agree with the same? [May 2025 Past Paper]

Ans. Since, the recoverable amount is ₹ 1,100 lakhs, there is an impairment loss of ₹ 500 lakhs. The impairment loss of ₹ 500 lakhs should be allocated to goodwill first, and then to the other identifiable assets, i.e., ₹ 400 lakhs to goodwill and ₹ 100 lakhs to identifiable assets of "Wing W". Hence, the presentation of "Wing W" by Life Education Ltd. in its books at ₹ 1,200 lakhs as on 31.3.02025 is incorrect

Q. What is the appropriate accounting treatment for the coal mining assets at PML when there is an indication that the mineral reserves will be exhausted sooner than expected? (A) Continue depreciation at original rates with no change required (B) Perform an impairment test and recognise an impairment loss if recoverable amount falls below carrying amount (C) Immediately write off all remaining book value of mining assets (D) Transfer mining assets to investment property category [RTP May 2026]

Ans. The correct answer is (B) Perform an impairment test and recognise an impairment loss if recoverable amount falls below carrying amount. Reason: Under Ind AS 36 (Impairment of Assets), when there is an indication that an asset may be impaired (such as earlier-than-expected exhaustion of mineral reserves, change in useful life), the entity must estimate the recoverable amount of the asset. Recoverable amount = higher of Fair Value less Costs of Disposal and Value in Use. If recoverable amount < carrying amount → impairment loss must be recognised immediately in P&L. Writing off all assets immediately (C) is not appropriate without testing; reclassification to investment property (D) is incorrect for mining assets.

CHAPTER 16 -Ind AS 37 -Provisions, Contingent Liabilities & Assets

▣ DEEP DIVE

Ind AS 37 draws the line between a liability you must recognise (provision), one you only disclose (contingent liability), and a possible gain you usually only disclose (contingent asset). The three recognition tests are the spine of the standard.

1 · RECOGNISING A PROVISION -THREE TESTS

A PRESENT obligation (legal or constructive) exists as a result of a past (obligating) event;

TAKEAWAY FOR REVISION

One skeleton, applied to any new company.

Whatever numbers a new Ind AS 36 case gives you, the route is always the same: find the recoverable amount (higher of fair value less costs of disposal and value in use), compare it to carrying amount, and if there is an impairment loss, allocate it to goodwill first, then the other assets pro rata, never reversing goodwill. Practise that route on a few different fact patterns rather than trying to memorise any single case.

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