

Cash-generating units (CGU)

- Impairment is pro-rata based
- Included everything in the calculation of the CA. ie: include cash and receivables
- For allocation of impairment → exclude cash and receivables and other assets that are not included by definition
- Cannot impair below the RA of each asset within the CGU

Steps to take:

1. Impair goodwill first
2. Pro-rata remaining impairment based on the CA of the assets in the CGU (excluding exceptions)
3. If the RA (higher of FV-COD, VIU, Zero) is higher than the after-net-CA, then reallocate the difference amongst the remaining assets at their new CA (refer to textbook for example)

Under IAS 36 Impairment of Assets

Does not apply to:

1. Inventories
2. Assets arising from construction contracts
3. Deferred tax assets
4. Assets arising from employee benefits
5. Financial assets
6. Investment property carried at FV
7. Agricultural assets carried at FV
8. Insurance contracts assets
9. Non-current assets held for sale

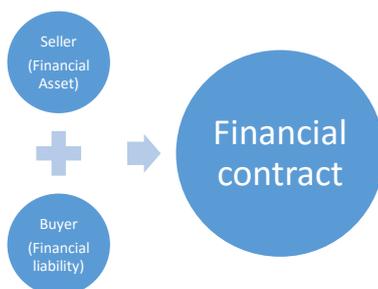
Therefore it applied to:

1. Land
2. Buildings
3. Machinery and equipment
4. Investment property carried at cost
5. Intangible assets
6. Goodwill
7. Investments in subsidiaries, associates, joint ventures carried at cost
8. Assets carried at revalued amounts under IAS 16, IAS 38

Seminar 04: Financial instruments and foreign currency

Financial instruments

A financial asset is created for the seller as the seller receives the right to receive cash in the future. A financial liability is created for the buyer as the buyer is obligated to make payment in the future.



Functional currency

- AASB 121 / IAS 21 give priority to the following indicators in determining the functional currency of an Australian company:
 1. Currency that mainly affects sales prices, which is usually the currency in which sales prices are denominated and settled
 2. Currency whose competitive forces and regulations determine prices
 3. Currency that mainly influences labour, material and other costs of providing goods and services

- If mixed results based on the above; consider
 1. Currency in which funds from issuing debt and equity instruments are generated
 2. Currency in which receipts from operating activities are banked and retained

- Functional currency is consistent, unless transactions / events / conditions altered in a way to justify a change in the functional currency