

# Memorandum

**To:** [Audit Files]

**CC:**

**From:**

**Date:**

**Re:** Assessment of Impairment Indicators

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## **BACKGROUND**

The purpose of the memo is to summarize management's review of potential indicators of impairment of the finite life **[intangible assets]** and/or **[property, plant and equipment]** included in the consolidated financial statements of **[Company Name ("The Company")]**.

The finite life **[intangible assets]** and/or **[property, plant and equipment]** consist of the following at **[period end date]** **[insert assets]**:

## **IAS 36 ACCOUNTING REQUIREMENTS**

IAS 36 - Impairment of Assets ("IAS 36") outlines the requirement for determining whether an impairment of long-lived assets exists. IAS 36 states that an entity must assess whether there are any indications that an asset may be impaired at the end of a reporting period and that if any indications of impairment exists, an estimate of the recoverable amount of the asset must be determined.

IAS 36 further states that in assessing whether there are impairment indications that an entity should consider both external and internal sources of information as follows:

### *External sources of information*

- An asset's market value has declined significantly more than would be expected as a result of the passage of time or normal use.
- Significant changes with an adverse effect on the entity have taken place or will take place in the near future, in the technological, market, economic or legal environment in which the entity operates or in the market to which an asset is dedicated.
- Market interest rates or other market rates of return on investments have increased and those increases are likely to affect the discount rate used in calculating an asset's value in use and materially decrease the asset's recoverable amount.
- The carrying amount of the net assets of the entity is more than its market capitalisation.

### *Internal sources of information*

- Obsolescence or physical damage of an asset is evident.
- Significant changes with an adverse effect on the entity have taken place or are expected to take place in the near future that will affect how an asset is used or is expected to be used.