Purpose

To establish decisions, directions and precedents which act as a reference for financial reporting and are the basis from which the University's accounting procedures are determined.

Scope

This Policy should be consistently applied by the University, as well as all of its controlled entities, for both their financial reporting responsibilities and group consolidation purposes.

This Policy is applied in accounting for the impairment of all assets (including current assets) other than:

- inventories;
- assets arising from construction contracts;
- deferred tax assets;
- assets arising from employee benefits;
- financial assets that are within the scope of the investment and financial assets accounting policy; and
- non-current assets (or disposal groups) classified as held for sale.

Basic Principles of Impairment

An asset should not be carried in the balance sheet at a value greater than its recoverable amount.

All assets (other than goodwill, indefinite life intangible assets and intangible assets that are not yet ready for use) are required to be tested for impairment where there is an impairment indicator. Testing threshold, if any, is detailed in the University’s procedures for each class of asset.

Goodwill, indefinite life intangible assets and intangible assets that are not yet ready for use must be tested for impairment annually.
**Measuring Recoverable Amount**

Recoverable amount is measured as the higher of an asset’s fair value less costs to sell and its value in use.

**Fair Value Less Costs To Sell**

The best indicator of fair value less costs to sell is the price in a binding arm’s length sale agreement adjusted for the costs of disposal. If there is no binding sale agreement but the asset is traded in an active market, the current market price or the latest transaction price, less costs to sell, should be used. If there is no binding sale agreement or active market for an asset, fair value less costs to sell is based on the best information available to reflect the amount that the University could obtain, at the reporting date, from the disposal of the asset in an arm’s length transaction between knowledgeable, willing parties, after deducting the costs of disposal.

**Value In Use**

Value in use shall be determined as the depreciated replacement cost of the asset.

**Recognition of Impairment Loss**

If the recoverable amount of an asset is less than its carrying amount, the University should reduce the carrying amount to the recoverable amount. The reduction is recognised as an impairment loss.

For assets carried at a depreciated historical cost basis the impairment loss is recognised in the income statement immediately.

For assets that are carried at revalued amounts, an impairment loss is treated as a revaluation decrease. The loss is first set off against any revaluation surplus relating to the same class of assets in reserves and the balance of the loss is then treated as an expense in the income statement.

**Reversal of Impairment Losses**

An assessment is required to be done at each reporting date to identify whether there is any indication that an impairment loss recognised in prior periods for an asset other than goodwill may no longer exist or may have decreased. If any such indication exists, the University shall estimate the recoverable amount of that asset.

For assets other than goodwill, the reversal of an impairment loss should be recognised if, and only if, there has been a change in the estimates used to determine the asset’s recoverable amount since the last impairment test was carried out. The reversal of an impairment loss recognises an increase in the estimated service potential of an asset, either from use or sale since the last impairment test. The increased carrying amount of an asset attributable to a reversal of an impairment loss shall not exceed the carrying amount that...
would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior years.

A reversal of an impairment loss on a revalued asset is credited directly to equity under the heading revaluation reserve. However, to the extent that an impairment loss on the same class of asset was previously recognised in the income statement, a reversal of that impairment loss is also recognised in the income statement.

Impairment losses relating to goodwill are not allowed to be reversed.

**Definitions**

**Carrying amount** is the amount at which an asset is recognised after deducting any accumulated depreciation (amortisation) and accumulated impairment losses thereon.

**Costs of disposal** are incremental costs directly attributable to the disposal of an asset or cash-generating unit, excluding finance costs and income tax expense.

**Depreciated replacement cost** is the current replacement cost of an asset less, where applicable, accumulated depreciation calculated on the basis of such cost to reflect the already consumed or expired future economic benefits of the asset.

**Fair value less costs to sell** is the amount obtainable from the sale of an asset or cash generating unit in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

**Recoverable amount** is defined as the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use.

**The University** means the University of New South Wales.

**Value in use** is depreciated replacement cost of an asset when the future economic benefits of the asset are not primarily dependent on the asset's ability to generate net cash inflows and where the University would, if deprived of the asset, replace its remaining future economic benefits.

**Reference**

AASB 136 – *Impairment of Assets*

**Appendix A: History**

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