

Test your understanding 1

Recoverable amount

A company owns a car that was involved in an accident at the year end. It is barely useable, so the value in use is estimated at \$1,000. However, the car is a classic and there is a demand for the parts. This results in a fair value less costs to sell of \$3,000. The opening carrying value was \$8,000 and the car was estimated to have a life of eight years from the start of the year.

Identify the recoverable amount of the car and any impairment required.

Test your understanding 2

An entity owns a property which was originally purchased for \$300,000. The property has been revalued to \$500,000 with the revaluation of \$200,000 being recognised as other comprehensive income and recorded in the revaluation reserve. The property has a current carrying value of \$460,000 but the recoverable amount of the property has just been estimated at only \$200,000.

What is the amount of impairment and how should this be treated in the financial statements?

Example 1 – Recoverable amount

The following information relates to three assets:

	A	B	C
	\$000	\$000	\$000
Carrying value	100	150	120
Net realisable value	110	125	100
Value in use	120	130	90

What is the recoverable amount of each asset?