

Tax Hotline

November 27, 2001

ICAI ISSUES EXPOSURE DRAFT ON 'IMPAIRMENT OF ASSETS'

The Accounting Standards Board of the Institute of Chartered Accountants of India (ICAI) has issued an exposure draft of a proposed mandatory accounting standard on 'impairment of assets'.

The proposed standard, which will come into effect in respect of an accounting period commencing on a date to be decided later, prescribes the procedures that enterprises need to follow to ensure that their assets are carried at no more than their recoverable amount. According to ICAI, an asset is carried at more than its recoverable amount if its carrying amount exceeds the amount to be recovered through use and sale of the asset. In such cases, the asset is described as impaired and the proposed Accounting Standard requires the enterprise to recognise an impairment loss (the amount by which the carrying amount of an asset exceeds its recoverable amount).

The proposed standard also specifies when an enterprise should reverse an impairment loss and prescribes certain disclosures for impaired assets. The exposure draft proposes that the carrying amount of the asset should be reduced to its recoverable amount in cases where the recoverable amount of an asset is less than its carrying amount. It held that an impairment loss should be recognized as an expense in the statement of profit and loss immediately, unless the asset is carried at revalued amount in accordance with Accounting Standard (AS) 10 which deals with Accounting for Fixed Assets in which case any impairment loss of a revalued asset should be treated as a revaluation decrease under that Accounting Standard.

The proposed standard would be applied in accounting for the impairment of all assets, other than inventories; assets arising from construction contracts; investments that are included in the scope of Accounting Standard 13; deferred tax assets. This Standard does not apply to inventories, assets arising from construction contracts, deferred tax assets or investments since the existing accounting standards applicable to these assets already contain specific requirements for recognizing and measuring the impairment related to these assets.

Source: *Business Line*, November 27, 2001

DISCLAIMER

The contents of this hotline should not be construed as legal opinion. View detailed disclaimer.

This Hotline provides general information existing at the time of preparation. The Hotline is intended as a news update and Nishith Desai Associates neither assumes nor accepts any responsibility for any loss arising to any person acting or refraining from acting as a result of any material contained in this Hotline. It is recommended that professional advice be taken based on the specific facts and circumstances. This Hotline does not substitute the need to refer to the original pronouncements.

This is not a Spam mail. You have received this mail because you have either requested for it or someone must have suggested your name. Since India has no anti-spamming law, we refer to the US directive, which states that a mail cannot be considered Spam if it contains the sender's contact information, which this mail does. In case this mail doesn't concern you, please unsubscribe from mailing list.

Research Papers

Clinical Trials and Biomedical Research in India

April 22, 2025

Structuring Platform Investments in India For Foreign Investors

March 31, 2025

India's Oil & Gas Sector— at a Glance

March 27, 2025

Research Articles

2025 Watchlist: Life Sciences Sector India

April 04, 2025

Re-Evaluating Press Note 3 Of 2020: Should India's Land Borders Still Define Foreign Investment Boundaries?

February 04, 2025

INDIA 2025: The Emerging Powerhouse for Private Equity and M&A Deals

January 15, 2025

Audio

CCI's Deal Value Test

February 22, 2025

Securities Market Regulator's Continued Quest Against "Unfiltered" Financial Advice

December 18, 2024

Digital Lending - Part 1 - What's New with NBFC P2Ps

November 19, 2024

NDA Connect

Connect with us at events, conferences and seminars.

NDA Hotline

[Click here to view Hotline archives.](#)

Video

Vyapak Desai speaking on the danger of deepfakes | Legally Speaking with Tarun Nangia |

**Vaibhav Parikh, Partner, Nishith
Desai Associate on Tech, M&A, and
Ease of Doing Business**

March 19, 2025

**SIAC 2025 Rules: Key changes &
Implications**

February 18, 2025

