

IAS 36 Impairment of Assets (March 2007)

Identifying cash-generating units in the retail industry

The IFRIC was asked to develop an Interpretation on whether a cash-generating unit (CGU) could combine more than one individual store location. The submitter developed possible considerations including shared infrastructures, marketing and pricing policies, and human resources.

The IFRIC noted that IAS 36 paragraph 6 (and supporting guidance in paragraph 68) requires identification of CGUs on the basis of independent cash inflows rather than independent net cash flows and so outflows such as shared infrastructure and marketing costs are not considered.

The IFRIC took the view that developing guidance beyond that already given in IAS 36 on whether cash inflows are largely independent would be more in the nature of application guidance and therefore decided not to take this item on to its agenda.