

**Recoverable amount and carrying amount of a cash-generating unit (IAS 36 *Impairment of Assets*)—
May 2016**

The Interpretations Committee received a request to clarify the application of paragraph 78 of IAS 36 *Impairment of Assets*. This paragraph sets out the requirements for considering recognised liabilities in determining the recoverable amount of a cash-generating unit (CGU) within the context of an impairment test for a CGU.

The submitter questioned the approach set out in paragraph 78 of IAS 36, which requires an entity to deduct the carrying amount of any recognised liabilities in determining both the CGU's carrying amount and its value in use (VIU). The submitter asked whether an alternative approach should be required.

The Interpretations Committee observed that when an entity needs to consider a recognised liability to determine the recoverable amount of a CGU (which may occur if the disposal of a CGU would require the buyer to assume the liability), paragraph 78 of IAS 36 requires the entity to deduct the carrying amount of the recognised liability in determining both the CGU's carrying amount and its VIU. This approach of determining both the CGU's carrying amount and its VIU by deducting the same carrying amount of the recognised liability makes the comparison between the CGU's carrying amount and the CGU's recoverable amount meaningful.

The Interpretations Committee observed that the approach in paragraph 78 of IAS 36 for considering recognised liabilities provides a straightforward and cost-effective method to perform a meaningful comparison of the measures involved in an impairment test for a CGU.

In the light of the existing requirements in IFRS Standards, the Interpretations Committee determined that neither an Interpretation nor an amendment to a Standard was necessary. Consequently, the Interpretations Committee decided not to add this issue to its agenda.