

# Account titles and preparation of financial statements

Finance



Case 10-2 1. Ida needs to test the U. S. commercial building for recoverability under both U. S. GAAP and IFRSs. Recoverability test is one of the requirement tests for impairment. As a result, we need to verify if impairment should be recognized. 2. The impairment is \$600, 000. GAAP methodology of determining impairment uses a two-step recoverability test. Step one, requires a company to estimate the future undiscounted cash flows expected from the use of that asset and its eventual disposition.

If impairment has occurred, step two would determine the loss by subtracting the fair value from the carrying amount of the asset. 3. Ida should record \$500, 000 impairment loss on the U. S. commercial building when reporting to its parent as of December 31, 2012. Since the recoverability test is needed under IFRSs, Ida needs to figure out the amount of impairment (if any) which should record on the commercial building and report to its parent as of December 31, 2012.

An impairment loss is the amount by which the carrying amount of an asset exceeds its recoverable amount. The carrying amount of Ida's building is \$4, 500, 000, and in order to calculate the impairment loss, its recoverable amount is required. 4. A. After the impairment testing, goodwill associated with the Spanish operations impairs under GAAP as of 12/31/2010. The impairment loss is \$200, 000. Under U. S.

GAAP, goodwill impairment test is taken annually, or when there is impairment indicator. B. After the impairment testing, goodwill associated with the Spanish operations impairs under IFRSs as of 12/31/2012. The impairment loss is \$400, 000. The new carrying value of the assets is \$3. 1 million. The new carrying value of the CGU is \$1. 8 million. Goodwill acquired <https://assignbuster.com/account-titles-and-preparation-of-financial-statements/>

in a business combination shall be allocated to each of the acquirer's cash-generating units, or groups of cash generating units.