

The background features a blurred image of a person's hands using a calculator on a desk next to a laptop. A large, stylized geometric shape, composed of dark blue and orange diagonal bands, is overlaid on the image. The text is centered within the white space of this shape.

Ind AS Worked Example

**When Recoverable
Amount is more than
the Carrying Amount**

Worked Example

Ind AS 36 – When Recoverable Amount is more than the Carrying Amount

SCENARIO

Profit before depreciation CU 100 per year

Asset CU 100

Income tax rate 40%

Depreciation (SLM) – Financial 20%, Tax 25%

Recoverable amount CU 60 at the end of year 1, CU 50 at the end of year 3

Statement of Profit and Loss and Other Comprehensive Income (CU)

Year	1	2	3	4	5
Profit before depreciation	100	100	100	100	100
Depreciation	20	15	15	25	25
Impairment	20	40	– 15	(10) 5	– 25
Accounting Profit	60	85	95	75	75
Tax expense –					
Current tax	30	30	30	30	40
Deferred tax (income) / asset	(6)	4	2	–	–
Deferred tax expense / (liability)	– 24	– 34	6 38	– 30	(10) 30
Profit for the period	36	51	57	45	45
<i>Other comprehensive income</i>					
Revaluation surplus (net of tax)	–	–	6	–	–
Total comprehensive income	36	51	63	45	45

Statement of Changes in Equity (CU)

Year	3	4	5
<i>Revaluation surplus</i>			
Opening balance	–	6	3
Created through other comprehensive income	6	–	–
Transferred to retained earnings	–	(3)	(3)
Closing balance	6	3	–

Workings		Current Tax		(CU)
Year		1 to 4	5	
Profit before depreciation		100	100	
Depreciation allowed		25	–	
Taxable Profit		75	100	
Current tax @ 40%		30	40	

Deferred Tax Asset / Liability											(CU)
Year	1		2		3		4		5		
Deferred tax	Asset	Liability	Asset	Liability	Asset	Liability	Asset	Liability	Asset	Liability	
Opening balance	–	–	6	–	2	–	–	10	–	10	
Created through – <i>Profit or loss</i>	6	–	–	–	–	6	–	–	–	–	
<i>Other comprehensive income</i>	–	–	–	–	–	4	–	–	–	–	
Reversed through P/L	–	–	(4)	–	(2)	–	–	–	–	(10)	
Closing Balance	6	–	2	–	–	10	–	10	–	–	

Carrying Amount of the Asset

Restated proportionately

Year	1	2	3		4	5	(CU)
			Impairment reversal	Revaluation increase			
Gross block	100	100	100 → 100	→ 125	125	125	
Accumulated depreciation and impairment	40	55	70 → 60	→ 75	100	125	
Carrying Amount	60	45	30 → 40	→ 50	25	–	

Eliminated against gross carrying amount

Year	1	2	3		4	5	(CU)
			Impairment reversal	Revaluation increase			
Gross block	100	100	100 → 100	→ 50	50	50	
Accumulated depreciation and impairment	40	55	70 → 60	→ –	25	50	
Carrying Amount	60	45	30 → 40	→ 50	25	–	

Tax Base of the Asset

Year	1	2	3	4	(CU)
Gross block	100	100	100	100	
Depreciation allowed	25	50	75	100	
Tax Base	75	50	25	–	