

CICA handbook – accounting highlight summary no. 18 December 2002

HIGHLIGHT SUMMARY

(Note: New Handbook material or changes in existing material are identified in each HANDBOOK REVISIONS RELEASE.)

Goodwill and other intangible assets, Section 3062

This Section has been amended to introduce differential reporting options. Enterprises that qualify under DIFFERENTIAL REPORTING, Section 1300, may elect to test goodwill for impairment only when an event or circumstance occurs that indicates that the fair value of a reporting unit may be less than its carrying amount. Qualifying enterprises may also elect to test an intangible asset not subject to amortization for impairment only when events or changes in circumstances indicate that its carrying amount may not be recoverable.

Impairment of long-lived assets, Section 3063

This new Section provides guidance on the recognition, measurement and disclosure of the impairment of long-lived assets. It replaces the write-down provisions in PROPERTY, PLANT AND EQUIPMENT, Section 3061.

The Section:

- requires an impairment loss for a long-lived asset to be held and used to be recognized when its carrying amount exceeds the sum of the undiscounted cash flows expected from its use and eventual disposition;
- requires an impairment loss for a long-lived asset to be held and used to be measured as the amount by which its carrying amount exceeds its fair value; and
- provides guidance on determining fair value.

Section 3063 is effective for years beginning on or after April 1, 2003. Earlier application is encouraged.

Disposal of long-lived assets and discontinued operations, Section 3475

This new Section provides guidance on the recognition, measurement, presentation and disclosure of long-lived assets to be disposed of. It replaces the disposal provisions of PROPERTY, PLANT AND EQUIPMENT, Section 3061, as well as DISCONTINUED OPERATIONS, Section 3475.

The Section:

- provides criteria for classifying assets as held for sale;
- requires an asset classified as held for sale to be measured at fair value less cost to sell;
- provides criteria for classifying a disposal as a discontinued operation; and
- specifies presentation and disclosures for discontinued operations and other disposals of long-lived assets.

Section 3475 is effective for disposal activities initiated by an enterprise's commitment to a plan on or after May 1, 2003. Earlier application is encouraged.

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