

Definition of Impairment



LONG-LIVED ASSETS	<ul style="list-style-type: none">• Impairment of a long-lived asset (or a long-lived asset group) occurs when the long-lived asset (or long-lived asset group) is <u>not recoverable</u>. Recoverability is measured as the <u>sum of the undiscounted cash flows</u> expected to result from the use and <u>eventual disposition</u> of the long-lived asset (or long-lived asset group).• Impairment is the difference between the carrying amount of the asset and the <u>fair value</u>.
INDEFINITE-LIVED ASSETS	<ul style="list-style-type: none">• Impairment of indefinite-lived intangible assets is present when the carrying amount of the asset exceeds its <u>fair value</u>.
GOODWILL	<ul style="list-style-type: none">• Impairment of goodwill <u>may be present</u> when the <u>carrying amount of a reporting unit</u> to which the goodwill belongs exceeds its fair value.• Goodwill impairment exists when the <u>fair value</u> of the reporting unit less the <u>fair value</u> of the net tangible and intangible assets (i.e. the residual fair value) is less than the carrying amount of the goodwill.

Impairment Testing Requirements



LONG-LIVED ASSETS **Covered by ASC 360-10-35**

- ASC 360 requires a long-lived asset to be tested for impairment whenever events or changes in circumstances indicate that its carrying amount may not be recoverable.
- Applicable assets include definite-lived assets, including: Depreciable real property, Machinery & equipment, Amortizable intangible assets (e.g., customer relationships, existing technology), and others.
- Long-lived intangible assets generally are tested as part of an asset group represented by the lowest level at which there are determinable cash flows.

INDEF.-LIVED INTNG. ASSETS **Covered by ASC 350-30-35**

- Indefinite-lived intangible assets recognized separately from goodwill are to be tested annually or more frequently if changes in circumstances indicate that the asset might be impaired.
- Applicable assets include indefinite-lived intangible assets recognized separately from goodwill, including: Trademarks, trade names, and brands; broadcast, gaming, and other licenses; IPR&D and others.
- Indefinite-lived intangible assets generally are tested as individual assets, rather than as part of an asset group.

GOODWILL **Covered by ASC 350-20-35**

- Goodwill is to be tested annually or more frequently if changes in circumstances indicate that the asset might be impaired.
- Goodwill represents the excess of the cost of an acquired entity over the net of the amounts assigned to assets and liabilities assumed. Post-business combination, goodwill is allocated to a reporting unit or units.
- Goodwill is tested for impairment at the reporting unit level.

Impairment Testing Process

