

Limited Revision to Accounting Standard (AS) 28 (issued 2002)

Impairment of Assets

The following is the text of the limited revision to AS 28, Impairment of Assets, issued by the Institute of Chartered Accountants of India.

Accounting Standard (AS) 13, *Accounting for Investments*, which deals with accounting for investments including an investment in a subsidiary, associate or joint venture, also contains specific requirements for recognising impairment on such investments. On **Accounting Standard (AS) 30, *Financial Instruments: Recognition and Measurement***, becoming mandatory, AS 13 would stand withdrawn except to the extent it relates to accounting for investment properties. Thus, accounting for an investment in a subsidiary, associate and joint venture would no longer be covered by AS 13. The same would be dealt with in AS 21, AS 23 and AS 27. Accordingly, with the issuance of AS 30, Limited Revisions are also made to AS 21, AS 23 and AS 27. The impairment of an investment in a subsidiary, associate or joint venture in separate financial statements would be covered under AS 28, *Impairment of Assets*. With a view to require the same, AS 28 (issued 2002) is modified as under (modifications are shown as double-underline/ strike-through):

Under the heading ‘Scope’, paragraph 1 is amended and a new paragraph 2A is added after paragraph 2 as below:

1. This Statement should be applied in accounting for the impairment of all assets, other than:

- (a) inventories (see AS 2, *Valuation of Inventories*);**
- (b) assets arising from construction contracts (see AS 7, *Accounting for Construction Contracts*⁶);**

⁶ This Standard has been revised and titled as ‘Construction Contracts’. The revised AS 7 is published elsewhere in this Compendium.

- (c) *financial assets^z, ~~including investments that are included in within~~ the scope of AS 13, Accounting for Investments 30, Financial Instruments: Recognition and Measurement; and*
- (d) *deferred tax assets (see AS 22, Accounting for Taxes on Income).*

2A. This Statement applies to financial assets classified as investments in:

- (a) subsidiaries, as defined in AS 21, *Consolidated Financial Statements and Accounting for Investments in Subsidiaries in Separate Financial Statements*;
- (b) associates, as defined in AS 23, *Accounting for Investments in Associates*; and
- (c) joint ventures, as defined in AS 27, *Financial Reporting of Interests in Joint Ventures*.

For impairment of other financial assets, refer to AS 30, *Financial Instruments: Recognition and Measurement*.

The limited revision comes into effect in respect of accounting periods commencing on or after the date on which Accounting Standard (AS) 30, *Financial Instruments: Recognition and Measurement*, comes into effect.

^z A financial asset is any asset that is:

- (a) cash;
- (b) a contractual right to receive cash or another financial asset from another enterprise;
- (c) a contractual right to exchange financial instruments with another enterprise under conditions that are potentially favourable; or
- (d) an ownership interest in another enterprise.