1. Objective

This procedure outlines the impairment testing process and the resultant accounting transactions determined in accordance with AIFRS, at a departmental level (i.e. Faculties, Schools & Divisions) in NS Financials.

2. Basis of Impairment testing

2.1 Property, Plant & Equipment and:

In accordance with the policy on impairment, assets are tested for impairment to ensure that they are not carried in the balance sheet at a value more than their recoverable amount.

All assets (other than goodwill, indefinite life intangible assets and intangible assets that are not yet ready for use) are tested for impairment where there is an impairment indicator, subject to testing thresholds, if any. Goodwill, indefinite life intangible assets and intangible assets that are not yet ready for use are tested for impairment annually.

If the recoverable amount of an asset is determined to be lesser than its carrying amount, an impairment loss is recognised in the income statement (for assets carried on a depreciated historical cost basis) or treated as a revaluation decrease (for assets that are carried at revalued amount).

For assets other than goodwill, the impairment loss is reversed if there has been a change in the estimates used to determine the asset’s recoverable amount since the last impairment test was carried out. A reversal of an impairment loss on a revalued asset is credited directly to equity under the heading revaluation reserve. Impairment losses relating to goodwill are not reversed.

2.2 Intangible assets

The following classes of Intangible assets are recorded at their net book value, which is assumed to approximate their recoverable value:

1. Computer Software
2. Patents
3. Licenses

3. Procedure

3.1 Computer Equipment, Other Plant & Equipment & Motor Vehicles - Annual impairment testing by Assets Unit (within Capital Asset Management Reporting, CFAS)
Following the stocktake every year, the Assets Unit distributes the final list of assets, with a written down value (i.e. Net Book Value) equal to $10,000 or more, requesting the School/Department to review each item, and identify, with description of the circumstances including effective dates, assetsthat meet any of the following criteria as per the policy on Impairment:

1. Have any significant adverse technological, market, legal or economic changes taken place which would materially reduce the asset’s recoverable amount?
2. Is there any evidence of obsolescence or physical damage to the asset?
3. Have any significant changes occurred in the period, including the asset becoming idle, plans to discontinue or restructure the operation to which the asset belongs, which will materially reduce the useful life of the asset?

An Impairment Certification Statement is signed by the Head of School/Department and returned to the Assets Department with the list of assets identified as impaired.

In line with the PPE & Impairment policies, Capital Asset Management Reporting, CFAS records the additional provision required to cover the impairment losses, at a ‘Central’ level through the asset impairment expense accounts. The impairment provision account is also maintained at a ‘Central’ level.

3.2 Assets arising from Capital/Construction projects - Annual impairment testing by Financial Control

Capital Asset Management Reporting, CFAS assesses the feasibility of completion of ongoing capital projects (i.e. capitalised as work-in-progress), in consultation with Facilities Management to identify any likely impairments due to funding constraints or other circumstances.

Capital Asset Management Reporting, CFAS charges the impairment losses at a ‘Central’ level through relevant Facilities Management chartfields, to various asset impairment expense accounts. The impairment provision account is maintained at a ‘Central’ level.

3.3 Assets subject to annual revaluations (i.e. Land, Building, Student accommodation, Leasehold improvement, Artwork and Rare books)

The impairment losses indicated in the valuation reports are adjusted against the surplus revaluation reserves at a ‘Central’ level.

Where there is insufficient balance in the revaluation reserve to cover the impairment losses of any class of PPE, the resulting loss is charged to ‘Central’ through the relevant impairment expense accounts. Refer procedure on ‘Asset Revaluations’ for details.

4. Operational aspects

4.1 Charges to Business Units (i.e. Faculties, Schools & Divisions)

Business units are not charged with impairment expenses relating to PPE, as it is recorded at a ‘Central’ level.