

# IFRIC Interpretation 10

## *Interim Financial Reporting and Impairment*

### References

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- IAS 34 *Interim Financial Reporting*
- IAS 36 *Impairment of Assets*
- IAS 39 *Financial Instruments: Recognition and Measurement*

### Background

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- 1 An entity is required to assess goodwill for impairment at every reporting date, to assess investments in equity instruments and in financial assets carried at cost for impairment at every balance sheet date and, if required, to recognise an impairment loss at that date in accordance with IAS 36 and IAS 39. However, at a subsequent reporting or balance sheet date, conditions may have so changed that the impairment loss would have been reduced or avoided had the impairment assessment been made only at that date. This Interpretation provides guidance on whether such impairment losses should ever be reversed.
- 2 The Interpretation addresses the interaction between the requirements of IAS 34 and the recognition of impairment losses on goodwill in IAS 36 and certain financial assets in IAS 39, and the effect of that interaction on subsequent interim and annual financial statements.

### Issue

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- 3 IAS 34 paragraph 28 requires an entity to apply the same accounting policies in its interim financial statements as are applied in its annual financial statements. It also states that ‘the frequency of an entity’s reporting (annual, half-yearly, or quarterly) shall not affect the measurement of its annual results. To achieve that objective, measurements for interim reporting purposes shall be made on a year-to-date basis.’
- 4 IAS 36 paragraph 124 states that ‘An impairment loss recognised for goodwill shall not be reversed in a subsequent period.’
- 5 IAS 39 paragraph 69 states that ‘Impairment losses recognised in profit or loss for an investment in an equity instrument classified as available for sale shall not be reversed through profit or loss.’
- 6 IAS 39 paragraph 66 requires that impairment losses for financial assets carried at cost (such as an impairment loss on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured) should not be reversed.
- 7 The Interpretation addresses the following issue:

Should an entity reverse impairment losses recognised in an interim period on goodwill and investments in equity instruments and in financial assets carried at cost if a loss would not have been recognised, or a smaller

loss would have been recognised, had an impairment assessment been made only at a subsequent balance sheet date?

## **Consensus**

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- 8 An entity shall not reverse an impairment loss recognised in a previous interim period in respect of goodwill or an investment in either an equity instrument or a financial asset carried at cost.
- 9 An entity shall not extend this consensus by analogy to other areas of potential conflict between IAS 34 and other standards.

## **Effective date and transition**

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- 10 An entity shall apply the Interpretation for annual periods beginning on or after 1 November 2006. Earlier application is encouraged. If an entity applies the Interpretation for a period beginning before 1 November 2006, it shall disclose that fact. An entity shall apply the Interpretation to goodwill prospectively from the date at which it first applied IAS 36; it shall apply the Interpretation to investments in equity instruments or in financial assets carried at cost prospectively from the date at which it first applied the measurement criteria of IAS 39.