UK Endorsement Board

Department for Business, Energy & Industrial Strategy

UK-adopted international accounting standards

IFRIC Interpretation 10 Interim Financial Reporting and Impairment

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References

- IFRS 9 *Financial Instruments*
- IAS 34 *Interim Financial Reporting*
- IAS 36 *Impairment of Assets*

Background

1 An entity is required to assess goodwill for impairment at the end of each reporting period, and, if required, to recognise an impairment loss at that date in accordance with IAS 36. However, at the end of a subsequent reporting period, 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 the effect of that interaction on subsequent interim and annual financial statements.

Issue

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.'

5–6 [Deleted]

7 The Interpretation addresses the following issue:

Should an entity reverse impairment losses recognised in an interim period on goodwill if a loss would not have been recognised, or a smaller loss would have been recognised, had an impairment assessment been made only at the end of a subsequent reporting period?

Consensus

8 An entity shall not reverse an impairment loss recognised in a previous interim period in respect of goodwill.

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

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.

11–13 [Deleted]

14 IFRS 9, as issued in July 2014, amended paragraphs 1, 2, 7 and 8 and deleted paragraphs 5, 6, 11–13. An entity shall apply those amendments when it applies IFRS 9.