



# Managing your reporting to the board

As a result of increased focus from the regulator and other stakeholders and increased risk as a result of current market conditions, the Board of Directors will be looking to management to provide a detailed assessment of their considerations of Impairment under AASB 136.

ASIC have released an Information Sheet ( INFO 203) *Impairment of Non-Financial Assets : Material for Directors* which sets out typical questions that Directors should consider asking management and their auditors.

<https://asic.gov.au/regulatory-resources/financial-reporting-and-audit/directors-and-financial-reporting/impairment-of-non-financial-assets-materials-for-directors/>

Management will be responsible for putting the puzzle together for the Board:



A brief summary of key considerations have been provided below. For a more detailed listing of considerations refer to the Getting Audit Ready Checklist

<b>CGU Identification</b>	<ul style="list-style-type: none"> <li>• Ensure that your CGUs have been identified at the lowest level possible, and where applicable not higher than your operating segments</li> </ul>
<b>Assessing for indicators of impairment</b>	<ul style="list-style-type: none"> <li>• Detailed assessment of external and internal indicators of impairment with supporting evidence for conclusions reached</li> <li>• Management should ensure that the conclusion reached is consistent with other information on business performance presented to the Board</li> </ul>
<b>Project plan</b>	<ul style="list-style-type: none"> <li>• Have a documented project plan with timelines for completion and responsibilities for oversight identified. Include team members in operations to contribute to the cash flow forecasts. It should cover how the assessment will be documented.</li> <li>• Ensure you include updating your assessment to the date of signing the financial statements</li> </ul>
<b>Reasonableness of cash flow forecasts</b>	<ul style="list-style-type: none"> <li>• Identify any areas of judgment involved in the cash flow forecasts. Include a reconciliation of cash flows in the impairment model against cash flows approved by the board. Include an assessment of past performance against past forecasts. Ensure to include results of sensitivity analysis performed and the basis for determining the sensitivities.</li> </ul>
<b>Key assumptions on growth</b>	<ul style="list-style-type: none"> <li>• Prepare the scenario analysis with weighting probabilities for the Board and outline the assumptions used in the cash flow forecasts in each scenario.</li> <li>• Consider the comparison of the company's forecast against other market evidence.</li> </ul>
<b>Reasonableness of discount rates</b>	<ul style="list-style-type: none"> <li>• Provide a detailed assessment of the calculation and inputs into the components of the discount rate. Compare the discount rate to similar companies in the market with similar funding arrangements.</li> </ul>
<b>Use of experts</b>	<ul style="list-style-type: none"> <li>• Include the scope and results of work performed by experts in your reporting to the board.</li> </ul>

<p>Value in use vs fair value less cost to sell</p>	<ul style="list-style-type: none"> <li>For Value in Use include an assessment of the long term forecasts against the market data. For Fair Value less costs to sell include the determination of the fair value and the methodology adopted to derive the fair value</li> </ul>
<p>Consistency with other information</p>	<ul style="list-style-type: none"> <li>Consider the consistency of the information presented in your impairment indicator assessment and impairment model(s) against other information presented to the board and any market related information released.</li> </ul>
<p>Impact on disclosures</p>	<ul style="list-style-type: none"> <li>Include an assessment of the impact on the disclosures in the financial statements. Additional consideration should be made to disclosures made in the current environment due to the increased focus from the regulator</li> </ul>