STAFF PAPER

May 2020

IASB Meeting

Project	**Disclosure Initiative: Accounting Policies**
Paper topic	Examples for IFRS Practice Statement 2 *Making Materiality Judgements*

CONTACT(S)	Siobhan Hammond	shammond@ifrs.org	+44 (0) 20 7246 6937
	Rachel Knubley	rknubley@ifrs.org	+44 (0) 20 7246 6904

Objective

1. Most respondents to the Exposure Draft *Disclosure of Accounting Policies* supported the proposal to add examples to IFRS Practice Statement 2 *Making Materiality Judgements* that illustrate how the concept of materiality can be applied in making decisions about accounting policy disclosures. However, many of these respondents also expressed concerns about the conclusions reached in the examples and how they align with the proposed guidance in IAS 1 *Presentation of Financial Statements* (see ***February 2020 Agenda Paper 20***).

2. The objective of this paper is to present staff analysis and recommendations about how to address the feedback on the proposed examples.

Overview

3. This paper is structured as follows:

   (a) Summary of staff recommendations (paragraph 4-6);

   (b) Summary of feedback (paragraphs 7-10);

   (c) Approach to staff analysis (paragraphs 11-15);

   (d) Proposed Example S for IFRS Practice Statement 2 (see paragraphs 16-22);

(e) Proposed Example T for IFRS Practice Statement 2 (see paragraph 23-32);

(f) Additional examples for IFRS Practice Statement 2 (see paragraphs 33-37);

(g) Appendix A—Extract from the Exposure Draft: Proposed Example S for IFRS Practice Statement 2;

(h) Appendix B—Extract from the Exposure Draft: Proposed Example T for IFRS Practice Statement 2;

(i) Appendix C—Other comments;

(j) Appendix D—An example of how proposed Example S could be redrafted;

(k) Appendix E—An example of how proposed Example T could be redrafted.

Summary of staff recommendations

4. Staff do not recommend amending proposed Example S to detail all entity-specific accounting policy information that could be identified as material to an entity's financial statements and should be disclosed. Instead, we recommend the following changes to Example S (see paragraphs 16-22):

   (a) aligning the content of proposed Example S to the changes recommended in ***Agenda Papers 20B-C***;

   (b) clarifying in the example that the timing of revenue recognition is considered to be a significant judgement; and

   (c) concluding that information about how the transaction price has been allocated to performance obligations could also be material accounting policy information.

5. Staff recommend that proposed Example T is redrafted to clarify the example and better justify the conclusion reached by better linking the content of proposed Example T to (see paragraphs 23-32):

   (a) the proposed amendments to IAS 1 (including those changes recommended in ***Agenda Papers 20B-C***); and

(b) existing guidance in the *Conceptual Framework of Financial Reporting*, the definition of material (paragraph 7 of IAS 1), and IFRS Practice Statement 2 about an entity's primary users and how to identify their common information needs.

6. Staff recommend that the Board does not develop additional examples for IFRS Practice Statement 2 (see paragraphs 33-37).

Summary of feedback (see *February 2020 Agenda Paper 20*)

7. Most respondents to the Exposure Draft supported the Board's proposal to include examples in IFRS Practice Statement 2 that demonstrate the application of the concept of materiality to accounting policy disclosures (see Appendices A and B). However, they also expressed concerns about the specific examples proposed. In particular:

   (a) a few thought the proposed examples should go further and demonstrate how an entity determines what information about an accounting policy is material and must be disclosed; and

   (b) a few thought the proposed examples should better demonstrate how they link to the four-step materiality process.

8. Many respondents thought that it would be useful if the Board could develop more examples to address the following circumstances:

   (a) an accounting policy that is assessed as material when the related transaction, other event or condition is material by nature rather than size;

   (b) an accounting policy that is assessed as material because the accounting required by the IFRS Standard is complex;

   (c) an accounting policy that is assessed as immaterial in the current reporting period but is expected to be material in future reporting periods; and

   (d) an accounting policy that is assessed as immaterial when the related transaction, other event or condition is assessed as material.

9. Many respondents disagreed with the proposed examples. These respondents thought that examples should instead:

(a) demonstrate how accounting policies that contain standardised descriptions or duplicate the requirements of IFRS Standards could be re-drafted to be entity-specific applying the proposed guidance in paragraphs 117 to 117D of IAS 1;

(b) illustrate the difference in accounting policy disclosures between applying the existing requirements in paragraphs 117 to 122 of IAS 1 and the proposed requirements in paragraphs 117 to 117D of IAS 1; or

(c) illustrate what information about its material accounting policies an entity should disclose.

10. We received less feedback on proposed Example S than proposed Example T.

Approach to staff analysis

11. The Basis for Conclusions on the Exposure Draft explained that the Board has received feedback that users of financial statements do not find accounting policy disclosures useful when they:

(a) contain standardised descriptions, sometimes referred to as 'boilerplate'; and

(b) only duplicate or summarise the requirements of IFRS Standards.

12. To help address the feedback in paragraph 11 and support the proposed amendments to IAS 1, the Board decided to use two examples to demonstrate how entities can apply the four-step materiality process to accounting policy disclosures (see ***March 2019 Agenda Paper 11A***). Paragraph BC15 of the Basis for Conclusions on the Exposure Draft further explained that the examples were developed to:

(a) highlight the need to focus on useful information for users of financial statements; and

(b) demonstrate how the four-step materiality process can address:

(i) standardised information being disclosed about accounting policies material to the financial statements (proposed Example S); and

(ii) accounting policy disclosures that contain only information that duplicates the requirements of IFRS Standards (proposed Example T).

13. Despite the concerns raised, we think the proposed examples still serve this purpose. This is because most respondents found the examples useful in demonstrating the application of materiality to accounting policy disclosure but were concerned about specific aspects within each of the examples proposed (see paragraphs 7-10).

14. Staff agree with those respondents that thought the proposed examples can be improved. Consequently, we have analysed the following topics:

    (a) proposed Example S (paragraphs 16-22);

    (b) proposed Example T (paragraphs 23-32); and

    (c) additional examples for IFRS Practice Statement 2 (see paragraphs 33-37).

15. Appendix C to this paper describes other comments made by only a few respondents about proposed Examples S and T and our proposed approach to those comments.

Proposed Example S for IFRS Practice Statement 2 *Making Materiality Judgements*

16. Proposed Example S addressed a circumstance in which an entity assessed information about its revenue recognition accounting policies as material (see Appendix A).

17. Some respondents that provided comments supported proposed Example S. However, of these respondents:

    (a) a few thought proposed Example S should not refer to proposed paragraph 117B(d) of IAS 1 as, in their view, timing of revenue recognition would not, in this case, be a significant judgement;

    (b) a few thought more weight should be given to the significant judgements and assumptions made in allocating the transaction price in the background description;

(c) a few thought it would be helpful if the conclusion clearly stated that information about the allocation of transaction price to performance obligations could also be assessed as material; and

(d) many thought the example should also illustrate the nature of entity-specific information to be disclosed as part of the entity's revenue recognition accounting policies.

18. Staff agree with those respondents that thought, as drafted, proposed Example S could be read as concluding that timing of revenue recognition is the only information about the entity's revenue recognition accounting policies that is material. We think the concerns raised in paragraph 17(a)-(c) can be addressed by:

(a) aligning the content of proposed Example S to the recommendations discussed in ***Agenda Papers 20B-C***—for example, updating the content of proposed Example S to reflect the staff recommendation to combine the guidance about entity-specific accounting policy information in proposed paragraphs 117B(e) and 117C of IAS 1;

(b) clarifying that the timing of revenue recognition is considered to be a significant judgement in line with paragraphs 123-126 of IFRS 15 *Revenue from Contracts with Customers*; and

(c) concluding that the allocation of the transaction price to performance obligations could also be material accounting policy information.

19. An example of what Example S could look like following the changes listed in paragraph 18 is included in Appendix D to this paper.

20. However, we do not think the proposed example should be amended to identify the nature of entity-specific information that should be disclosed as part of the entity's revenue recognition accounting policies (see paragraph 17(d)). This is because we think that identifying entity-specific information about an entity's accounting policies is a matter of judgement based on the entity's characteristics and the characteristics of the entity's transactions, other events or conditions[1].

[1] See paragraphs 46-51 of IFRS Practice Statement 2

21. Furthermore, we think that there could be unintended consequences if such a change were to be made. For example, entity-specific accounting policy information that is described in the example could be interpreted as a list of information that would always be considered material for an entity operating in the telecommunications industry and hence would always be disclosed.

Staff recommendation and question for the Board

22. Staff recommend that the Board does not amend proposed Example S to detail all entity-specific accounting policy information that could be identified as material to an entity's financial statements and should be disclosed. Instead, we recommend the following changes to Example S:

(a) aligning the content of proposed Example S to the changes recommended in ***Agenda Papers 20B-C***;

(b) clarifying in the example that the timing of revenue recognition is considered to be a significant judgement; and

(c) concluding that information about the allocation of the transaction price to performance obligations could also be material accounting policy information.

Question 1
Does the Board agree with the staff recommendation in paragraph 22?

Proposed Example T of IFRS Practice Statement 2 *Making Materiality Judgements*

23. Proposed Example T (see Appendix B) addressed a circumstance in which an entity assessed a separate impairment accounting policy as immaterial because:

(a) the accounting policy does not contain entity-specific information and only duplicates the requirements of IFRS Standards; and

(b) the material accounting policy information had been disclosed elsewhere in the financial statements.

24. Most respondents expressed concerns that the conclusion reached in proposed Example T, when considered together with other proposals in the Exposure Draft, implies that an accounting policy that only contains standardised descriptions or duplicates the requirements of IFRS Standards is not material to an entity's financial statements. Specifically, respondents were concerned because they think:

(a) information provided by accounting policies that contain standardised descriptions or duplicate the requirements of IFRS Standards can be useful to primary users;

(b) proposed Example T might prompt an entity to delete an accounting policy that only includes a standardised description or duplicates the requirements of IFRS Standards without first considering whether there is any material entity-specific information to disclose; or

(c) the conclusion in proposed Example T contradicts the proposed guidance in paragraph 117B(d) of IAS 1 which describes a circumstance in which an entity is likely to consider accounting policy information to be material if it relates to an area for which an entity is required to make significant judgements or assumptions. These respondents thought that, when applying the guidance proposed in paragraph 117B(d) of IAS 1, they would conclude that accounting policy information about the entity's impairment testing is material and therefore a *separate* impairment accounting policy should be disclosed.

25. Some respondents thought the Board could improve proposed Example T by:

(a) clarifying further that the entity has disclosed the significant judgements and assumptions made in applying IAS 36 *Impairment of Assets* elsewhere in the financial statements;

(b) clarifying further how the entity has used the proposed guidance in paragraphs 117 to 117D of IAS 1; and

(c) illustrating what the accounting policy should look like if it had been assessed as material. For example, demonstrating what information an entity could disclose that would be neither a standardised description nor a reproduction of the requirements of the related IFRS Standard.

26. Despite the concerns raised in paragraph 24, we still think the conclusion reached in proposed Example T is appropriate (see Appendix B). This is because the purpose of the proposed examples for IFRS Practice Statement 2 is to demonstrate how to apply the four-step materiality process when making judgements about what accounting policy information is material (see paragraph 12).

27. However, we also think that the concerns raised, and suggestions for improvement made, by respondents about proposed Example T indicate that the example as drafted lacks clarity and can cause confusion.

28. We think that the concerns in paragraph 24(a)-(b) are the same as those concerns addressed in ***Agenda Paper 20B***. In particular, that in specific circumstances standardised descriptions or duplicating the requirements of IFRS Standards in accounting policy disclosures can be useful. To address these concerns ***Agenda Paper 20B*** recommends that the Board clarify in IAS 1 that including standardised descriptions or duplicating requirements of IFRS Standards can sometimes provide material information.

29. Staff think the concern raised in paragraph 24(c) can be addressed by clarifying that not all information about an accounting policy related to a material transaction, other event or condition is material.

30. Therefore, instead of changing the conclusion of proposed Example T, we think it would be possible to address those concerns raised by better linking the example to:

(a) the proposed amendments to IAS 1—for example, this would mean using the proposed requirements in paragraphs 117 to 117D of IAS 1 to better clarify what about the circumstances described has led the entity to conclude that a separate accounting policy for impairment is not material (this would include amending the proposed example to align with the changes recommended in ***Agenda Papers 20B-C***); and

(b) existing guidance about an entity's primary users and how to identify their common information needs (see the *Conceptual Framework of Financial Reporting*, definition of material[2], and IFRS Practice Statement 2)—for example, including in the example an explanation about why the entity concludes that its primary users would not find the duplication of the requirements of IAS 36 useful.

31. Staff think the changes described in paragraph 30 would not change the conclusion of the proposed example, but would result in a clearer example. Appendix E contains an example of what Example T could look like after being redrafted.

Staff recommendation and question for the Board

32. Staff recommend that the Board redraft proposed Example T to add clarity to the example and better justify the conclusion reached by better linking the content of proposed Example T to:

(a) the proposed amendments to IAS 1 (including those changes recommended in ***Agenda Papers 20B-C***); and

(b) existing guidance in the *Conceptual Framework of Financial Reporting*, definition of material (paragraph 7 of IAS 1), and IFRS Practice Statement 2 about an entity's primary users and how to identify their common information needs.

Question 2
Does the Board agree with the staff recommendation in paragraph 32?

[2] See paragraph 7 of IAS 1

Additional examples for IFRS Practice Statement 2 *Making Materiality Judgements*

33. Many respondents to the Exposure Draft thought that it would be useful if the Board could develop more examples for IFRS Practice Statement 2 (see paragraph 8). There were three types of examples requested by these respondents:

    (a) examples to help with transition—for example, an example of an accounting policy prepared applying the existing requirements of IAS 1 and how that accounting policy would change when applying the proposed requirements in 117 to 117D of IAS 1;

    (b) examples to demonstrate what entity-specific accounting policy information should be disclosed as part of a range of different accounting policies; and

    (c) examples to demonstrate those matters already addressed in proposed Examples S and T—for example, examples which describe similar circumstances but reach different conclusions, or having an example for each of the circumstances described in proposed paragraph 117B of IAS 1.

34. Staff do not think the Board should develop additional examples for those circumstances described in paragraph 33(a)-(b). This is because:

    (a) examples that help with transition to the new requirements would not be useful beyond the initial period of application; and

    (b) examples that demonstrate what entity-specific information should be disclosed as part of an accounting policy may be difficult to develop or have unintended consequences (see paragraphs 20-21).

35. In its March 2019 meeting, the Board discussed the number of examples to be included in IFRS Practice Statement 2 (see ***March 2019 Agenda Paper 11A***).

36. At that meeting, the Board tentatively decided to develop only two examples that illustrate particular aspects of the application of materiality to accounting policy disclosures (see paragraph 12) because including more examples could give undue weight to this topic. Each topic addressed in IFRS Practice Statement 2 is illustrated by one or two examples only. Staff continue to agree with this decision—the two examples chosen address the main issues identified by users with today's typical

accounting policy disclosures. Consequently, we do not recommend developing additional examples for IFRS Practice Statement 2.

Staff recommendation and question for the Board

37. For those reasons discussed in paragraphs 33-36, staff recommend that the Board does not develop additional examples for IFRS Practice Statement 2.

Question 3
Does the Board agree with the staff recommendation in paragraph 37?

Appendix A—Extract from the Exposure Draft: Proposed Example S for IFRS Practice Statement 2

Example S—making materiality judgements and focusing on entity-specific information while avoiding standardised (‘boilerplate’) accounting policy disclosures

Background

An entity operates within the telecommunications industry. It has entered into a number of contracts with retail customers to deliver both a mobile phone handset and data services. A typical contract is one in which the entity will provide a customer with a handset and data services over a three-year period. The entity applies IFRS 15 *Revenue from Contracts with Customers* and recognises revenue when, or as, it satisfies its performance obligations in line with the terms of the contract.

The entity has identified the following performance obligations and related considerations:

(a) handset—the customer makes monthly payments for the handset over three years; and

(b) data—the customer pays a fixed monthly charge to use a specified amount of data each month for a period of three years.

For the handset, the entity recognises revenue when it has satisfied the performance obligation (ie when it provides the handset to the customer). For the provision of data, the entity recognises revenue as it satisfies the performance obligation (ie as the entity provides data services to the customer over the three-year life of the contract).

The entity has concluded that revenue generated from these contracts is material to the reporting period.

Application

The entity notes that for this type of contract there are two separate accounting policies for two distinct sources of revenue:

(a) revenue for the sale of handsets; and
(b) revenue for the provision of data services.

Having identified that revenue from contracts of this type is material to the financial statements, the entity assesses whether its accounting policies for revenue from these contracts are, in fact, material.

The entity evaluates the effect of disclosing the accounting policies by considering the presence of qualitative factors. The entity noted that its revenue recognition accounting policies:

(a) were not changed during the reporting period;

(b) were not chosen from alternatives in IFRS Standards; and

(c) were not developed in accordance with IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors* in the absence of an IFRS Standard that specifically applies.

However, the entity’s revenue recognition accounting policies relate to an area for which the entity:

(a) has made significant judgements in applying its accounting policies, for example, in deciding how to allocate the transaction price to the performance obligations; and
(b) has had to consider how the requirements of the Standard apply to its own circumstances.

Consequently, the entity concluded that disclosing the accounting policies for revenue recognition is likely to be necessary for the primary users of its financial statements to understand information in the financial statements and could reasonably be expected to influence those users’ decisions. For example, understanding that some revenue is recognised at a point in time and some is recognised over time is likely to help users understand how reported cash flows relate to revenue. The entity therefore assessed information about the accounting policies for revenue recognition, including information about the timing of revenue recognition, as material.

Appendix B—Extract from the Exposure Draft: Proposed Example T for IFRS Practice Statement 2

Example T—materiality judgements on accounting policies that only duplicate requirements in IFRS Standards

Background

Intangible assets and property, plant and equipment are material to an entity's financial statements. In 20X1 the entity disclosed the following accounting policy relating to impairment of non-current assets:

> The carrying amounts of the group's intangible assets and property, plant and equipment are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. For goodwill and intangibles without a finite life, the recoverable amount is estimated at least annually.
>
> An impairment loss is recognised in the statement of profit or loss whenever the carrying amount of an asset or its cash-generating unit (CGU) exceeds its recoverable amount.
>
> The recoverable amount of assets is the greater of their fair value less costs to sell and their value in use. In measuring value in use, estimated future cash flows are discounted to present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the CGU to which the asset belongs.
>
> Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to that CGU and then to reduce the carrying amount of the other assets in the unit on a pro rata basis.
>
> An impairment loss in respect of goodwill is not subsequently reversed. For other assets, an impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount, but only to the extent that the new carrying amount does not exceed the carrying amount that would have been determined, net of depreciation and amortisation, if no impairment loss had been recognised.

Application

Having identified that assets that are subject to impairment testing are material to the financial statements, the entity assesses whether its accounting policy for impairment is, in fact, material.

The entity's impairment accounting policy relates to an area for which the entity is required to make significant judgements or assumptions as described in paragraphs 122 and 125 of IAS 1.

However, the entity noted that it also makes disclosures about its impairment assessments and its significant judgements and assumptions (for example, the discount rate used to measure value in use) in meeting the disclosure requirements of IAS 36 *Impairment of Assets* and paragraphs 122 and 125 of IAS 1. The entity therefore concluded that there is no material information to include in a description of its impairment accounting policy that is not disclosed elsewhere in the financial statements.

The entity concluded that disclosing a separate accounting policy for impairment would not provide information that could reasonably be expected to influence decisions made by the primary users of the entity's financial statements based on those financial statements. This is because the accounting policy does not contain entity-specific information and only duplicates the requirements of IFRS Standards. However, the entity is still required to comply with the specific disclosure requirements of IAS 36 and paragraphs 122 and 125 of IAS 1, and provide information about how it has applied IAS 36 and those paragraphs of IAS 1 during the period, if that information is material.

Appendix C—Other comments

C1. At its February 2020 meeting, the Board discussed comments on other aspects of proposed Examples S and T for IFRS Practice Statement 2 (see ***February 2020 Agenda Paper 20***). The following table details the proposed approach to those comments.

Comments	**Proposed approach**
A few respondents did not agree with the conclusion reached in proposed Example S because, in their view, primary users would not, in this particular circumstance, find information about the timing of revenue recognition useful.	Applying paragraphs 123-126 of IFRS 15, staff think that the timing of revenue recognition is considered to be a significant judgement and therefore can be assessed as material information that would be useful to primary users of financial statements.
A few respondents thought the proposed examples should be included in IAS 1 rather than IFRS Practice Statement 2 to ensure that they are more accessible to preparers.	We think the examples should not be moved to IAS 1 because they demonstrate the application of the four-step materiality process as described in IFRS Practice Statement 2.

Appendix D—An example of how proposed Example S could be redrafted

Example S—making materiality judgements and focusing on entity-specific information while avoiding standardised ('boilerplate') accounting policy disclosures

Background

An entity operates within the telecommunications industry. It has entered into a number of contracts with retail customers to deliver both a mobile phone handset and data services. A typical contract is one in which the entity will provide a customer with a handset and data services over a three-year period. The entity applies IFRS 15 *Revenue from Contracts with Customers* and recognises revenue when, or as, it satisfies its performance obligations in line with the terms of the contract.

The entity has identified the following performance obligations and related considerations:

(a) handset—the customer makes monthly payments for the handset over three years; and

(b) data—the customer pays a fixed monthly charge to use a specified amount of data each month for a period of three years.

For the handset, the entity recognises revenue when it has satisfied the performance obligation (ie when it provides the handset to the customer). For the provision of data, the entity recognises revenue as it satisfies the performance obligation (ie as the entity provides data services to the customer over the three-year life of the contract).

The entity notes that, in accounting for revenue recognition, it has made judgements about the following:

(a) the allocation of the transaction price to the performance obligations; and

(b) the timing of satisfaction of the performance obligations.

The entity has concluded that revenue generated from these contracts is material to the reporting period.

Application

The entity notes that for this type of contract there are two separate accounting policies for two distinct sources of revenue:

(a) revenue for the sale of handsets; and
(b) revenue for the provision of data services.

Having identified that revenue from contracts of this type is material to the financial statements, the entity assesses whether information about its accounting policies for revenue from these contracts ~~are~~ is, in fact, material.

The entity evaluates the effect of disclosing information about the accounting policies by considering the presence of qualitative factors. The entity noted that its revenue recognition accounting policies:

(a) were not changed during the reporting period;

(b) were not chosen from alternatives in IFRS Standards;

(c) were not developed in accordance with IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors* in the absence of an IFRS Standard that specifically applies.

However, the entity's revenue recognition accounting policies relate to an area for which the entity has made significant judgements in applying its accounting policies, for example, in deciding how to allocate the transaction price to the performance obligations, and the timing of revenue recognition ~~has had to consider how the requirements of the Standard apply to its own circumstances~~.

Consequently, the entity concluded that disclosing information about the accounting policies for revenue recognition is likely to be necessary for the primary users of its financial statements to understand information in the financial statements and could reasonably be expected to influence those users' decisions. For example, understanding:

(a) how the entity allocates the transaction price to its performance obligations is likely to help users understand how each component of the transaction contributes to the entity's revenue and cash flows; and

(b) that some revenue is recognised at a point in time and some is recognised over time is likely to help users understand how reported cash flows relate to revenue .

The entity also noted that the judgments made are specific to the entity. Consequently, material accounting policy information will include information about how the entity has applied the requirements of IFRS 15 to its specific circumstances.

The entity therefore assessed that information about the accounting policies for revenue recognition, ~~including~~ such as information about the timing of revenue recognition and the allocation of the transactions price to its performance obligations, ~~as~~ is material and should be disclosed.

Appendix E—An example of how proposed Example T could be redrafted

Example T—making materiality judgements on accounting policy information that duplicates requirements in IFRS Standards

Background

~~Intangible assets and~~ Property, plant and equipment are material to an entity's financial statements.

The entity has no intangible assets and has not impaired its property, plant or equipment in either the current or comparative reporting period.

In previous reporting periods, the entity disclosed the following accounting policy relating to impairment of non-current assets which duplicates the requirements of IFRS Standards only and provides no entity-specific disclosures:

> The carrying amounts of the group's intangible assets and property, plant and equipment are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. For goodwill and intangibles without a finite life, the recoverable amount is estimated at least annually.
>
> An impairment loss is recognised in the statement of profit or loss whenever the carrying amount of an asset or its cash-generating unit (CGU) exceeds its recoverable amount.
>
> The recoverable amount of assets is the greater of their fair value less costs to sell and their value in use. In measuring value in use, estimated future cash flows are discounted to present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the CGU to which the asset belongs.
>
> Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to that CGU and then to reduce the carrying amount of the other assets in the unit on a pro rata basis.
>
> An impairment loss in respect of goodwill is not subsequently reversed. For other assets, an impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount, but only to the extent that the new carrying amount does not exceed the carrying amount that would have been determined, net of depreciation and amortisation, if no impairment loss had been recognised.

Application

Having identified that assets that are subject to impairment testing are material to the financial statements, the entity assesses whether all information about its accounting policy for impairment is, in fact, material.

As part of its assessment, the entity considered that it has not had an impairment or a reversal of an impairment in the current or prior reporting period. Consequently, accounting policy information about how the entity recognises and allocates impairment losses is unlikely to be useful to its primary users. Similarly, because the entity has no goodwill, information about its accounting policy for goodwill is unlikely to provide useful information.

However, the entity's impairment accounting policy relates to an area for which the entity is required to make significant judgements or assumptions as described in paragraphs 122 and 125 of IAS 1. Given the entity's specific circumstances and the characteristics of their primary users, the entity concluded that information about its significant judgements and assumptions related to its impairment assessments could reasonably be expected to influence the decisions of its primary users. The entity noted that its disclosures about significant judgements and assumptions already includes disclosures about the significant judgements and assumptions used in its impairment assessments (for example, the discount rate used to measure value in use).

~~However, the entity noted that it also makes disclosures about its impairment assessments and its significant judgements and assumptions (for example, the discount rate used to measure value in use) in meeting the disclosure requirements of IAS 36 Impairment of Assets and paragraphs 122 and 125 of IAS 1. The entity therefore concluded that there is no material information to include in a description of its impairment accounting policy that is not disclosed elsewhere in the financial statements.~~

The entity considered that the primary users of its financial statements would be unlikely to require the requirements of IAS 36 *Impairment of Assets* to be duplicated in an impairment accounting policy to understand the information included in the financial statements.

Consequently, the entity concluded that disclosing a separate accounting policy for impairment would not provide information that could reasonably be expected to influence decisions made by the primary users of the entity's financial statements based on those financial statements. This is because the material accounting policy ~~does not contain entity-specific information and only duplicates the requirements of IFRS Standards~~ information related to the significant judgements and assumptions the entity has applied in its impairment testing have been disclosed as part of a separate accounting policy about significant judgements and assumptions.

However, ~~the entity~~ ~~is still required to comply with the specific disclosure requirements of IAS 36 and paragraphs 122 and 125 of IAS 1, and provide information about how it has applied IAS 36 and those paragraphs of IAS 1 during the period, if that information is material~~ while only some information about its impairment accounting policy has been assessed as material and disclosed as part of a separate accounting policy, the entity must still assess whether other disclosure requirements of IAS 36 provide material information and should be disclosed.