

# 會計學課堂作業

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會計習題 9-7

Example Ex 9-7

Impairment of PP&E Assets - IAS 36 Impairment of Assets

On Jan 1, 2013, FairValue Inc. purchases a machine for \$1 million. Its estimated useful life at that date was 10 years with no salvage value and the company uses straight-line depreciation method. On Dec 31, 2015, the company estimates that the market for the product declines for the coming years and the company estimates value in use for the equipment is \$600,000 and the fair value less the cost to sell is \$550,000. Assume that the market for the product recovers subsequently. On Dec 2017, the company estimated the recoverable value of the machines now reaches \$550,000.

Q: (a) Make the journal entries for the impairment of PP&E

A: The recoverable amount is the higher of value in use (\$600,000) and the fair value less cost to sell (\$550,000). That is, \$600,000. The carrying amount is acquisition cost (\$1 million) minus accumulated depreciation ( $\$1 \text{ million} \div 10 \times 3 = 0.3 \text{ million}$ ). That is, \$700,000. Therefore, impairment loss for the equipment is \$100,000. Thus, the company recognizes the impairment loss as follows below.

Dec. 31 2015	Impairment Loss	\$100,000
	Accumulated Impairment Loss - Machine	\$100,000
	Recognize impairment loss.	

Q.(b) show the resultant value of the machines now reaches \$550,000

A: The presentation of the statement of financial position for the machine is as follows:

Partial Statement of Financial Position  
Dec 31, 2015

Machine	\$1,000,000
Less: Accumulated Depreciation	(300,000)
Accumulated Impairment Loss	(100,000)
	\$600,000

After the recognition of the impairment loss, the carrying value of the machine is restated to the recoverable value, \$600,000.

Q: c. make the journal entries for depreciation of 2016 and 2017

A: For the years coming, the company recognizes depreciation expense using the restated carrying value. Therefore, depreciation expense for the years 2016 and 2017 is \$85714.29.

Dec 31	2016 / 17	Depreciation	85714.29
		Accumulated Depreciation - Machine	85714.29
		Recognize depreciation for 16/17	

Q: d. make the journal entries for the reversal of impairment

A: After the depreciation, the carrying value of the machine is \$428,871.42. On Dec 2017, the company estimated the recoverable value of the machines now reaches \$550,000, which is higher than the carrying amount. Previous impairment loss will be reversed up to the lower of the new recoverable value (\$550,000) and the carrying amount if the company had not recognized impairment loss, that is \$500,000. Since the carrying value \$428,871.42, the reversal of impairment loss will be \$71,182.58. The journal entries for the reversal of impairment loss are as follows:

Dec 31	2017	Accumulated Impairment Loss - machine	\$71182.58
		Reversal of impairment Loss	\$71182.58
		Reversal of impairment Loss	

Q: e. show the presentation of PP&E in the statement of financial position.

A: Partial statement of financial position

Dec 31, 2017	
Machine	\$1000000
Less: Accumulated Depreciation	(\$471428.58)
Accumulated Impairment Loss	(\$28817.42)