

# 會計學課堂作業

班級：四技財金三丙

學號：4A280139

姓名：江曜全

會計習題 9-7

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 machine now reaches \$550,000.

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

(b) The presentation of the statement of financial position for the machine after the recognition of the impairment loss, the carrying value is as follow is restated to the recoverable value, \$600,000.

(c) For the years coming, the company recognizes depreciation expense using the restated carrying value. Therefore, depreciation expense for the years 2016 and 2017 is \$85,714.29  $[(\$600,000 - \$300,000 - \$100,000) \div 7]$

Ex 9-7

a Dec 31 2015

Impairment Loss \$100,000  
Accumulated Impairment Loss - Machine \$100,000

b Partial statement of Financial Position

Dec 31 2015

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

c Dec 31 2016/2017

Depreciation Accumulated  
Recognized Depreciation - Machine  
Depreciation for 2016 & 2017 \$857,429

d

Dec 2017 Accumulated Impairment Loss - Machine \$71,182.58  
Reversal of Impairment Loss \$71,182.58

Partial Statement of Financial Position

Dec 31, 2017

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Machine	\$1,000,000	
less: Accumulated Depreciation	(\$471,428.58)	
Accumulated Impairment Loss	(\$ 8817.42)	\$ 500,000

Dec 31 2017

Accumulated Impairment Loss - Machine	\$ 21,182.58
Reversal of Impairment Loss	\$ 21,182.58

Partial Statement of Financial Position

Dec 31 2017

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Machine	\$1,000,000	
less: Accumulated Depreciation	(471,428.58)	
Accumulated Impairment Loss	(78,817.42)	

After the reversal of impairment loss, the annual depreciation for the remaining years will be \$90,000 (\$450,000 ÷ 5)