Ind AS 36: G/w IL

CB 49. GOODWILL : NON-ALLOCABLE GOODWILL

Volkswagen acquired BMW. Price Consideration is ₹10,000.

BMW: Agreed Value/ FMVs are-

Factory 1	₹ 4000
Factory 2	₹ 3000
Factory 3	₹ 1000
Goodwill	₹ 2000(10000-8000)

After 3 years, Factory 1 has suffered natural calamity and impairment condition existed. Hence impairment loss to be assessed for factory .Life of all factories is 6 years. Recoverable Amount of Factory 1 is ₹1800/- and of business as a whole is ₹4500.

Non allocable G/w

Goodwill is Non- allocable (All factories manufacture cars) Each factory is an independent CGU. Calculate Revised Carrying Amount and Impairment Loss. (Assume no additional deletions to CGU assets in last 3 years)

Sol^n

Since g/w is non-allocable impairment check to be checked collectively for all CGUs acquired + G/w as one unit.

However, IL check first done for independent CGU with impairment indication.

Factory 1 has impairment indication, first we need to recognise IL, if any @ factory 1.

Step I : IL @ Factory 1

CA of CGU $(4000 - 4000 \times \frac{3}{6})$	2000
RA	1800
IL recognised on assets of Factory 1	200

Step II : IL check for G/w (non-allocable)

RA of Business (all factories acquired)		4500
CA of all CGUs & G/w		5800
a) CGU 1 (factory 1)	1800 (after IL)	
b) " 2 " 3	1500 $(3000 - 3000 \times \frac{3}{6})$	
c) " 3 " 3	500 $(1000 - 1000 \times \frac{3}{6})$	
d) G/w (no IL in P.Y. assumed)	2000	
IL of G/w		1300

CA after IL →	F1	1800	
	F2	1500	
	F3	500	
	G/w	700	(2000 − 1300)

CB 50. **GOODWILL : ALLOCABLE GOODWILL**

Find carrying amounts of assets after IL:

Particulars	CGU A	CGU B	CGU C
Carrying Amt	3000	2000	1000
Recoverable Amt(RA)	2500	2200	1100

Goodwill is ₹1200/-. RA of business as a whole is ₹6000/-. Goodwill to be allocated on reasonable basis. Impairment Indication in CGU A only.

Solⁿ First do impairment check for CGU with impairment indication i.e. CGU A

Step I CGU A :

CA	3000
RA	2500
IL	500
Revsd CA	2500

Preferred

Step II : CGU + G/w allocated u/s IL check in all CGU to which G/w relates as G/w impairment check is must annually.

CGU	A	B	C	
CA	2500	2000	1000	
+ G/w	600	400	200	
	$\left(1200 \times \frac{3}{6}\right)$	$\left(1200 \times \frac{2}{6}\right)$	$\left(1200 \times \frac{1}{6}\right)$	
Total CA	3100	2400	1200	
RA	2500	2200	1100	
IL adj. from G/w	600	200	100	= 900

Revsd CA of G/w = 1200 − 900 = "300"

OR Simply since G/w allocable

CGU	A	B	C
CA (before IL)	3000	2000	1000
+ G/w	600	400	200
Total	3600	2400	1200
RA	2500	2200	1100
IL	1100	200	100
↳ First G/w	600	200	100
↳ Bal CGU	500	–	–

Goodwill: IL: Cons FS

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P Ltd acquired 80% shares of S Ltd years ago and G/w 800 (Partial) was recognised in Cons FS. NCI @ PSNA.

C.Y. CA of Subsidiary S Ltd's iNA 5000 ← आज की
G/w before IL check 800 ← आज भी
RA of Business (S Ltd as a whole) 5850 ← आज की

Is there any IL on g/w. No impairment indications for any of CGUs of S Ltd. find IL if any & JE.

ध्यान! 5850 is worth of S Ltd means worth of 100% of shares of S Ltd means it cover 100% of its goodwill

Whereas	CA of iNA (all)	5000
	CA of G/w ~~(all)~~ (partial)	800
	CA of G/w (all) $\left(800 \times \frac{100}{80}\right)$	1000
	CA of all iNA + Full G/w	6000
	RA of S Ltd	5850
	IL adjusted from G/w	150

See the diagramatic presentation next page

	Parent	NCI	Total
Goodwill	800	200	1000
IL (80:20)	(120)	~~(30)~~	(150)
Goodwill	680	~~170~~	850

For Calculation only

Cons BS

Ans: IL on G/w is 120 fully debited to Cons P&L

OR

a) IL Dr ~~150~~ 120
To G/w ~~150~~ 120

b) Cons P or L Dr 120
NCI Dr ~~30~~
To IL ~~150~~ 120

OR
व दूसरे तरीके से

	Cons BS Total	Parent Share (80%)	NCI share (20%)
iNA	5000	4000	1000
G/w	-	800	-
Total	-	4800	1000
RA	5850	4680	
IL (G/w)		120	

17

GOODWILL : BUSINESS COMBINATION

NCI measurement and Goodwill impairment

A Ltd acquires 80% shares of a subsidiary B Ltd. for ₹ 3,200 thousand. At the date of acquisition, B Ltd.'s identifiable net assets is ₹ 3,000 thousand. A elects to measure NCI at proportionate share of net identifiable assets. It recognizes

	₹ in thousand
Purchase Consideration	PC 3,200
NCI (3,000 x 20%)	PSNA 600
	3,800
Less: Net Assets	iNA (3,000)
Goodwill	Partial 800

At the end of next financial year, B Ltd.'s carrying amount is reduced to ₹ 2,700 thousand (excluding goodwill).

Recoverable amount of B Ltd.'s assets is

Case (i) ₹ 2,000 thousand, Case (ii) ₹ 2,800 thousand

Calculate impairment loss allocable to Parent and NCI in both the cases.

PoA

Case (i) RA 2000

iNA	2700
G/w Grossup $(800 \times \frac{100}{80})$	1000
Total	3700
RA	2000
IL	1700
↳ First allocated to G/w	1000
↳ Balance to iNA of CGU	700

Allocation	Parent (80%)	NCI (20%)	Total
CGU Related	560	140	700
G/w Related	800	200	1000
(-) Ignore		(200)	(200)
G/w IL	800	-	800
Total IL	1360	140	1500

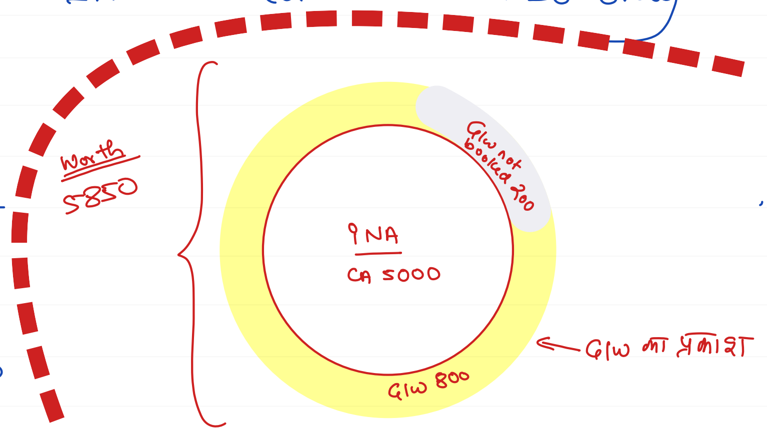
Case (ii) RA 2800

iNA	2700
G/w Gross up	1000
	3700
RA	2800
IL - G/w	900

Allocation of IL

	Parent (80%)	NCI (20%)	Total
IL : G/w	720	180	900
(-) Ignore		(180)	(180)
	720	NIL	720

IL Booked 720 only



SM'16 a) CGU

	A	B	C
CA (Excl G/w)	600	550	450
RA	740	650	400
IL	– (RA > CA)	–	50
↳ Parent	–	–	40
↳ NCI	–	–	10

b) G/w IL Check

	A	B	C	Total
Revsd CA	600	550	400	
G/w	104	104	52	
CA incl G/w	704	654	452	
RA	740	650	400	
IL - G/w	NIL (RA > CA)	4	52	56
↳ Parent 80%				44.80
↳ NCI 20%				11.20

Total IL to NCI → 10.0 + 11.20 = 21.20

a) G/w post impairment = 260 − 56 = 204

b) Total IL = 50 + 56 = 106

c) NCI = = 21.20

PE18 WN 1: PC

	(in lacs)
a) Eq Shares of RST: 120L × 75% × 2/3 × 6.50 =	390
b) PU of Deferred Cash Cons. 71.50 × PU'10% =	65
c) Contingent Consideration @ FV	250
PC	705

WN2:

iNA @ FV	700
DTL (CA − TB) × 20% (700 − 600) × 20%	(20)
	680

WN3: NCI

	@ FV	@ PSNA
NCI on DoA	165	170
	(120 × 25% × 5.50)	(680 × 25%)

W.N4: G/w

	NCI @ FV	NCI @ PSNA
PC	705	705
NCI	165	170
iNA	680	680
G/w	190	195
IL @ 12.50%	23.75	24.375

CGU : BUSINESS COMBINATION

Parent acquires an 80% ownership interest in Subsidiary for ₹ 2,100 on April 1, 20X1. At that date, Subsidiary's net identifiable assets have a fair value of ₹ 1,500. Parent chooses to measure the non-controlling interests as the proportionate in Interest of Subsidiary's net identifiable assets. The assets of Subsidiary together are the smallest group of assets that generate cash inflows that are largely independent of the cash inflows from other assets or groups of assets. Because other cash-generating units of Parent are expected to benefit from the synergies of the combination, the goodwill of ₹ 500 related to those synergies has been allocated to other cash-generating units within Parent. On March 31, 20X2, Parent determines that the recoverable amount of cash-generating unit Subsidiary is ₹ 1,000. The carrying amount of the net assets of Subsidiary, excluding goodwill, is ₹ 1,350. Allocate the impairment loss on March 31, 20X2.

	Total	Parent	NCI	Recognised
Total IL	850			
G/w Related	500	400	100 (Ignore)	400
CGU Related	350	280	70	350
		680	170	750

Sol^n

WN1 : G/w

a)	PC		2100
b)	iNA		1500
c)	NCI @ PSNA	1500 × 20%	300
	G/w (a + c − b)	Partial	900

WN2 : G/w allocation

Subs. CGU (900 − 500) 400

as mgt. allocated 500 to other CGUs.

WN3 : IL

iNA			1350
G/w allocated :	Partial	400	
	Full G/w	$400 \times \frac{100}{80}$	500
			1850
RA			1000
		IL	850

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Eg. 4 seasons acquired @ 25,000

iNA (3 Hotels) FV @ 23,000

G/W 2,000

Partial sale of G/W

After few years, no IL in past on G/W, 1 Hotel of 4 season was sold for 10,500 on that date CA of iNA of Hotel were 9,900.

FV of other 2 Hotels 31,500.

JE for sale of Hotel.

This is actually not related to impairment, just that we are discussing here.

This is related to "DR of Part G/W".

Sol^n

Bank	Dr 10,500	
To iNA		9,900
To G/W $2000 \times \frac{10,500}{(10,500 + 31,500)}$		500
To Profit on DR		100

CORPORATE ASSET

23

CORPORATE ASSETS : ALLOCATION OF IL

Earth Infra Ltd has two cash-generating units, X and Y. There is no goodwill within the units' carrying values. The carrying values of the CGUs are CGU A for ₹ 20 million and CGU B for ₹ 30 million. The company has an office building which it is using as an office headquarter and has not been included in the above values and can be allocated to the units on the basis of their carrying values. The office building has a carrying value of ₹ 10 million. The recoverable amounts are based on value-in-use of ₹ 18 million for CGU A and ₹ 38 million for CGU B.

Required: Determine whether the carrying values of CGU A and B are impaired.

Solⁿ

	X	Y
CGU (other than Assets Corp. Assets)	20	30
+ Corp Asset	4 (10 × 20/50)	6 (10 × 30/50)
Total Assets	24	36
RA	18	38
IL	6	NIL
↳ CGU	5 (6 × 20/24)	
↳ Corp Assets	1 (6 × 4/24)	

$\boxed{\text{Revsd CA}}$: CGU A 20 − 5 = 15

B 30 − 0 = 30

Corp Asset 10 − 1 = 9

24

F.A.S.T

CORPORATE ASSETS : ALLOCATION OF IL

Pacific Ocean Railway Ltd. has three Cash Generating units namely Train, Railway station and Railway tracks, the carrying amounts of which as on March 31st, 2020 are as follows

Cask Generating units	Carrying amount (₹ In crore)	Remaining useful life
Train	1,500	10
Railway station	2,250	20
Railway tracks	3,300	20

Pacific Ocean Railway Ltd. also has two Corporate Assets having a remaining useful life of 20 years.

(₹ in crore)

Corporate Assets	Carrying amount	Remarks
Land Allocable	1,800	The carrying amount of Land can be allocate a reasonable basis (i.e., pro rata basis) to the individual cash-generating units.
Buildings Non-allocable	600	The carrying amount of Buildings cannot be allocated on a reasonable basis to the individual cash-generating units.

Recoverable amount as on March 31st, 2020 is as follows:

Cash Generating units	Recoverable amount (₹ in crore)
Train	1,800
Railway station	2,700
Railway tracks	4,200
Company as a whole	9,600

Calculate the impairment loss, if any. Ignore decimals. Assume indication exists in all CGU. **[Nov-2020, MTP-May-2022]**

WN 1: IL allocation to CGU incl. allocable Corp As

Solⁿ

CGU	Train	RS	RT
CA excl. Corp Asset	1500	2250	3300
+ Allocable Corp. Asset : Land.	216	648	936
CA	1716	2898	4236
RA	1800	2700	4200
IL	–	198	36
↳ CGU Assets	–	154	28
↳ Corp As (Land)	–	44	+ 8 = 52

WN2: Allocating Land to 3 CGUs

	T	RS	RT
CA of CGU	1500	2250	3300
Rem. Useful life	10	20	20
Ratio	15000	45000	66000
	5 :	15 :	22
Land	214	643	943
	1800 x 5/42	1800 x 15/42	1800 x 22/42
	OR	OR	OR
or (as per ICAI)	216	648	936

WN3: IL to Bus. as whole incl all Corp Assets

	CA before IL	IL	CA after IL
CGU - Main	1500	-	1500
- RS	2250	154	2096
- RT	3300	28	3272
Corp Asset - Land	1800	52	1748
- Building	-	-	600
Total			9216
RA			9600
IL			NIL

↳ Suppose अगर IL आता Then, simply give this note free and do not give calculations

"IL will be allocated to all assets of business provided no asset / CGU will be reduced below its RA, excess of unallocated losses if any to be ignored"