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DETERMINING THE SIGNS OF FIXED ASSETS IMPAIRMENT

Developing long-term relationships with foreign partners, attracting foreign investment and access to international capital markets require entities to formation of accounting information in accordance with International Financial Reporting Standards.

According to the Law of Ukraine "On Accounting and Financial Reporting in Ukraine" domestic enterprises have to provide all interested parties with complete, accurate and unbiased information about the financial position, results of operations and cash flows to help them make informed economic decisions. One of the conditions that contribute to the appropriateness of financial information, is compliance with regulations regarding valuations.

In determining the carrying amount of the asset, an entity must meet the requirements of regulations providing for mandatory verification of fixed assets on their possible losses.

During of using any of your asset, an entity plans to obtain economic benefits that define an asset. Determination of change of utility assets is an important mechanism by which assesses the effectiveness of its use, which in turn affects the financial performance of a company.

The article stipulates that enterprises should assess for signs of impairment.

IAS 36 specifies that evidence would be divided into external and internal.

The external signs include:

- A significant reduction in the market value of the asset;
- Adverse changes in the technological, market, economic or legal environment;

- There was an increase in market interest rates.

The internal features include:

- Obsolescence or physical damage of an asset;
- The company decided to discontinue use of the asset;
- Decreased effectiveness of the asset.

Also causes impairment testing include: global economic crisis, social instability. All this should encourage managers of domestic companies to think about testing assets for impairment. One reason may be the impairment cease production.

If any of the above signs is found, further calculations impairment is not necessary. In the event that there is at least one of these signs, you should expect an impairment loss.

Enterprise must verify assets for impairment if certain circumstances indicate that the carrying amount of an asset may not be recoverable.

The presence of the above signs should encourage managers to conduct verification of assets for impairment. It should detail the national regulations for impairment signs of change utility assets indicating sources of information about these and services that are track situation.

Enterprise should reflect losses on impairment of assets in interim financial statements, if the sum of the losses for the company is high. Where there was a slight impairment, these changes reflect in the interim financial statements do not need to show on the date of the annual report.

References

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