

Long-Lived Asset Impairment (ASC 360)

MAXIMIZING VALUE THROUGH KNOWLEDGE™

ASC 360 provides guidance on accounting for the impairment or disposal of long-lived assets. The methodology which should be followed in order to test for impairment considers the “recoverability” of an asset. Testing of long lived assets to be held is not necessarily an annual procedure. The recoverability of long lived assets must be tested if there is:

- A significant decrease in the market price of a long-lived asset (or asset group)
- A significant adverse change in the extent or manner in which a long-lived asset (or asset group) is being used or in its physical condition
- A significant adverse change in legal factors or in the business climate that could affect the value of a long-lived asset (or asset group), including an adverse action or assessment by a regulator
- An accumulation of costs significantly in excess of the amount originally expected for the acquisition or construction of a long-lived asset (or asset group)
- A current-period operating or cash flow loss combined with a history of operating or cash flow losses or a projection or forecast that demonstrates continuing losses associated with the use of a long-lived asset (or asset group)
- A current expectation that, more likely than not, a long-lived asset (or asset group) will be sold or otherwise disposed of significantly before the end of its previously estimated useful life

While the statement provides methodology for performing this test, it is vague and specific inputs are not necessarily explained thoroughly. Adams Capital is familiar with ASC 360 best practices and will work with you and your auditor to complete this task quickly and efficiently.