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Impairment of Assets For Financial Reporting (IndAS 36)

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Case Study

Indication of Impairment: Identifying triggers like declining profitability, project delays, or reduced client demand affecting asset values.

Regulatory Compliance: Maintaining consistency in assumptions and methodologies while ensuring compliance with changing financial reporting regulations.

Involving Cost Structure: Accounting for variable, project-based costs and high personnel expenses in impairment calculations.

Demerger Impact: The business was recently carved out from its parent entity through a statutory demerger, necessitating a fresh valuation.

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Case Snapshot

Client:
- Healthcare Industry
- Clinical trial management and medical writing service

Engagement Type:
- Asset Impairment Assessment and Valuation Review

Purpose:
- Assess asset values and identify potential impairment
- Assisted for financial reporting purposes under IndAS 36 requirements

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Our Approach

Scoping & Data Collecting	• Reviewed the Scheme of Arrangement and statutory documents. • Researched external market and regulatory trend data relevant to clinical trial writing and R&D services.
Valuation Methodology	• Calculated VIU over a 5-year projection horizon with a terminal value using the Gordon Growth Model. • Applied appropriate discount rate, factoring in liquidity and company-specific risk premiums.
Forecast Assumption	• Analyzed detailed cash flow projections based on expected attrition, operational costs, and staff turnover. • Applied appropriate discount rates reflecting business risk and business operations.
Compliance	• Ensure adherence to relevant financial reporting standards (IAS 36) to estimate the Recoverable Value. • Maintained robust documentation of Impairment indicators assessed.

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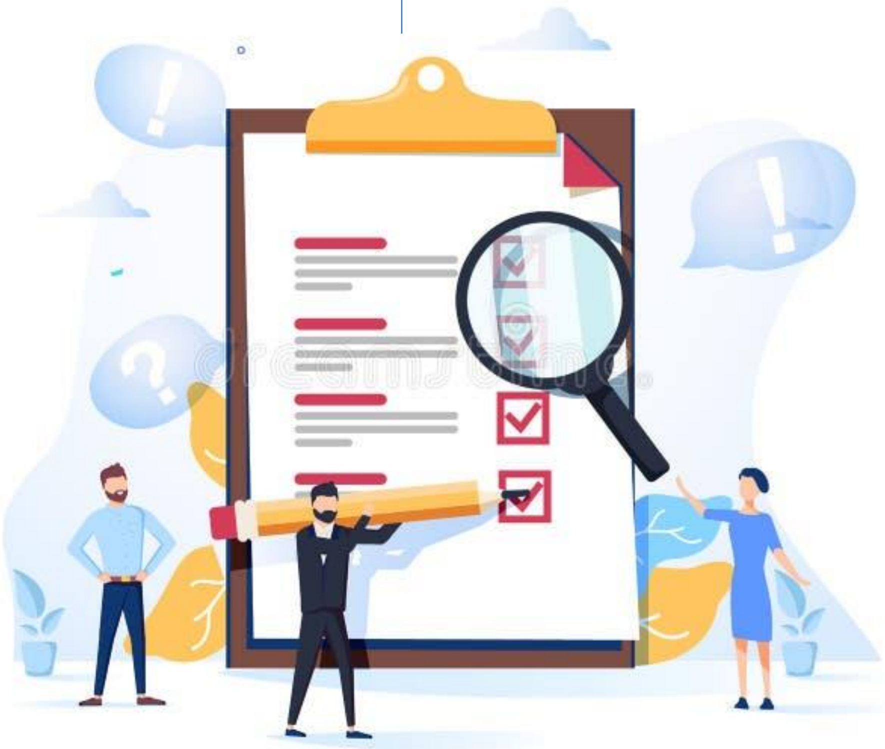
Outcome



1. Conducted fair valuation and cash flow forecasts for key Cash-Generating Units (CGUs).
2. Impairment testing was based on the higher of the Fair Value Less Costs of Disposal (FVLCS) and the Value in Use (VIU) of equity shares.
3. Discounting is performed using a pre-tax discount rate to determine the present value of estimated cash flows.
4. The Recoverable Value was compared against the Carrying Value to identify any impairment losses accordance with IndAS 36 .

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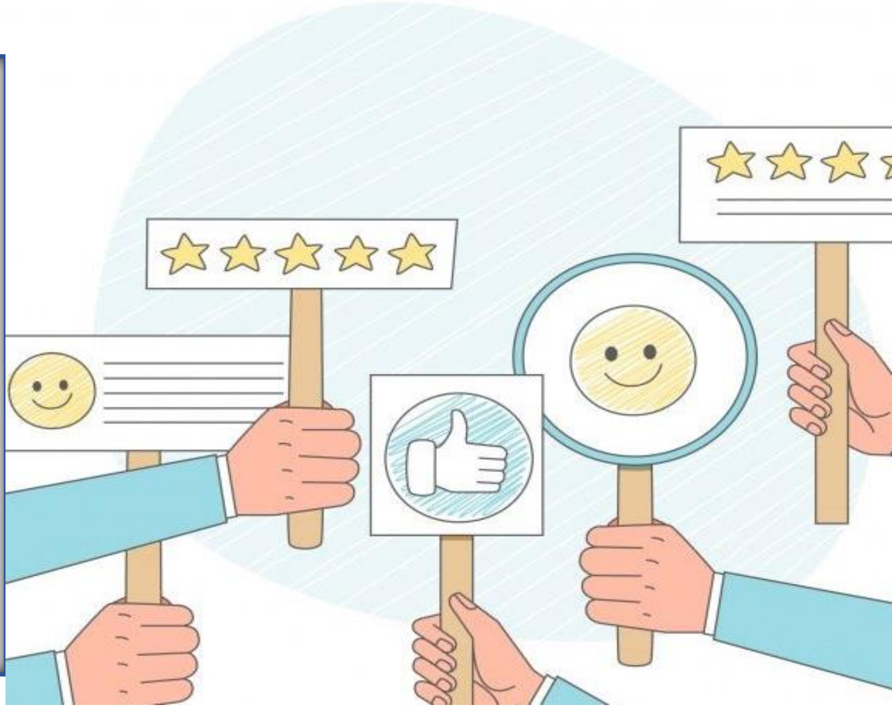
Testimonial

"HiVal Advisors' proactive approach and domain expertise helped us to navigate the complex financial reporting problem within stringent reporting timelines. We would like to extend our special thanks to team for turning around quality output within stipulated timelines. We look forward to work with you again soon on the upcoming assignment"

- Chief Financial Officer



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Why HiVal Advisors

- Extensive experience in financial reporting and other regulatory valuation across industries
- Focused and tailored approach that align with the client and industry-specific requirements
- Leverages technological tools for seamless and quality output delivery within stipulated timeline
- Domain expertise to solve complex regulatory and compliance problem with customized solutions

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