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When a corporation is making financing decisions, accounting/regulatory arbitrage and tax arbitrage are important considerations. In November 2000, David Jones entered into an in-substance sale and leaseback transaction with Deutsche Bank in relation to its flagship stores in Sydney and Melbourne.1 This transaction differs from the more traditional sale and leaseback transactions such as those in Metal Manufactures Ltd v Federal Commissioner of Taxation *(1999) 43 ATR 375* and Eastern Nitrogen Ltd v Federal Commissioner of Taxation *(2001) 46 ATR 474* . In both cases, a form of proprietary interest in the leased properties vested in the lessors. In the David Jones transaction, David Jones retained freehold title to the buildings and transferred economic control of the property to Deutsche Bank through a finance lease, then subsequently leased back the buildings through an operating lease. In this paper, the transaction is analysed as a case study to illustrate that tax arbitrage and accounting regulatory arbitrage are not separate considerations in the financing decision-making process. Therefore, regulators and business decision-makers cannot look at regulation in a vacuum... 8

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There are two important areas of taxation law where the interface of tax and accounting principles arise. They concern the issues of Thin Capitalisation and Consolidations. However, of particular concern in both of these areas is the treatment of intangible assets and their impairment. This paper seeks to examine these issues and some of the consequences of recent legislative amendments to the tax law and the adoption of IFRS.. 14

The Insider Trading Implications of Directors' Margin Loans

J Overland

The use of margin loans by directors of listed companies to acquire shares in their own companies raises a number of important issues, not least of which are the insider trading implications. This topic has been the subject of a significant focus this year, primarily due to the release of an Issues Paper and Report on Aspects of Market Integrity by the Corporations and Markets Advisory Committee in response to a ministerial request. This article discusses the relationship between insider trading and directors' margin loans, analyses the current state of the law in the context of relevant commentary and law reform proposals, and proposes alternative mechanisms to address the complex underlying issues in light of the current policy focus... 20

EDITORIAL

Now in its eighth year, the Journal of Law & Financial Management has achieved a number of important milestones including quality ratings by both The Australian Business Deans Council (ABDC) and the Australian Research Council (ARC) in their respective journal ranking lists. Another important development for the Journal of Law & Financial Management has been the partnering with the Social Science Research Network (SSRN) for the electronic distribution of each issue. Since 2006, the Journal of Law & Financial Management has been distrusted exclusively via SSRN to more than 130,000 subscribers worldwide through the SSRN eLibrary. This online international distribution has greatly increased the reach and impact of the journal.

This issue the Journal of Law & Financial Management looks at issues associated with business regulation, particularly in relation to taxation, accounting and market operation. In this issue, Juliette Overland examines the use of margin loans by directors of listed companies and important regulatory issues related to insider trading. In the wake of extreme volatility in capital markets and triggered margin loan sales, this article provides a timely commentary. Next, Les Nethercott and Tony Anamourlis examine the interface of taxation and accounting to investigate issues in relation to the treatment of intangible assets and their impairment. Finally, Eva Huang provides a commentary of the cross-regulatory arbitrage between accounting and taxation as it relates to leasing and examines the case of David Jones in a sales and lease back transaction.

Tyrone M Carlin & Guy Ford, Sydney

June 2009

Impairment of Assets: A Tax Accounting Interface

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Abstract

The relationship between taxation law and accounting has been a complicated one in recent years. The decision of the Australian Accounting Standards Board (AASB) to adopt International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) has lent a more complex dimension to this interface.

There are two important areas of taxation law where the interface of tax and accounting principles arise. They concern the issues of Thin Capitalisation and Consolidations. However, of particular concern in both of these areas is the treatment of intangible assets and their impairment. This paper seeks to examine these issues and some of the consequences of recent legislative amendments to the tax law and the adoption of IFRS.

Key Words: IFRS, Thin Capitalisation, Tax Accounting, Impairment, Intangibles.

1. Introduction

The *Income Tax Assessment Act 1997* (*ITAA 1997*) has increased considerably in size and complexity. Consequently, the question of why tax law should not have a more formal interface with accounting standards has been raised.[1] Arguably, the time spent on compliance and in the preparation of tax returns would be reduced if there was greater alignment between taxation and accounting concepts of income.[2]

This paper examines the interface by studying the relationship between accounting principles and tax law in the area of thin capitalisation and consolidation. It will specifically focus on the recognition of intangible assets and their impairment.

In examining the tax accounting interface and the reliance of tax law on accounting principles, the issue arises on what extent that reliance should take.[3] With this in mind there are a number of potential outcomes with any convergence. It may be argued that tax law should align with accounting principles, or that accounting principles should be aligned with tax law. Another outcome would be a compromise with some partial convergence.

The view expressed by D'Ascenzo and England[4] towards a more pragmatic outcome is possible. They suggest that the issue 'might be how to best structure and draft income tax law so as to use accounting concepts where it is sensible to do so'.

If such a pragmatic approach is taken, it raises the question of how such a compromise may be made and to what extent tax law should adopt accounting principles. There are further ancillary issues regarding what criteria should be used in the adoption of any accounting principles and how they might be applied.

Historically, the issue has been contentious. It was stated in *Commissioner of Taxes (SA) v Executor Trustee and Agency Co of South Australia Ltd* (1938) 63 CLR 108 ('*Carden's Case*')[5] that while it may be appropriate to examine accounting principles and concepts, the Court would lean towards relying on legal precedents and principles in the final analysis. In terms of the convergence issue, with the adoption of IFRS accounting standards by the AASB in 2005, it seems that there is little room for accounting standards to converge with taxation law. Accounting standards are set at an international level for uniformity, rather than being customised to meet the local context or circumstances of particular jurisdictions. Consequently, if there is any convergence, the outcome appears to be determined by a movement of tax principles towards accounting principles with the adoption of IFRS, either wholly or partially.

There are two main areas where such a convergence has recently taken place in taxation law. One area concerns the thin capitalisation rules in Division 820 of the *ITAA 1997*. The other concerns the consolidation provisions in Part 3-30 *ITAA 1997*.

It is therefore necessary to explain these provisions and determine the role and relevance of accounting principles in their application. It is here that the issue of asset impairment arises.

2. Thin capitalisation provisions

The thin capitalisation provisions in Division 820 of the *ITAA 1997* are important insofar as they limit the amount of interest claimed by taxpayers where the level of debt relative to equity exceeds certain levels. However, the safe harbour rules in Subdivision 820–G of the *ITAA 1997*, enable a taxpayer to overcome the thin capitalisation rules if the average debt is not less than 75 per cent of the average value of assets owned by the taxpayer. Therefore the recognition and valuation of assets is of some importance. For the purposes of the legislation, the Commissioner of Taxation has indicated in Tax Ruling 2002/20

'Thin Capitalisation — Definition of an asset for the purposes of Division 820' that the term 'asset' is based on the ordinary legal meaning. However, in recognising such assets, the ruling indicates that the value of assets must comply with accounting standards. With the move to IFRS, the relevant standards are those issued by the IASB. Two standards impacted considerably on the recognition and valuation of assets with the adoption of IFRS. These are AASB 136 'Impairment of Assets' and AASB 138 'Intangibles'.[6]

As the standard on intangible assets prevented the recognition of internally- generated assets such as brand names, patents, copyrights and customer lists, the government recently made changes to the thin capitalisation rules to allow their recognition. In particular, ss 820-683 and 820-684 state that where these internally-generated intangible assets would not be recognised under the AASB 138 provisions because their cost could not be distinguished from the overall cost of developing the entity's business, and the asset would otherwise meet the AASB 138 criteria for such recognition, then the asset may be recognised for the purposes of the safe harbour rules. However, the amending legislation contains a proviso: where an intangible asset is recognised, then the valuation of the asset is subject to the relevant accounting standards to the maximum extent possible.

Although some intangible assets would not be recognised from an accounting perspective, the recent amendments to the thin capitalisation rules allow for their recognition. This means it is necessary to assess the impairment of each asset on a regular basis. The AASB 136 accounting standard on impairment applies in determining the amount at which an asset is valued for the purposes of the thin capitalisation rules. This will be examined in further detail below.

3. Consolidation provisions

The consolidation provisions in Part 3-90 of the *ITAA 1997* enable taxpayers to prepare a consolidated tax return. This is especially important where there are group losses, which can easily be consolidated. It further facilitates the movement of assets within the group without attracting the capital gains tax (CGT) provisions.

However, when an entity joins the consolidated group, it is necessary to determine which assets should be recognised and what is their cost, pursuant to s 701-10(3). This is known as the 'Tax Cost Setting Amount' (TCSA).[7] The legislation does not provide much guidance in determining what assets should be brought to account by the joining entity. While the Commissioner of Taxation has indicated in Tax Ruling 2004/13 that the term 'asset' is not defined, the Commissioner has however clarified that the term should be based on ordinary or business dealings. Some intangible assets would accordingly be recognised that would not normally be recognised, either for tax or accounting purposes. This would include internally-generated intangible assets such as patents, trade marks, copyright and customer lists.

Nevertheless, as such assets would have a TCSA, they become part of the asset base of the consolidated group. It may be necessary to determine whether any intangible asset has been impaired and needs to be written down, taking into account the Division 40 provisions of the *ITAA 1997*. The definition of 'depreciating asset' in s 40-30 of the *ITAA 1997* includes a number of intangible assets which have a limited effective life and which may be expected to decline in value. Some of these assets are items of intellectual property such as patents, copyright and registered designs. The decline in value of a depreciating asset is usually based on the asset's effective life, as determined by the Commissioner of Taxation or the taxpayer. However, with intangible assets such as patents, copyrights or computer software, s 40-95 (7) states that only the Commissioner of Taxation may determine their effective life.

In the case of other intangible assets such as trademarks or goodwill, these do not qualify as depreciating assets and no deduction may be claimed under Division 40. Nevertheless an impairment of the asset's value may have occurred. Furthermore, where assets are acquired as a result of a business combination, the recognition of any impairment to intangible assets would be required for accounting purposes pursuant to the application of AASB 136.

Where an intangible asset is recognised upon consolidation, and is subsequently disposed of outside of the group, there is a need to determine whether there has been any capital gain or loss on the disposal of the asset. In this respect, the legislation or tax ruling is not helpful in indicating how any impairment of the asset should be determined.

Where there is a sale of a subsidiary member of a group, the 'exit history rule' applies. Section 701-40 states that the acquiring entity inherits the tax characteristics of the assets and liabilities of the business. However, this rule is affected by other more specific provisions such as s 701-85, which deals with the cost-setting rules where individual assets are taken from the group. Essentially the section states that the operation of each provision is subject to other rules found in the Act. Such an example would relate to the operation of Division 104 and a CGT event A1 arising from an asset's disposal. Consequently, the CGT provisions would need to be applied where there is a disposal of an asset or group of assets from the consolidated group. This would require the taxpayer to determine whether there had been a capital gain or loss on any asset disposed of. Such a task is relatively uncomplicated with the disposal of physical assets. In the case of disposed intangibles, it may be difficult to identify and separate the assets concerned, as well as determine any asset impairment and whether a gain or loss has occurred. This relates to the establishment of the asset's TCSA at the time of acquisition and the determination of the capital proceeds attributable to the sale of the asset at the time of the CGT event.

While the thin capitalisation and consolidation provisions touch on different areas of tax law, they share a common issue. The legislation relies on accounting standards and business principles in recognising intangible assets that would not otherwise be brought to account for tax purposes. However, when such assets are recognised, the legislation offers no specific explanation on how the asset should be valued and how any impairment should be determined post-acquisition.

In the case of thin capitalisation provisions, there is an IFRS requirement that intangible assets need to be accounted for when they are recognised. Consequently, and by inference, the accounting standard AASB 136 'Impairment of Assets' would apply and any subsequent impairment should be recognised.

In the case of consolidation provisions, there is a need to determine the impairment of any intangible asset qualifying as a depreciating asset under Division 40. There is also a need to determine any asset impairment where the intangible asset is subsequently disposed of for the purposes of the CGT provisions. It is therefore useful to examine the relevant accounting standard, AASB 136 on impairment.

4. Accounting standard AASB 136 and impairment

The main purpose of the accounting standard AASB 136 is to ensure that assets are not included at more than their recoverable amount.[8] In order to understand the standard a number of definitional terms[9] are most relevant in determining any asset impairment.

The standard defines the 'recoverable amount of an asset' or a cash-generating unit (CGU) as the higher of its fair value less the cost to sell and its value in use. An 'impairment loss' is defined as the amount by which the carrying amount of an asset or a CGU exceeds its recoverable amount. The 'fair value less costs to sell' is the amount obtainable from the sale of an asset or cash generating unit in an arms length transaction between knowledgeable willing parties less the costs of disposal. The 'value in use' is the present value of future cash flows expected to be derived from the asset or CGU. Finally, the CGU is the smallest identifiable group of assets that generates cash inflows which are largely independent of the cash inflows from other assets or groups of assets.

From the definitions contained in the Standard, it can be seen that the determination of whether there has been any impairment of an asset in any period is a challenging task. This is especially so where internally-generated intangibles have been recognised for thin capitalisation purposes, or in the case of consolidations, where there are internally-generated intangibles that need to be identified and costed in determining the TCSA. For this reason, it is useful to examine in more detail the relevant provisions of AASB 136.

The standard indicates[10] that an entity is required to assess at each reporting date any indications that an asset may be impaired. Furthermore, irrespective of any indications of impairment, an entity is required to test an intangible asset with an indefinite useful life for impairment annually, by comparing its carrying amount with its recoverable amount. In the case of intangible assets it may be argued that the determination of any impairment is a difficult task. This is due to the unique nature of intangible assets. Lev's observations are relevant in this respect.[11] He states that intangibles, compared to physical assets, are unique due to their varying characteristics. Some of these characteristics are:

a. Intangible assets may be used many times without affecting their value. An example of this is a software program, which can be used many times without affecting its value.

b. Intangible assets have synergies with other assets. An example of this would be the cost of developing and training staff, enabling more efficient use of plant and machinery. Another example would be the cost of training staff in new software programs relating to the ordering of stock, which increases customer satisfaction.

c. Intangible assets may be at greater risk of theft. The nature of intangibles is such that they can be easily stolen. The protection of copyrights and patents is a challenging technical and legal issue.

d. Intangible assets may be hard to preserve or control. This is related to the comments above. In the case of staff training, it is difficult to prevent staff from leaving, taking their newfound skills with them.

e. There may be a greater difference between the cost of intangible assets and the returns they provide. In the case of intangibles, there is often quite a disproportionate relationship between the cost of acquisition, or internal development, and the returns that may accrue. An example of this is the development of a new drug. If it is unsuccessful, the amount incurred would be written off. However, if it is successful, the returns may significantly outweigh the cost of purchase or development.

The above characteristics of intangible assets make it very difficult to assess the value of a particular intangible asset and especially any impairment. Nevertheless, from an accounting point of view, it is important to remember that once intangible assets are recognised they should be carried at no more than their recoverable amount. In the case of internally-generated intangible assets this may be a difficult task, and presumes that it is possible to initially determine the existence of an intangible asset and then determine the recoverable amount. An example of this difficulty would arise in the instance of a pharmaceutical company developing a number of new drugs. Over a period of say five years, it may have spent $10 million dollars in developing and researching a number of new drugs. Suppose that half the expenditure was successful in bringing three drugs to market and a patent is taken out on all three products. The question arises as to how their individual cost might be determined for the purposes of AASB 138. Further, given the requirements of AASB 136, it is then necessary to determine in respect of the costs carried forward as an asset whether there has been any impairment.

5. A question of impairment

From what has been discussed above the determination of the recoverable amount of internally-generated intangible assets, or even those purchased in a market transaction, is a challenging task.

The application of the standard in relation to impairment applies in the first annual reporting period on or after 1 January 2005.[12] Further, as indicated earlier, AASB 136 requires an entity to determine whether there has been asset impairment on an annual basis.[13] The challenging task in determining the recoverable amount of intangible assets, especially for internally-generated intangible assets such as goodwill, copyright and patents, is in determining both the recoverable amount and whether there has been any impairment. The entity must therefore assess whether the asset is carried at more than its recoverable value at each reporting date and recognise any impairment.

The AASB 136 standard indicates that in ascertaining whether there has been any asset impairment it is possible to use both internal and external sources of information. The standard encompasses a list of relevant factors to consider in

determining asset impairment. These are discussed below.[14]

(1) External Factors

i. Have the assets' market values declined significantly and beyond expectation as a result of the passage of time or normal use during the period?

ii. Have significant changes occurred during the period or will such changes occur in the near future which adversely impact on the technological, market, economic or legal environment in which the entity operates or in the market to which the asset is dedicated?

iii. Have market interest rates or market rates of return on investments increased during the period such that those increases are likely to affect the discount rate used in calculating the assets' 'value in use' and decreasing the assets recoverable amount materially? and;

iv. Is the carrying amount of the entity's net assets more than its market capitalisation?

(2) Internal Factors

i. Is there available evidence of obsolescence or physical damage of the asset?

ii. Are there any significant changes with an adverse effect on the entity, which would have taken place during the period or are expected to take place in the near future that would impact adversely on the entity? and

iii. Is there available evidence from internal reporting that indicates that an asset's economic performance is or will be worse than expected?

While the AASB 136 standard contains a list of internal and external factors to consider in determining whether there has been any asset impairment, it remains a matter for the individual entity and taxpayer to apply the provisions. The process is subjective in this respect and may give rise to a number of different outcomes.

In the case of intangible assets with an indefinite useful life, or an intangible asset not yet available for use, the entity must test for impairment annually irrespective of whether there are any indicators of impairment, and whenever there is an indication that the intangible asset may be impaired. As a result the entity's chief financial officer has to exercise judgment in identifying indicators of impairment.

An intangible asset with an indefinite useful life may generate cash inflows as an individual asset, in which case the impairment testing procedure for a single asset applies. As indicated earlier the asset's recoverable amount is the greater of its fair value less costs to sell and the value in use. Where the intangible asset generates cash inflows that are largely independent of those associated with other assets, the intangible asset's recoverable amount can only be assessed by reference to the CGU. A difficulty arises where the intangible asset forms part of a number of assets within a CGU. Where this occurs the procedures relevant to testing a CGU apply to that CGU. However, goodwill, for example, cannot produce cash flows independently of other groups of assets such as copyright, patents, customer lists etc. To test for impairment of an individual intangible asset, it is necessary to determine its allocation to CGUs or groups of CGUs. The standard does not require goodwill, for example, to be allocated between every CGU identified by the business; instead it allows goodwill to be allocated to groups of CGUs, with any impairment determined on that basis. The outcome of this process means that while the entity's goodwill may have been impaired in the CGU, it is supported by the presence of other intangible assets (such as staff training and brand names) which from an overall perspective have contributed to the asset's recoverable value being sustained. The important point to note is that pursuant to the AASB 136 provisions, the impairment and loss for goodwill, or other intangible assets, is recognised immediately in financial statements in the year it occurs.[15]

When goodwill or other intangibles have been allocated to a CGU, and the entity disposes of the asset or part of the entity, AASB 136 requires that any intangible associated with the disposal is recognised and any impairment determined. As a result, any gain or loss on the disposal of the intangible asset should also be recognised. For accounting purposes, the amount that should be included on the asset's disposal is based on the relative values of the operation disposed of and the portion of the CGU retained, unless the entity can demonstrate that some other superior method, which reflects the goodwill, is associated with the business disposed of.[16]

Once a judgment has been made that an intangible has been impaired and its carrying amount adjusted to reflect a lower recoverable value, this leads to the question: what implications does any impairment loss have for income tax purposes?

6. The tax outcomes

In regard to the application of the thin capitalisation provisions contained in Division 820 of the *ITAA 1997*, where a taxpayer wishes to rely on the safe harbour rules, it is necessary that the impairment of any asset held by the entity should be recognised pursuant to the application of AASB 136. This requires the entity to determine the carrying value of the asset with its recoverable amount. Where the recoverable amount is less than the carrying value, AASB 136 requires the asset concerned be written down and the impairment recognised as a reduction in the asset valuation amount. As a consequence of any impairment being recognised to an asset, the safe harbour levels should be re-examined to determine if any breach has occurred.

In the case of the consolidation provisions, there will be a need to initially determine the various assets acquired and each asset's TCSA when the entity joins the group.

Once the asset is recognised and brought to account under the consolidation provisions, it is necessary to determine whether there should be any adjustment to reflect asset impairment. In the case of some intangible assets (such as patents and copyright), the Division 40 provisions may apply to determine the recognition of any impairment. However, such impairment is based on tax rules and the tax-effective life of the asset. In other cases, the asset will be carried at the original TCSA until there is a disposition of the asset. This may occur by individual disposition of the asset concerned or by disposition of the subsidiary. Consequently, for tax

purposes during the holding period, there are different rules on impairment depending on the type of asset acquired in any consolidation.

Where the asset is disposed of as part of the group, the exit rule contained in Section 701-40 of the *ITAA 1997* applies. This effectively means that the asset assumes the tax characteristic of the asset when it was held as part of the group. However, as indicated earlier, the other provisions contained in the ITAA affect the rule. In this respect the other CGT provisions, which deal with the disposition of assets and CGT events, should be considered. Where there is a sale of the entity, there will need to be a determination of the sale proceeds attributable to any asset from the sale and a determination of any asset impairment reflected in the sale consideration that would result in a gain or loss on the disposition.

In contrast to accounting practice and the provisions of AASB 136, there is no substantive guidance in the consolidation provisions to determine any impairment of intangible assets upon disposition.

7. Conclusion

While the thin capitalisation and consolidation provisions refer to the role and relevance of accounting standards in the initial recognition and measurement of assets, when it comes to the recognition of any impairment of intangible assets there are considerable differences.

It would seem the convergence of the tax provisions with accounting concepts and principles has taken another more complicated turn. The accounting tax convergence process may therefore be questioned as it has increased the complexity of tax law. Certainly, with the application of any impairment test as required under AASB 136, it can be seen that there is a direct application to the thin capitalisation provisions. However, for consolidation purposes, the issue of the impairment of intangible assets on a regular periodic basis only applies where such assets qualify as depreciating assets for the purposes of Division 40 of the *ITAA 1997*. In other circumstances, any impairment only arises where there is a sale of the asset concerned even though impairment to the asset may have occurred at some earlier time.

An outcome of this inconsistent process of applying accounting rules and standards creates confusion for taxpayers and makes their compliance task much harder.

It is anomalous that the accounting impairment of assets is recognised in some cases and not in others. It would seem that a decision to adopt a convergence process of tax law should be formally undertaken. The current ad hoc adoption of accounting rules has produced complex and sometimes irrational outcomes, with the taxpayer often forced to bear the cost.

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Notes

1 See Judith Freedman, 'Aligning Taxable Profits and Accounting Profits; Accounting Standards, Legislators and Judges' (2004) 2(1) *eJournal of Tax Research* 71–99 .

2 Alfred Tran, *Relationship of Tax and Financial Accounting Rules — An Empirical Study of the Alignment Issue* (D Phil Thesis, Australian National University, 1997).

3 Aldrin De Zilva, 'The Alignment of Tax and Financial Accounting Rules: Is It Feasible?' (2003) 18 Australian Tax Forum 265, 266.

4 Michael D'Ascenzo and Andrew England, 'The Tax and Accounting Interface' (Paper presented at the 15th Annual Conference of the Australasian Tax Teachers Association, University of Wollongong, 31 January 2003), 9

5 *Commissioner of Taxes (SA) v Executor Trustee and Agency Co of South Australia Ltd* ('*Carden*'s Case') (1938) 63 CLR 108.

6 Mark Shying and John Ngiam, *AASB 136 'Impairment of Assets' and AASB 138 'Intangibles' Accounting Handbook* (Pearson, 2009).

7 This amount is determined by the allocation of the group's 'allocable cost amount' (ACA) to the assets of the joining entity. There are a number of steps in this process, as shown in ss 705-20–705-55. Significantly, the cost of acquiring membership of the joining entity is added to the cost of the joining entity's liabilities. (This is then reduced by any cash or bank deposits to give the amount of the ACA, which is allocated to the acquired assets.) In determining the liabilities, the Commissioner has indicated they should be determined by reference to Australian Accounting Standards issued by the AASB. However, in determining the assets of the joining entity, the Commissioner has indicated the term asset should be based on ordinary commercial or business dealings.

8 See R Picker et al, *Australian Accounting Standards* (John Wiley & Sons Australia Ltd, 2006) ch 11.

Tyrone M Carlin and Nigel Finch, *Goodwill Impairment Testing Under IFRS — A False Impossible Shore?* (24 July 2008) University of Sydney <http://ssrn.com/abstract=1173382> (Working Paper Series).

Tyrone M Carlin and Nigel Finch, *Early Impressions of Australia's Brave New World of Goodwill Impairment* (January 2007) Macquarie Graduate School of Management Working Paper No 2007-1<http://ssrn.com/abstract=954667> (Working Paper Series).

9 AASB 136 —*Impairment of Assets*, [6].

10 AASB 136 —*Impairment of Assets*, [19].

11 Baruch Lev, *Intangibles: Management, Measurement and Reporting* (Brookings Institution Press, Washington, 2001).

12 See AASB 1 — *First Time Adoption of Australian Accounting Standards*, which requires prior information presented as comparative information to be restated as if the requirements of AASB 136 had always applied.

13 AASB 136 —*Impairment of Assets*, [9].

14 AASB 136 —*Impairment of Assets*, [12].

15 AASB 136 requires different accounting procedures for property, plant, and equipment measured using the cost model and property, plant and equipment measured using the revaluation model. AASB136, [60] states: "An impairment loss shall be recognised immediately in profit and loss unless [*emphasis added*] the asset is carried at revalued amount in accordance with another standard (e.g. in accordance with the revaluation model in AASB 116).

16 M Olde, 'Impairment of Assets' (2007) 78(2) *Accounting & Tax Periodicals* 72.