Distinguishing cash-generating from non-cash-generating items for impairment

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Based on Standards of GRAP effective 1 April 2025

ASB
ACCOUNTING STANDARDS BOARD

Disclaimer

The views and opinions expressed in this presentation are those of the individual. Official positions of the ASB on accounting matters are determined only after extensive due process and deliberation.

Designation

- Made on initial recognition based on the entity's objective of using the asset.
- Standard does not require an entity to assess on an annual basis.
- Assets can either be used with the objective of generating a commercial return or delivering services.
  - Generate commercial return = cash-generating
  - Deliver services = non-cash-generating
- Fulfil both objectives - assess whether entity expects to use the assets to generate a commercial return. Not clear, then presumed to deliver services.

Guidance in GRAP 21

Cash-generating assets

Cash-generating when:

- objective is to use in a manner that generates a commercial return;
- generate positive cash flows from continuing use and its ultimate disposal that are expected to be significantly higher than the cost.

Apply GRAP 26

Non-cash-generating assets

Non-cash-generating when:

- objective is not to use to generate a commercial return;
- rather use to deliver services.

Other than cash-generating assets
Apply GRAP 21

ACCOUNTING STANDARDS BOARD

Contact details

Tel: (011) 697-0660

Fax: (011) 697-0666

Email: info@asb.co.za

Website: www.asb.co.za

GRAP Knowledge Hub: