The interaction of depreciation and impairment of assets

March 2026

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.

Requirements of Standards of GRAP: Depreciation

Definitions

Depreciation

- Systematic allocation of depreciable amount of asset over its useful life.

Depreciable amount

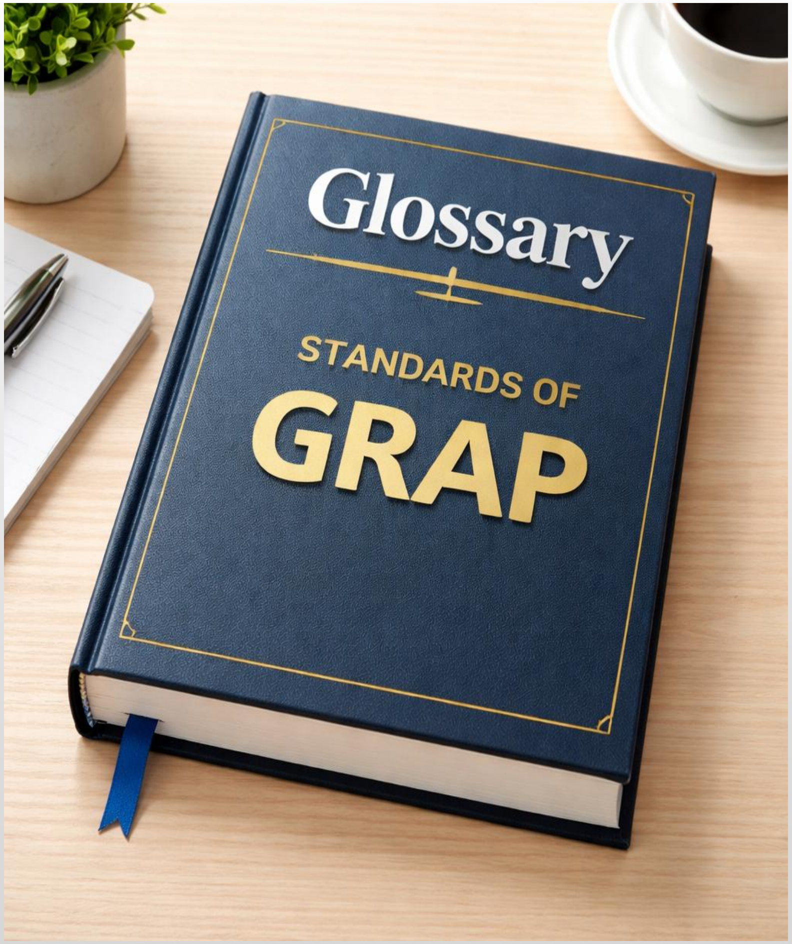
- Cost of an asset less its residual value.

Residual value

- Estimated amount that entity would currently obtain from disposal if asset was already of age and condition expected at end of useful life.

Useful life

- Either: (a) period over which asset is expected to be available for use by an entity, or (b) number of production or similar units expected to be obtained from asset by an entity.



Requirements of Standards of GRAP: Depreciation

Apply Judgement

Assess useful lives, residual values and depreciation methods of assets at **every reporting date**

- Any indication that entity's expectations about useful lives and residual values changed since preceding reporting date?
- Indicators in GRAP 17.57 and .58 include, e.g.:
  - Use of asset changed
  - Approaching end of previously expected useful life
  - Condition of asset changed
  - Impaired per GRAP 21 or GRAP 26

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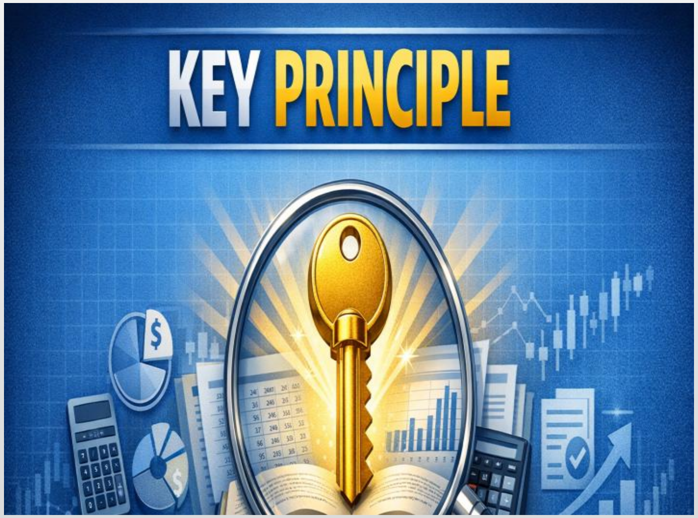
Requirements of Standards of GRAP: Impairment

- See recording on "Impairment indicator assessment (GRAP 21 and GRAP 26)"



1. Assess at each reporting date whether any indication of impairment (considering list of impairment indicators).

2. If so, calculate if there is an impairment loss.

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What is the interaction between depreciation and impairment?

The issue

Some impairment indicators are similar to indicators for change in useful life or residual value

The interaction

- While there may be similarities between indicators of changes in an asset's useful life/residual value and indicators of impairment, the assessments are separate.
- Adjusting asset's useful life, depreciation method or residual value does not replace consideration of impairment loss.
- Standards do not prescribe a specific order.

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Relevant FAQs

Available on ASB website: https://www.asb.co.za/frequently-asked-questions/

- *FAQ 3.2 What is the treatment of fully depreciated assets still in use (other than on the initial adoption of the Standards of GRAP)?*
- *FAQ 3.8 Are changes to useful lives, residual values and depreciation methods changes in an accounting policy or a change in accounting estimate?*
- *FAQ 3.20 When and how should entities assess for impairment in terms of GRAP 21 and GRAP 26?*

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Contact details

Tel: (011) 697-0660

Fax: (011) 697-0666

Email: info@asb.co.za

Website: www.asb.co.za

YouTube: https://www.youtube.com/channel/UCn55v27XBHd9_pOQbyb9pmA

GRAP Knowledge Hub: