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& PARTNERS

Building #12, Street 348, Phum 4, Sangkat Toul Svay Prey Ti Mouy, Khan Boeng Keng Kang, Phnom Penh
+855 (0) 23 926 999 · hello@fourmiandpartners.com

INSIGHTS

ACCOUNTING & TECHNOLOGY

IAS 36 impairment of assets in Cambodia: when and how to test

How CIFRS IAS 36 and CIFRS for SMEs Section 27 test goodwill, PPE and intangibles, build cash-generating units and handle reversals — and why the GDT tax result differs.



By Liv Bonito
Co-founder & Managing Director · FCCA, CPA (KICPAA)

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WHEN MUST A CAMBODIAN COMPANY IMPAIR AN ASSET UNDER IAS 36, AND HOW IS THE LOSS MEASURED?

Under CIFRS (IAS 36 Impairment of Assets) an asset is impaired when its carrying amount exceeds its recoverable amount, which is the higher of fair value less costs of disposal and value in use. Goodwill, intangible assets with indefinite useful lives and intangible assets not yet available for use are tested every year; other assets are tested when there is an indication of impairment. CIFRS for SMEs applies Section 27, a simplified recoverable-amount test with the same core principle. The accounting impairment is not automatically deductible for Cambodian Tax on Income: the tax base follows the Law on Taxation (2023) and the GDT's depreciation rules, so the difference is tracked as a temporary difference under IAS 12 / Section 29.

IN SHORT

- Impairment is a comparison, not a valuation exercise: carrying amount versus recoverable amount, where recoverable amount is the higher of fair value less costs of disposal and value in use.
- Goodwill, indefinite-life intangibles and intangibles not yet available for use are tested annually; other assets only when an indicator exists.
- An impairment loss is allocated first to goodwill in a cash-generating unit, then pro rata to the other assets; a goodwill impairment is never reversed.
- CIFRS for SMEs Section 27 applies the same principle with fewer detailed requirements; confirm the edition adopted by the National Accounting Council.
- The GDT does not follow the accounting impairment automatically. Tax depreciation and deductibility follow the Law on Taxation (2023), so expect a book-to-tax adjustment and deferred tax.

The IAS 36 test: carrying amount versus recoverable amount

IAS 36 starts from a simple principle: an asset must not be carried above the amount that will be recovered through its use or sale. The carrying amount is the amount in the ledger after depreciation, amortisation and any earlier impairment. The recoverable amount is the higher of two measures: fair value less costs of disposal, which is the price an arm's-length buyer would pay less the costs of selling, and value in use, which is the present value of the cash flows the asset is expected to generate in its current condition.

The higher of the two is used because an owner would not accept less than the better of selling the asset and continuing to use it. A valuation is therefore not automatically the recoverable amount: a market valuation is only the fair-value-less-costs-of-disposal leg, and it must be compared with a discounted cash-flow model. If either leg exceeds the carrying amount, there is no impairment and the other leg need not be calculated.

When an individual asset does not generate independent cash flows — a production line, a hotel, a school, a branch — the test is performed at the level of the smallest group of assets that does, the cash-generating unit (CGU). Goodwill is allocated to the CGUs that benefit from the

acquisition and is tested through those units, not on its own.

- External indicators: a fall in market value, an adverse change in technology, markets, law or interest rates, or a sustained increase in discount rates.
- Internal indicators: physical damage, obsolescence, an asset idle or held for disposal, or evidence that the asset's economic performance is worse than expected.
- A committed restructuring, a legal claim or a tax reassessment can also be an indicator; consider the evidence before concluding that no test is needed.

Which assets must be tested every year?

IAS 36 requires an annual recoverable-amount calculation for three classes regardless of indicators: goodwill acquired in a business combination, intangible assets with an indefinite useful life, and intangible assets not yet available for use. For every other asset in scope, a test is required only when there is an indication that the asset may be impaired. The annual test can be performed at any time in the year, but it must be at the same time each year.

The scope exclusions matter in practice. Inventories are tested under IAS 2, deferred tax assets under IAS 12, employee-benefit assets under IAS 19, financial assets under IFRS 9, investment property measured at fair value under IAS 40, biological assets at fair value less costs to sell under IAS 41, and non-current assets held for sale under IFRS 5. Applying IAS 36 to those balances is a common technical error.

A Cambodian company with a December year-end often performs the annual test at 31 December. If the test is performed earlier, the cash-flow projections and discount rate must be updated for events between the test date and the reporting date, or the test repeated.

IAS 36 SCOPE AND THE STANDARDS THAT REPLACE IT

Balance	Impairment standard	Cambodian practical note
Goodwill	IAS 36 (annual) / Section 27	Allocate to CGUs before testing; never amortise under full CIFRS
PPE and intangibles	IAS 36 / Section 27	Test on indicators; link to the fixed-asset register
Inventories	IAS 2 / Section 13	Lower of cost and net realisable value, not IAS 36

Balance	Impairment standard	Cambodian practical note
Deferred tax assets	IAS 12 / Section 29	Recoverability depends on future taxable profit
Investment property at fair value	IAS 40 / Section 16	Fair value changes go to profit or loss
Non-current assets held for sale	IFRS 5	Measured at lower of carrying amount and fair value less costs to sell

Measuring the loss and allocating it

An impairment loss is recognised immediately in profit or loss, unless the asset is carried at a revalued amount under IAS 16 or IAS 38, in which case it is treated as a revaluation decrease. The carrying amount is reduced to the recoverable amount, and the depreciation or amortisation charge for future periods is adjusted to allocate the revised carrying amount over the remaining useful life.

For a CGU, the loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit, and then to the other assets pro rata to their carrying amounts. No asset is reduced below its own recoverable amount or below zero. This ordering is why a goodwill-heavy acquisition can absorb the first loss without touching the operating assets.

A goodwill impairment is never reversed. For other assets, a reversal is recognised when the circumstances that caused the loss have favourably resolved, but the carrying amount cannot be increased above what it would have been, net of depreciation, had the original impairment never occurred. The reversal is recognised in profit or loss unless the asset is revalued.

Document the CGU before the number

The most common audit finding is not the discount rate; it is a CGU that was assembled after the result was known. Define the unit, the cash flows it generates and the assets and liabilities that belong to it before the model is run, and have the board or audit committee approve that definition.

CIFRS for SMEs: Section 27 in one page

CIFRS for SMEs Section 27 applies the same recoverable-amount principle but simplifies the detailed requirements and disclosures. Goodwill is tested for impairment under Section 27, and an impairment loss recognised for goodwill is not reversed. The standard is written for entities without public accountability, so the cash-flow model and the disclosure set are lighter than full IAS 36.

The National Accounting Council's adoption of CIFRS for SMEs is the operative framework in Cambodia; the 2025 third edition of the IFRS for SMEs standard is effective for periods beginning on or after 1 January 2027, and earlier application is permitted. Before choosing a policy or citing a section number, confirm which edition the company and its auditor apply. A company that moves from CIFRS for SMEs to full CIFRS must also reassess its impairment model and disclosures.

Cambodian tax: why the impairment is usually a book-to-tax adjustment

The GDT assesses Tax on Income under the Law on Taxation (2023) and its prakas. An accounting impairment is not, by itself, a deductible expense. Tax depreciation follows the GDT's rules and the asset's tax base; a write-down that is not reflected in those rules usually has to be added back in the annual Tax on Income reconciliation and tracked as a deductible temporary difference under IAS 12 / Section 29.

The practical consequence is that a company can report a large accounting loss and still owe tax on the same asset base. The reconciliation should identify each impaired asset, the accounting loss, the tax adjustment and the resulting deferred tax. Keep the impairment memo, the cash-flow model, the valuer's report and the board approval with the tax working papers: they are the evidence a GDT audit will ask for.

Do not assume that a valuation obtained for a bank or an investor is accepted for tax. The tax question is whether the asset remains in use and what the tax rules allow, not whether a valuer would sell it for less. Where the impairment relates to goodwill, the tax treatment is separate again: confirm the position for the specific acquisition with the GDT before filing.

01 Identify the impaired asset or CGU and the accounting loss.

02 Trace the asset to the tax fixed-asset register and the GDT depreciation schedule.

03 Add back the accounting impairment where the tax rules do not allow it.

04 Recognise the deferred tax effect and disclose the temporary difference.

05 Keep the impairment evidence with the Tax on Income working papers.

What the auditor will ask for

Under CISA and ISA 540, the auditor evaluates the impairment model as an accounting estimate: the identification of indicators, the definition of the CGU, the cash-flow projections, the discount rate, the terminal value and the sensitivity of the conclusion. The auditor is not required to be a valuer, but the work must be sufficient to challenge the assumptions that matter.

For a Cambodian group, component auditors may test the CGU's cash flows under ISA 600. The group auditor should set the impairment instructions, review the component's model and confirm that the same CGU definition and discount-rate approach were used across the group. A component that uses a different discount rate or a different cash-flow horizon can change the group conclusion.

- A board-approved impairment memo and the CGU definition.
- The cash-flow model with source, date and preparer, and the discount rate build-up.
- The valuer's report, if fair value less costs of disposal is used, and the valuer's qualifications.
- Evidence of post-year-end events that confirm or contradict the assumptions.
- The tax reconciliation and the deferred tax calculation.

Key facts

How this article is checked

Figures were verified against the sources listed below in November 2026 and are re-checked each January or when the rule changes. Written by Liv Bonito, Co-founder & Managing Director. General information, not advice on your situation: for that, talk to a partner.

QUESTIONS

Questions people ask

What is an impairment indicator in practice?

An indicator is evidence that the asset may be worth less than its carrying amount. External examples are a fall in market value, a change in technology or law, a rise in interest rates or a worse economic environment. Internal examples are physical damage, obsolescence, an asset that is idle or held for sale, or actual cash flows below the budget. The list in IAS 36 is not exhaustive; judgement is required.

Can an impairment loss be reversed?

For all assets other than goodwill, yes, when the circumstances that caused the loss have favourably resolved. The reversal is limited to the carrying amount that would have been determined, net of depreciation or amortisation, if the original impairment had never been recognised. A goodwill impairment is never reversed under IAS 36 or Section 27.

Does the GDT accept an IAS 36 impairment as a tax deduction?

Not automatically. Tax deductibility follows the Law on Taxation (2023) and the GDT's depreciation and expense rules, not the accounting conclusion. The accounting impairment is usually added back in the Tax on Income reconciliation and tracked as a temporary difference. Confirm the treatment of the specific asset with the GDT and keep the impairment evidence.

SOURCES

Where the rules come from

01 IAS 36 Impairment of Assets (https://www.ifrs.org/issued-standards/list-of-standards/ias-36-impairment-of-assets/) — IFRS Foundation

02 IFRS for SMEs Accounting Standard, Section 27 Impairment of Assets (https://www.ifrs.org/issued-standards/ifrs-for-smes/) — IFRS Foundation

03 Cambodian International Financial Reporting Standards (CIFRS and CIFRS for SMEs) — National Accounting Council / ACAR, Ministry of Economy and Finance

04 Law on Taxation (Royal Kram NS/RKM/0523/004, 16 May 2023) and GDT prakas (https://www.tax.gov.kh) — Kingdom of Cambodia / General Department of Taxation

05 CISA / ISA 540 Auditing Accounting Estimates and Fair Value Accounting Estimates — KICPAA / International Auditing and Assurance Standards Board