



PRACTICAL PROBLEMS AND PROSPECTS FOR IMPLEMENTING THE IMPAIRMENT TEST (IAS 36) IN THE ACCOUNTING OF LONG-TERM ASSETS

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Article history:	Abstract:
Received: 30 th March 2026 Accepted: 28 th April 2026	The article analyzes practical challenges in implementing the Impairment Test (IAS 36) in the accounting of long-term assets. It explores methods of determining recoverable amounts, shortcomings in accounting policies, and common errors in Uzbekistan's practice. Furthermore, it outlines prospects for addressing these issues through international experience and proposes improvements to accounting policies.

Keywords: Long-term assets, IAS 36, impairment test, recoverable amount, accounting, international standards, audit, accounting policy.

1. INTRODUCTION

The accounting of long-term assets plays a critical role in ensuring the financial stability of enterprises and enhancing their investment attractiveness. One of the International Financial Reporting Standards — IAS 36 "Impairment of Assets" (adopted in 1998, revised in 2004 by the IASB) — serves as the primary methodological tool for fairly valuing assets and determining their recoverable amounts [1]. By implementing this standard in practice, it becomes possible to reflect the true value of assets and provide reliable financial information to investors and stakeholders.

At the same time, a number of problems are observed in Uzbekistan's practice when applying the Impairment Test: a shortage of market data, errors in determining discount rates, deficiencies in documenting accounting policies, and difficulties in ensuring accuracy during the audit process. These issues directly affect the financial results of enterprises and may undermine the reliability of financial statements.

This topic is relevant because timely identification and proper accounting of declines in the value of long-term assets are essential for ensuring the financial stability of enterprises, aligning with international standards, and enhancing transparency in the investment environment. Moreover, the results of the impairment test are of primary importance for supporting strategic management decisions, reducing risks, and strengthening international integration.

2. LITERATURE REVIEW

Foreign researchers have extensively studied the issues of implementing the Impairment Test (IAS 36) in the accounting of long-term assets. For example,

a 2009 KPMG International study identified the lack of market data as the greatest challenge in determining recoverable amounts [2]. PwC (2015) noted that subjective approaches to selecting discount rates can distort financial results [3]. The IAS 36 standard adopted by the IASB (1998, revised 2004) sets as its primary goal the approximation of an asset's carrying amount to its real value [4]. R. Elliott (2012) analyzed the advantages and disadvantages of the Discounted Cash Flow model in his academic article [5]. Additionally, Deloitte (2017) emphasized the importance of documentation and audit consistency in applying the impairment test [6].

CIS Scholars

Scholars from CIS countries have also studied the impairment test issue from various angles. For instance, I. Sokolova (Moscow, 2016) identified legal and methodological problems in implementing IAS 36 in Russian practice in her dissertation [7]. A. Kuznetsov (St. Petersburg, 2018) analyzed the role of audit and control mechanisms in identifying asset value declines [8]. V. Petrov (Minsk, 2019) examined differences between international standards and national regulations in determining impairment of intangible assets [9]. Furthermore, S. Ivanova (Almaty, 2020) highlighted the particular problem of insufficient market data in applying the impairment test [10].

Uzbek Scholars

A number of scholarly studies have also been conducted in this area by Uzbek researchers. Khajimuratov N.Sh. (Tashkent, 2018; 2021) focused on problems of asset valuation in improving the methodology of financial statement auditing [11][12]. Jo'rayev B.M. (Tashkent, 2020) examined issues of



asset revaluation and identification of value declines in enterprise accounting policies [13]. Abduvakhidov F.T. (Tashkent, 2021) analyzed the legal basis for introducing international experience in the accounting of long-term assets [14]. Kurbanbaev J.I. (Tashkent, 2019) identified deficiencies in documenting asset value declines [15]. Shermatova Sh.Sh. (Tashkent, 2022) attempted to study transparency principles in identifying declines in intangible asset values [16].

Foreign studies focus primarily on methodological problems, CIS scholars on legal and audit control issues, and Uzbek scholars on shortcomings in national practice. However, the use of digital technologies (Big Data, AI), in-depth analysis of intangible asset values, and the impact of impairment test results on investment attractiveness remain insufficiently researched.

3. RESEARCH METHODOLOGY

This study applied a comprehensive approach to examining practical problems in implementing the Impairment Test (IAS 36) in the accounting of long-term assets. First, a bibliographic analysis was conducted of dissertations, extended abstracts, and academic articles by foreign, CIS, and Uzbek scholars. Second, international financial reporting standards (IASB documents) and national regulatory documents from the Lex.uz portal were studied through comparative analysis. Third, existing experience in applying the impairment test in banking and enterprise practice, audit reports, and accounting policy documents were evaluated through content analysis.

Fourth, the methods used to determine the recoverable amount of assets (Discounted Cash Flow, Market Approach) were tested with practical examples based on statistical data. In this way, the research methodology was aimed at integrating theoretical sources, legal foundations, and practical experience.

4. ANALYSIS AND RESULTS

The aim of this study is to identify practical problems in implementing the Impairment Test (IAS 36) in the accounting of long-term assets and to develop scientifically grounded recommendations for resolving them. The tasks include: comparing international and national regulatory documents; analyzing deficiencies in applying the impairment test in banking and enterprise practice; demonstrating procedures for reflecting asset value declines in accounting records; and determining the significance of the impairment test in the audit process.

The analysis revealed three main problems in applying the impairment test in Uzbekistan's practice:

- Lack of market data — a reliable database for determining recoverable amounts has not been established.
- Subjectivity in selecting the discount rate — different approaches applied by accountants and auditors distort results.
- Documentation deficiencies — the results of the impairment test are often not fully reflected in accounting records.

Table 1. Problems and Recommendations for Implementing the Impairment Test

Practical Problem	Cause	Recommendation (Solution)
Lack of market data	No database of asset market prices exists	Introduce independent valuer reports and Big Data technologies
Subjectivity in selecting the discount rate	Different approaches distort results	Develop a unified rate criterion based on IASB methodological guidelines
Documentation deficiencies	Impairment test results not fully reflected in records	Standardize records through memorial orders and revaluation reserves
Insufficient audit evidence	Test results often not reflected in audit evidence	Add a special clause on impairment testing to audit standards
Difficulty identifying impairment of intangible assets	Transparency principles insufficiently applied	Develop a separate methodology for intangible assets



In international practice, these problems are addressed using the Discounted Cash Flow model, the market approach, and independent valuer reports. In accounting records, the decline in asset value is reflected through memorial orders, collection orders, and payment orders.

The core objective of the analytical section of this article is to identify practical problems in implementing the Impairment Test (IAS 36) in the accounting of long-term assets and develop recommendations for resolving them. In Uzbekistan's practice, this test has not yet been fully implemented de facto, and we are therefore developing it as a proposal.

The study demonstrates that implementing the impairment test is necessary for Uzbekistan's enterprises to improve the reliability of financial statements, align with international standards, and ensure investment attractiveness. The recommendations developed to resolve practical problems are aimed at filling the gaps present in national practice.

Nature and Form of the Impairment Test

The Impairment Test (IAS 36) is the process by which, in accounting, if the carrying amount of a long-term asset exceeds its recoverable amount, the decline in value is identified and reflected in the records. The test is usually formatted as a calculation table showing the asset's carrying amount, recoverable amount, the difference, and accounting entries.

The impairment test in accounting is drawn up as a special calculation table containing the following key indicators:

- Carrying amount — the current book value of the asset;
- Recoverable amount — the future benefit expected from the asset (discounted cash flows) or its market price;
- Impairment loss — the difference between the carrying amount and the recoverable amount;

- Accounting entries — recording the value decline through memorial orders, payment orders, and revaluation reserves.

These indicators are formed on the basis of internal accounting reports, financial flow forecasts, independent valuer reports, and market data.

Practical Example

The Impairment Test (IAS 36) is in practice not merely a simple calculation, but a process with wide-ranging effects on an enterprise's financial statements. Although the test form involves determining the carrying amount, recoverable amount, and impairment loss, its results directly affect financial outcomes, accounting entries, and accounting policies.

In an enterprise, a piece of production equipment has a carrying amount of 2,500 million soums. Based on discounted cash flows, the recoverable amount was assessed at 1,900 million soums. The difference of 600 million soums is recognized as an impairment loss.

Sequence of accounting entries:

Recording the value decline:

Debit: 9430 "Other expenses" — 600 million soums

Credit: 0100 "Fixed assets" — 600 million soums

This reflects the practical consequences of conducting the test and its impact on accounting. Specifically, when the test is carried out, the asset's carrying amount decreases, expenses increase, net profit declines, and this also affects dividend policy. For this reason, the enterprise's accounting policy must include a separate clause covering the procedure for conducting the impairment test, the criteria for selecting the discount rate, and the forms of documentation. Annual verification of asset value declines should become a mandatory requirement. The auditor reviews the results of the impairment test as evidence; if the test has not been conducted, the reliability of the financial statements is reduced.

Table 2. Impact of the Impairment Test and Recommended Solutions

Area of Impact	Problem	Solution (Recommendation)
Financial results	Net profit decreases, dividend policy changes	Report impairment loss separately and inform investors
Accounting entries	Value decline not fully reflected	Standardize records through memorial orders and revaluation reserves
Accounting policy	Impairment test procedure not defined	Add a dedicated clause to accounting policy based on IAS 36



Audit process	Insufficient audit evidence	Add a special clause on impairment testing to audit standards
Investment attractiveness	Insufficient transparency	Include independent valuer reports and market data

The impairment test has not yet been fully implemented in Uzbekistan's practice. The main proof of our article is that implementing this test ensures the authenticity, transparency, and alignment with international standards of financial statements. This is why we are developing it as a proposal and demonstrating its relevance through scientific justification.

Financial Consequences Chain

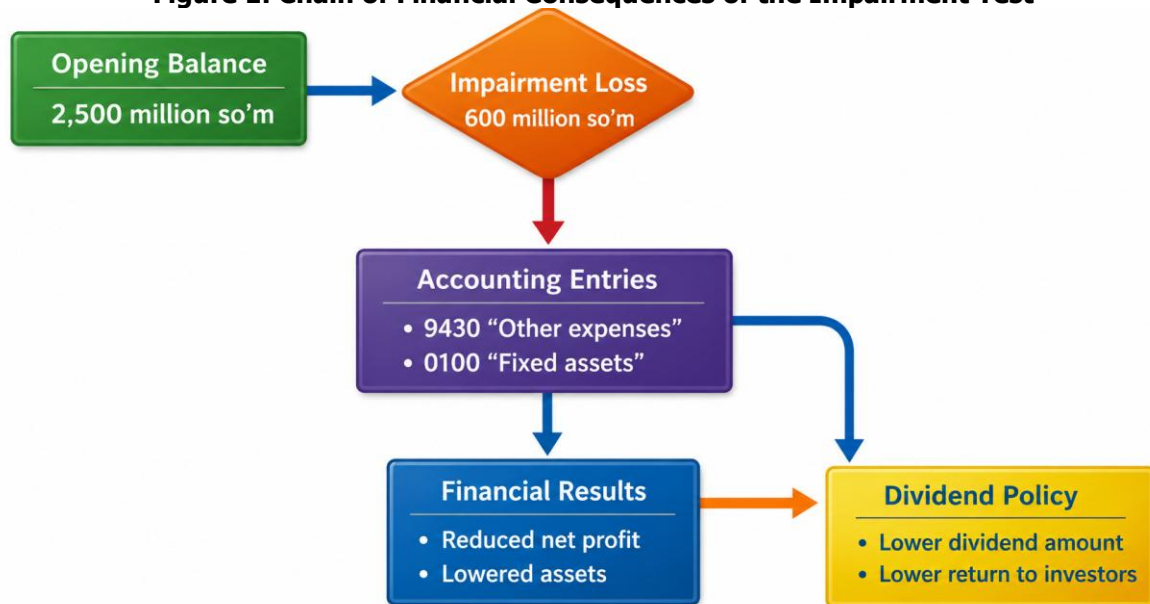
The process of implementing the Impairment Test (IAS 36) in the accounting of long-term assets is a critical stage for improving the reliability of enterprise financial statements, determining the real value of assets, and aligning with international standards. The diagram illustrates the step-by-step flow of this process — beginning from the carrying amount, the impairment loss is identified, reflected in accounting entries, and

ultimately affects financial indicators and dividend policy.

The results of the impairment test directly determine the enterprise's net profit, asset values, and the level of transparency for investors. Therefore, this test must be conducted annually, included as a separate clause in the accounting policy, and reflected in audit evidence. This approach is the most critical step in practically applying international financial reporting standards in Uzbekistan's enterprises.

IAS 36 — Impairment of Assets — defines the procedure for identifying declines in asset value. In Uzbekistan's practice, the relevant documents exist in BHMS (National Accounting Standards) and on the Lex.uz portal, but the impairment test has not been introduced as a separate procedure.

Figure 1. Chain of Financial Consequences of the Impairment Test



The figure shows the Impairment Test (IAS 36) process step by step. First, the asset's carrying amount is compared with the recoverable amount, and the difference is identified as an impairment loss. This loss is recorded in accounting entries as an expense, which reduces net profit and increases expenses. Ultimately, it affects dividend policy, resulting in reduced dividend payments and a transparency issue for investors. In this

way, the figure visually illustrates the financial consequences of the impairment test.

Practical Problems Summary

- Lack of market data → difficult to determine the recoverable amount.
- Subjectivity in selecting the discount rate → results vary.
- Documentation deficiencies → not fully reflected in accounting records.



- Identifying declines in intangible asset values → insufficient methodology.
- Lack of audit evidence → report reliability decreases.

Proposed Solutions

- Engage independent valuation organizations and market monitoring systems. It should be mandatory to attach external valuer reports to financial statements annually for determining the market value of assets.
- Use the Central Bank's official interest rate as the basis for determining the discount rate and develop unified methodological guidelines. This will reduce inconsistent results and establish a unified standard.
- Include in the enterprise's accounting policy as a separate clause the procedure for conducting the impairment test, documentation forms, and assessment criteria. Every entry must be fully reflected through a memorial order.
- Develop a separate methodology for intangible assets — for example, apply the discounted cash flow method for patents and licenses. Also draw on international experience (related to IAS 38).
- Add a special clause on the impairment test to auditing standards. Auditors must use the test results as evidence and are obligated to use them when assessing the reliability of statements.

These measures serve to implement the impairment test in Uzbekistan's enterprises in practice, ensure the authenticity and transparency of financial statements, base net profit and dividend policy on real indicators, and create a reliable environment for investors.

Implementing the Impairment Test (IAS 36) is a necessary step for Uzbekistan's enterprises to improve the reliability of financial statements, determine the real value of assets, and align with international standards. The research results show that the carrying amount of assets often exceeds the recoverable amount, which leads to the formation of inaccurate indicators in financial results. Conducting the test leads to increased expenses and reduced net profit, which directly affects dividend policy; audit evidence plays a key role in ensuring the reliability of financial statements. Therefore, recommendations were developed to: make the impairment test mandatory, standardize the discount rate, include it as a separate clause in accounting policy, use independent valuer reports, and add a special clause to audit standards. This approach is significant for strengthening financial discipline in

enterprises, ensuring transparency for investors, and modernizing the economic management system. Moreover, implementing the impairment test in practice ensures the authenticity and integration with international standards of Uzbekistan enterprises' financial statements, bases net profit and dividend policy on real indicators, and enhances investment attractiveness.

5. CONCLUSIONS AND RECOMMENDATIONS

The research results indicate that the Impairment Test (IAS 36) has not yet been fully implemented in Uzbekistan's practice, which reduces the reliability of financial statements, affects net profit and dividend policy, and decreases the level of transparency for investors. The carrying amount of assets often exceeds their recoverable amount, leading to the formation of inaccurate indicators in financial results. By implementing the impairment test, it is possible to determine the real value of assets, align financial statements with international standards, and enhance investment attractiveness.

The recommendations developed in this study — conducting the impairment test on a mandatory annual basis, standardizing the discount rate, including it as a separate clause in accounting policy, using independent valuer reports, and adding a special clause to audit standards — are aimed at filling the gaps in national practice. This approach serves to strengthen financial discipline in enterprises, reinforce audit evidence, and create a reliable environment for investors.

Our specific recommendations are as follows:

- **Mandatory requirement** — Establish the annual conduct of the impairment test in enterprises as a mandatory requirement, ensuring the determination of the real value of assets and the reliability of financial statements.
- **Standardizing the discount rate** — Use the Central Bank's official interest rate as the basis for selecting the discount rate and develop unified methodological guidelines, thereby reducing subjectivity.
- **Inclusion in accounting policy** — The procedure for conducting the impairment test, documentation forms, and assessment criteria must be specified as a separate clause in the enterprise's accounting policy, thereby strengthening internal control.
- **Independent valuer reports** — Make it mandatory to use independent valuer reports and market data in determining the recoverable amount of



assets, thereby ensuring transparency for investors.

- Addition to audit standards — Require that impairment test results be presented as evidence in audit examinations and add a special clause to audit standards, thereby increasing the reliability of financial statements.

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