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COURSE BROCHURE

# Impairment Testing and Fair Value Valuation Training Course

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Sharm El-Sheikh

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# Impairment Testing and Fair Value Valuation Training Course

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Impairment Testing and Fair Value Valuation is a 1-week training course for finance managers and financial controllers who must defend the carrying amount of business units, and it builds an impairment valuation file ready for the audit committee and external auditors. Volatile interest rates, shrinking margins and sharper audit scrutiny mean that recoverable amount estimates now carry real reporting consequences. Jupiter Prime Training offers this subject to finance teams.

## Why Impairment Testing and Fair Value Valuation Matters Now

Three pressures shape impairment work today. Rising discount rates push down the present value of forecast cash flows. Auditors and audit committees challenge the assumptions behind every cash-generating unit. Investors read impairment notes for signals about management credibility. A finance function that handles this well reports losses on time and explains them clearly; one that handles it badly faces late write-downs, restatements and qualified opinions. The course rests on the international impairment standard and the fair value measurement standard, together with income and market approaches.

## Who Gains Most from Impairment Testing and Fair Value Valuation

- Group reporting leads who prepare the impairment review
- Financial controllers who own the forecasts feeding each unit's value in use
- Corporate finance and valuation specialists who build discount rates and market multiples
- Internal audit and risk staff who test impairment indicators and model controls
- Business unit finance managers who defend budgets

A group finance team sending reporting, planning and valuation members together gains most, since forecasts, rates and disclosures then share agreed assumptions.

## Impairment Testing and Fair Value Valuation Capabilities

Participants carry an impairment test from first indicator to final disclosure note.

- Identify cash-generating units and allocate goodwill and corporate assets — the audit committee
- Build value in use models from approved budgets and terminal growth assumptions — the board
- Calculate a pre-tax discount rate from a weighted average cost of capital build-up — external auditors
- Estimate fair value less costs of disposal using market multiples and recent transactions — investors
- Test headroom sensitivity to growth, margin and rate changes — the chief financial officer

- Assemble disclosure notes and audit evidence that support each key judgement — the reporting deadline

## Key Impairment Testing and Fair Value Valuation Terms

- Cash-generating unit — the smallest asset group producing cash inflows largely independent of those from other assets.
- Recoverable amount — the higher of an asset's fair value less costs of disposal and its value in use.
- Value in use — the present value of future cash flows expected from an asset or unit in its current condition.
- Fair value hierarchy — a three-level ranking of valuation inputs from quoted prices to unobservable estimates.
- Headroom — the amount by which recoverable amount exceeds carrying amount.
- Impairment indicator — an internal or external event suggesting an asset's carrying amount may exceed what it can recover.

## Impairment Testing and Fair Value Valuation Day by Day

### Day 1: Impairment Triggers and Unit Structure

- Internal and External Impairment Indicators — When a Formal Test Is Required
- Cash-Generating Unit Identification — Grouping Assets by Independent Cash Inflows
- Goodwill Allocation to Unit Groups — Level at Which Goodwill Is Tested
- Corporate Asset Allocation — Sharing Head Office Assets Across Units
- Carrying Amount Build-Up — Matching Assets, Liabilities and Working Capital

### Day 2: Value in Use Cash Flow Models

- Budget and Forecast Selection — Which Approved Plans Feed the Model
- Restructuring and Enhancement Exclusions — Keeping Cash Flows in Current Condition
- Terminal Value and Long-Term Growth — Anchoring Growth to Market Evidence
- Tax and Lease Cash Flow Treatment — Consistency Between Flows and Rates
- Forecast Accuracy Back-Testing — Credibility of Management Projections

### Day 3: Discount Rates and Market Evidence

- Weighted Average Cost of Capital Build-Up — Peer Betas, Gearing and Risk-Free Rates
- Pre-Tax Rate Conversion — Iterative Method for Reporting Discount Rates
- Unit-Specific Risk Premiums — Avoiding Double Counting in Forecasts
- Trading Multiples and Transaction Comparables — Fair Value Less Costs of Disposal
- Fair Value Hierarchy Inputs — Level Classification and Unobservable Assumptions

## Day 4: Judgements, Sensitivities and Audit Support

- Headroom Sensitivity Tables — Reasonably Possible Changes in Key Assumptions
- Impairment Loss Allocation — Goodwill First, Then Pro Rata Assets
- Reversal Testing for Prior Losses — When Earlier Write-Downs Can Be Reversed
- Auditor Challenge Preparation — Evidence Packs for Key Valuation Judgements
- Disclosure Note Drafting — Assumptions, Rates and Sensitivity Narrative

## Day 5: Practising the Impairment Valuation File

- Case Unit Structure and Goodwill Allocation — Applying Unit Identification
- Case Value in Use Model — Applying Cash Flow and Terminal Value Methods
- Case Discount Rate and Market Cross-Check — Applying Rate and Multiple Methods
- Board Paper on Impairment Outcome — Communicating Losses and Headroom Clearly
- Impairment Valuation File — Completing the Model, Evidence and Disclosure Set

## Applying Impairment Testing and Fair Value Valuation After the Course

- Lead a review of the group's cash-generating unit map and goodwill allocation before the next year-end test.
- Run a headroom sensitivity analysis on the unit with the thinnest margin and share it with the audit committee.

## Impairment Testing and Fair Value Valuation Questions FAQ

### What is impairment testing and fair value valuation, and why does it matter now?

It is the process of comparing a unit's carrying amount with its recoverable amount, using value in use or fair value. Higher discount rates and closer audit challenge make accurate, well-evidenced tests essential.

### Which roles gain most from impairment testing and fair value valuation skills?

Group reporting leads, financial controllers and valuation specialists gain most. Internal audit staff also benefit.

### How does impairment testing and fair value valuation differ from a general business valuation course?

It focuses on reporting valuations rather than deal pricing. You work within the rules on unit grouping, current-condition cash flows, pre-tax rates and disclosures.

## What do you bring back from impairment testing and fair value valuation training?

You bring back a structured valuation file covering unit mapping, a value in use model, a discount rate build-up, sensitivity tables and draft disclosure notes.

## Impairment Testing and Fair Value Valuation: The Way Forward

The impairment valuation file first informs whether a unit's carrying amount can stand at year end. Controllers, reporting leads and auditors use it to agree assumptions before the deadline. After its first use, the perspective worth revisiting is unit structure itself: as businesses reorganise, the grouping of assets and goodwill should change with them.