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ENHANCING THE CONTINUOUS MONITORING PROCEDURE FOR IDENTIFYING IMPAIRMENT INDICATORS OF NON-CURRENT ASSETS IN JOINT-STOCK COMPANIES

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Abstract. This article examines ways to enhance the continuous monitoring of impairment indicators for non-current assets in joint-stock companies. In accordance with IAS 36, impairment indicators are classified according to external information sources, including market conditions, interest rates, and changes in the legal and technological environment, and internal information sources, including physical deterioration, technological obsolescence, and declining asset performance. Based on an analysis of joint-stock companies operating in the telecommunications, postal services, information technology, and insurance sectors, the study develops industry-specific sets of impairment indicators. It also proposes a five-stage continuous monitoring procedure for determining whether an impairment test is required. The findings suggest that the proposed procedure may facilitate the timely identification of impairment indicators, reduce undue reliance on managerial judgement, and enhance the transparency of financial reporting.

Keywords: non-current assets, impairment, impairment indicators, impairment testing, continuous monitoring, IAS 36, joint-stock companies, financial reporting, recoverable amount.

Аннотация. В статье рассматриваются направления совершенствования непрерывного мониторинга признаков обесценения внеоборотных активов в акционерных обществах. В соответствии с МСФО (IAS) 36 признаки обесценения классифицированы по внешним источникам информации, включая рыночную конъюнктуру, процентные ставки и изменения в правовой и технологической среде, а также по внутренним источникам, к которым относятся физический износ, технологическое устаревание и снижение эффективности использования активов. На основе анализа акционерных обществ, осуществляющих деятельность в сферах телекоммуникаций, почтовых услуг, информационных технологий и страхования, разработаны отраслевые комплексы индикаторов обесценения. Кроме того, предложена пятиэтапная процедура непрерывного мониторинга, позволяющая определить необходимость проведения теста на обесценение. Результаты исследования показывают, что предложенная процедура может способствовать своевременному выявлению признаков обесценения, снижению чрезмерной зависимости от профессионального суждения руководства и повышению прозрачности финансовой отчётности.

Ключевые слова: внеоборотные активы, обесценение, признаки обесценения, тестирование на обесценение, непрерывный мониторинг, МСФО (IAS) 36, акционерные общества, финансовая отчётность, возмещаемая стоимость.

INTRODUCTION

Recent economic disruptions, including the effects of the COVID-19 pandemic, geopolitical uncertainty, changes in market conditions, and rapid technological advancement, have heightened the risk of impairment of non-current assets. Under such circumstances, the carrying amounts of assets may no longer be fully supported by their recoverable amounts. Therefore, the timely identification and assessment of impairment indicators are essential to ensuring that non-current assets are reported appropriately and that financial statements provide reliable and decision-useful information.

Presidential Decree of the Republic of Uzbekistan No. PF-60 of 28 January 2022, "On the Development Strategy of New Uzbekistan for 2022–2026" [1], set the objective of attracting USD 120 billion in investment into the economy over the five-year period, including USD 70 billion in foreign investment. One of the essential prerequisites for achieving this objective is the establishment of a transparent financial reporting system prepared in accordance with International Financial Reporting Standards (IFRS) and capable of strengthening investor confidence. Pursuant to Resolution of the President of the Republic of Uzbekistan No. PQ-4611 of 24 February 2020, "On Additional Measures for the Transition to International Financial Reporting Standards" [2], joint-stock companies are gradually transitioning to the preparation of financial statements in accordance with IFRS. This transition has increased the relevance of the comprehensive implementation of IAS 36 in national

accounting practice.

Under IAS 36, an entity is required to assess, at the end of each reporting period, whether there is any indication that an asset may be impaired and, where such indications exist, to estimate the asset's recoverable amount. Determining whether an impairment test is required therefore represents an initial and critical stage of impairment accounting. In the practice of some entities, however, this stage may remain largely formal, as clear arrangements for the regular monitoring of impairment indicators—including the allocation of responsibilities, the frequency of assessment, and the indicators to be applied—may not yet be fully established. As a result, impairment indicators may not always be identified promptly, which may lead to the overstatement of asset carrying amounts and reduce the usefulness of financial information for decision-making. This situation highlights the need to develop a continuous procedure for monitoring impairment indicators in joint-stock companies and to adapt such a procedure to industry-specific characteristics.

Joint-stock companies play a significant role in the economy of Uzbekistan. They operate in strategically important sectors, including telecommunications, energy, transport, finance, and other industries, and manage a substantial part of the country's national infrastructure. Non-current assets, including property, plant and equipment, intangible assets, and capital investments, account for a predominant share of the asset structure of these companies. At the same time, these asset categories are particularly sensitive to technological developments, changes in market conditions, and shifts in the regulatory environment. Therefore, the regular monitoring of impairment indicators in joint-stock companies is not merely an accounting and methodological issue but also an important aspect of corporate governance. It is a prerequisite for providing shareholders and potential investors with reliable information regarding the actual condition and economic potential of a company's assets.

The purpose of this article is to systematise the indicators of impairment of non-current assets in joint-stock companies according to their respective information sources and to develop a continuous monitoring procedure for determining whether an impairment test is required, based on a set of indicators that takes industry-specific characteristics into account.

LITERATURE REVIEW

The theoretical and methodological issues associated with accounting for the impairment of non-current assets have been extensively examined by international scholars. J.A. Elliott and W.H. Shaw investigated the practice of recognising asset write-offs and impairment losses and demonstrated that such decisions are frequently delayed and subsequently recorded in the form of large, one-off write-offs (Elliott and Shaw, 1988). J. Francis, J.D. Hanna, and L. Vincent examined the causes of asset write-offs and provided empirical evidence that some write-offs are attributable to economic factors, while others are influenced by managerial discretion (Francis, Hanna and Vincent, 1996). E.J. Riedl investigated the recognition of impairment losses on non-current assets and empirically demonstrated that such losses are determined not only by economic factors but also by management's financial reporting policies and incentives (Riedl, 2004). A common conclusion emerging from these studies is that, unless the impairment recognition process is supported by objective monitoring mechanisms, it may become excessively dependent on managerial discretion.

H. Amiraslani, G.E. Iatridis, and P.F. Pope conducted a comparative analysis of compliance with IAS 36 among companies in European countries. They identified considerable cross-country differences in the practices used to identify and disclose impairment indicators and found that impairment losses tend to be recognised more promptly in jurisdictions characterised by stronger monitoring and enforcement environments (Amiraslani, Iatridis and Pope, 2013). N.M. AbuGhazaleh, O.M. Al-Hares, and C. Roberts demonstrated that managerial judgement plays a substantial role in the recognition of goodwill impairment and argued that such judgement should be balanced by effective external monitoring mechanisms (AbuGhazaleh, Al-Hares and Roberts, 2011).

The methodology for asset valuation and impairment testing has been examined in considerable depth by J.R. Hitchner (Hitchner, 2017) and T. Koller, M. Goedhart, and D. Wessels (Koller, Goedhart and Wessels, 2020). These studies provide a detailed analysis of the application of discounted cash flow models in estimating recoverable amounts, the development of forecasting assumptions, and the incorporation of risk into valuation models. Nevertheless, they do not systematically address the stage at which the need for an impairment test is determined, particularly the continuous monitoring of impairment indicators.

Among Uzbek scholars, A.A. Karimov, F.R. Islomov, A.Z. Avloqulov, and S.N. Tashnazarov have examined various theoretical and methodological aspects of asset accounting and financial reporting. Their studies address, among other issues, the measurement, revaluation, and derecognition of property, plant and equipment and intangible assets (Karimov, Islomov and Avloqulov, 2004; Tashnazarov, 2019). However, these studies do not specifically examine the organisational and methodological mechanisms for identifying impairment indicators for non-current assets in joint-stock companies. In particular, the classification of impairment indicators by

information source and their adaptation to industry-specific characteristics have not been investigated as a distinct research area.

The literature review indicates that, although the methodology for conducting impairment tests has received considerable scholarly attention, the stage of determining whether an impairment test is necessary—namely, the continuous monitoring of impairment indicators—remains insufficiently explored from both theoretical and practical perspectives. Deficiencies at this stage may result in the delayed recognition of impairment losses and a deterioration in the quality of financial reporting. This research gap determined the principal direction of the present study.

RESEARCH METHODOLOGY

The theoretical and methodological foundations of the study comprise IAS 36 “Impairment of Assets”, the regulatory and legal framework governing accounting in the Republic of Uzbekistan, and relevant studies conducted by international and Uzbek scholars. The research employed the methods of scientific abstraction, induction and deduction, analysis and synthesis, comparison and classification, a systems approach, and monographic analysis.

The empirical basis of the study consists of financial statement data for the period 2020–2024 from four major joint-stock companies operating in the Republic of Uzbekistan: Uzbektelecom JSC, representing the telecommunications sector; Uzbekistan Pochtasi JSC, representing postal services; UNICON.UZ JSC, representing the information technology sector; and ALSKOM INSURANCE COMPANY JSC, representing the insurance sector. Non-current assets account for a substantial proportion of the total assets of these companies, while their operations are highly sensitive to technological developments and changes in market conditions. The selected companies therefore provide an appropriate basis for examining the industry-specific characteristics of impairment indicator monitoring.

ANALYSIS AND RESULTS

In accordance with paragraph 12 of IAS 36, when assessing whether there is any indication that an asset may be impaired, an entity is required to consider, as a minimum, both external and internal sources of information. External sources include a significant decline in an asset’s value beyond what would normally be expected as a result of the passage of time or ordinary use; adverse changes in the technological, market, economic, or legal environment in which the entity operates; increases in market interest rates; and circumstances in which the carrying amount of the entity’s net assets exceeds its market capitalisation.

Internal sources of information include evidence of an asset’s obsolescence or physical damage; adverse changes in the extent or manner in which the asset is used, such as idling, plans to discontinue or restructure operations, or reductions in the scale of activities; and information from internal reporting indicating that the economic performance of an asset is, or will be, worse than expected.

However, the standard is limited to specifying a general list of impairment indicators and does not prescribe who should monitor them, how frequently monitoring should be conducted, which information sources should be used, or what assessment criteria should be applied. In practice, this lack of detailed organisational guidance may increase the risk that certain impairment indicators are not identified in a timely manner. Accordingly, within the framework of this study, impairment indicators were systematised according to their information sources, and the specific object of monitoring and corresponding information source were identified for each indicator, as presented in Table 1.

Table 1

Classification of Impairment Indicators for Non-current Assets by Information Source¹

Indicator category	Impairment indicator	Information source for monitoring
External indicators	A decline in the asset’s market value significantly greater than would be expected as a result of the passage of time or normal use	Market price quotations, valuation reports, and information on sales transactions
External indicators	Significant adverse changes in the technological, market, economic, or legal environment	Industry reviews, monitoring of government programmes and regulatory documents, and competitor analysis
External indicators	An increase in market interest rates and market rates of return on investments	The central bank’s policy rate, yields on government securities, and credit market data

¹ Source: Systematised by the author based on IAS 36.

External indicators	The carrying amount of the entity's net assets exceeds its market capitalisation	Stock exchange quotations and trends in the market prices of shares
Internal indicators	Physical deterioration or damage to the asset	Technical condition assessment reports, inventory results, and records of repair costs
Internal indicators	Technological obsolescence of the asset	Assessments by the technical services department and manufacturers' information on new-generation equipment
Internal indicators	Adverse changes in the extent or manner in which the asset is used, including idling and restructuring plans	Production reports, capacity utilisation indicators, management decisions, and business plans
Internal indicators	The economic performance of the asset is lower than expected	Internal management reports, budget performance analysis, and segment-level revenue and expense data

Such systematisation of impairment indicators makes it possible to link their monitoring to clearly defined information flows. The source from which the relevant data are to be obtained is specified in advance for each indicator, and the monitoring process is formally documented. This is also essential for providing audit evidence that impairment indicators have been properly assessed.

The findings of the study indicate that the nature and significance of impairment indicators are directly influenced by industry-specific characteristics. The analysis of the four joint-stock companies revealed that the principal factors giving rise to impairment differ across industries. In the telecommunications sector, successive generations of technology, particularly the migration from 2G and 3G networks to 4G and 5G technologies, accelerate the technological obsolescence of active network equipment. In the postal services sector, the decline in traditional correspondence due to the increasing use of electronic communications reduces the utilisation of sorting and transportation infrastructure. In the information technology sector, the life cycles of software products and licences are becoming progressively shorter. In the insurance sector, declining returns on investment property portfolios and the transition to digital service delivery channels reduce the efficiency with which office infrastructure is utilised.

Based on these industry-specific characteristics, a set of impairment indicators differentiated by industry was developed, as presented in Table 2.

Table 2
A Set of Impairment Indicators Reflecting Industry-Specific Characteristics²

Industry (object of analysis)	Principal impairment factors	Recommended indicators
Telecommunications ("Uzbektelecom" JSC)	Technological transition between network generations, intensifying competition, and tariff regulation	Trends in the share of traffic by network generation; decline in average revenue per user (ARPU); capacity utilisation of legacy equipment; customer churn rate
Postal services ("Uzbekistan Pochtasi" JSC)	Digitalisation of services and a decline in the volume of traditional correspondence	Trends in the physical volume of written correspondence; utilisation rate of sorting capacity; profitability of the branch network; number of transactions per facility
Information technology ("UNICON.UZ" JSC)	Shortening life cycles of software products and the replacement of technological platforms	Remaining useful lives of software and licences; trends in the order portfolio by product; utilisation rate of servers and computing equipment
Insurance ("ALSKOM INSURANCE COMPANY" JSC)	Volatility in returns on investment assets and the migration of services to digital channels	Trends in the market value and rental income of investment property; office space utilisation rate; share of sales generated through digital channels

The practical value of the proposed set of indicators lies in the establishment of threshold, or trigger, values for each indicator. A trigger value represents the level at which the likelihood of impairment is assessed as sufficiently high to warrant a decision to conduct an impairment test. For example, a decline in the utilisation rate of legacy equipment below a specified percentage, a significant reduction in the volume of written correspondence for two consecutive years, or a decrease in rental income from investment property beyond a predetermined percentage may provide grounds for conducting an impairment test for the relevant group of assets. Such trigger values should be approved in each company's accounting policies based on industry dynamics and the composition of its assets and should be reviewed periodically.

² **Source:** Developed by the author based on data from the joint-stock companies analysed.

Based on the systematised impairment indicators and the industry-specific indicators, the study proposes a continuous monitoring procedure for determining whether an impairment test is required in joint-stock companies. This procedure integrates the monitoring process into a unified management cycle and comprises five stages, as presented in Table 3.

Table 3

Continuous Monitoring Procedure for Determining Whether an Impairment Test Is Required³

Stage	Description	Responsible unit	Frequency	Resulting document
1. Establishing the indicators	Approving, as part of the accounting policies, a list of external and internal indicators and their respective trigger values for each asset group	Accounting department, finance and economics department, and technical services	Annually, together with the accounting policies	Register of indicators appended to the accounting policies
2. Collecting data	Collecting data on the indicators from the designated information sources	Responsible organisational units, in accordance with Table 1	Quarterly	Monitoring forms
3. Assessing the indicators	Comparing actual indicator values with their established trigger values and identifying deviations	Accounting department (financial reporting team)	Quarterly	Indicator assessment schedule
4. Making a decision	Deciding to conduct an impairment test when at least one indicator reaches or exceeds its trigger value	Chief accountant and finance director	Upon identification of impairment indicators	Order or resolution authorising the impairment test
5. Documentation and control	Documenting the monitoring results and assessing the effectiveness of the procedure through internal audit	Internal audit function and audit commission	At least annually	Internal audit report

At the first stage of the proposed procedure, the joint-stock company establishes a register of indicators for each asset group and approves it as an integral part of its accounting policies. This register constitutes the regulatory basis of the monitoring process. At the second and third stages, the responsible organisational units collect relevant data on a quarterly basis and compare the actual values of the indicators with their established trigger values. At the fourth stage, if at least one indicator meets its predefined trigger condition, a decision is made to conduct an impairment test for the relevant asset or cash-generating unit. At the fifth stage, the monitoring results are documented, and the effectiveness of the procedure is assessed by the internal audit function. In this way, the identification of impairment indicators is transformed from an isolated or periodic procedure into a continuous management process.

An important distinction applies when the continuous monitoring procedure is used for goodwill and intangible assets with indefinite useful lives. Under IAS 36, such assets are subject to mandatory annual impairment testing regardless of whether any impairment indicators exist. Accordingly, for these assets, monitoring is intended not to determine whether an impairment test should be performed, but rather whether the test should be conducted before the scheduled annual testing date. For all other non-current assets, the

³ **Source:** Developed by the author.

monitoring results provide the direct basis for initiating an impairment test.

To facilitate the practical implementation of the monitoring process, the study developed a standard monitoring form, as presented in Table 4. The form is completed quarterly by the responsible organisational units and submitted to the financial reporting team. It records the trigger and actual values of each indicator, the extent of any deviation, and the final conclusion. This approach standardises the assessment of impairment indicators and creates a documented audit trail for each reporting period.

Table 4
Illustrative Monitoring Form for Impairment Indicators (Extract)⁴

Indicator	Information source	Trigger value	Actual value	Deviation	Conclusion: impairment test required
Capacity utilisation rate of legacy equipment, %	Technical services report	Minimum level established in the accounting policies	Data for the reporting period	+/-	Yes/No
Change in ARPU compared with the previous year, %	Marketing and sales department report	Decline threshold established in the accounting policies	Data for the reporting period	+/-	Yes/No
Change in the market interest rate, percentage points	Central bank data	Increase threshold established in the accounting policies	Data for the reporting period	+/-	Yes/No
Proportion of idle assets or idle capacity within the asset group, %	Production report	Maximum level established in the accounting policies	Data for the reporting period	+/-	Yes/No

The monitoring procedure is most effective when organised at the level of cash-generating units. Many non-current assets do not generate independent cash inflows on an individual basis; therefore, impairment indicators should be monitored at the level of a unit comprising technologically interdependent assets. For example, in a telecommunications operator, switching equipment, transmission lines, and software associated with a particular generation of network technology should be monitored as a single cash-generating unit. A decline in traffic volumes and revenue would therefore constitute an impairment indicator for the entire network generation rather than for an individual item of equipment. This approach ensures consistency between the monitoring results and the subsequent stage of the impairment assessment, namely the estimation of recoverable amount at the cash-generating-unit level.

The continuous monitoring procedure should be closely integrated with the joint-stock company's accounting policies and internal control system. The register of indicators, trigger values, monitoring frequency, and allocation of responsibilities should be formally established as mandatory components of the accounting policies. Within the internal control system, monitoring should be recognised as a specific control procedure, the performance of which is periodically assessed by the internal audit function. Such institutionalisation helps ensure that monitoring functions as an effective internal control procedure and that its results are appropriately incorporated into financial reporting and audit processes.

The practical relevance of the proposed procedure was further illustrated by data obtained from the joint-stock companies analysed. An assessment based on the financial statements of the four companies for 2020–2024 indicated that, in most periods in which impairment losses were recognised, relevant warning signs—such as declining equipment utilisation, slowing revenue growth, and the adoption of technological modernisation programmes—had emerged one or two reporting periods earlier. This suggests that the proposed system of indicators might have supported the earlier identification of impairment risk and, where appropriate, more timely impairment testing and recognition. Such an outcome would contribute to a more faithful representation of asset carrying amounts in the financial statements and further demonstrate the practical significance of the proposed monitoring procedure.

The introduction of a continuous monitoring procedure is also important from an auditing perspective. Documenting the process used to assess impairment indicators provides the auditor with sufficient and appropriate audit evidence to evaluate management's assertion that no impairment indicators exist. It may also facilitate audit risk assessment, reduce the duplication of audit procedures, and improve audit efficiency.

⁴ **Source:** Developed by the author.

In addition, monitoring forms and indicator assessment schedules provide a readily available information base for preparing impairment-related disclosures in the notes to the financial statements, thereby enhancing the transparency of reporting for investors.

CONCLUSIONS AND RECOMMENDATIONS

Based on the findings of the study, the following conclusions and recommendations were formulated:

Although IAS 36 specifies a list of impairment indicators, it does not regulate the organisational mechanism through which those indicators should be monitored. In the practice of some entities, the absence of such a mechanism may contribute to delays in recognising impairment losses and to the potential overstatement of asset carrying amounts. The process of identifying impairment indicators should therefore be established in joint-stock companies as a continuous management process governed by a separate internal procedure.

Systematising impairment indicators by external information sources, including market conditions, interest rates, and changes in the legal and technological environment, and by internal information sources, including physical deterioration, technological obsolescence, and declining asset utilisation efficiency, makes it possible to clearly determine the object of monitoring, the relevant information source, and the responsible organisational unit for each indicator. It also provides a basis for documenting the monitoring process.

Impairment indicators should be differentiated according to industry-specific characteristics. The principal indicators include changes in technological generations and average revenue per user (ARPU) in the telecommunications sector; the volume of traditional postal items and capacity utilisation in postal services; the life cycle of software products in the information technology sector; and the returns generated by investment assets in the insurance sector. Trigger values for each indicator should be approved as part of the company's accounting policies.

The proposed five-stage continuous monitoring procedure—establishing indicators, collecting data, assessing the indicators, making decisions, and documenting and controlling the process—provides a structured basis for determining whether an impairment test is required, reduces the scope for undue subjectivity in managerial decisions, and supports the practical application of IAS 36. It is therefore recommended that this procedure be incorporated into the accounting policies and internal control systems of joint-stock companies.

The implementation of a continuous monitoring procedure is expected to support both the quality of accounting information and the effectiveness of audit procedures. Documented monitoring results serve as a source of sufficient and appropriate audit evidence and help ensure the completeness of impairment-related disclosures in the notes to the financial statements. Ultimately, this contributes to greater transparency and reliability of financial reporting for investors and other users of financial statements.

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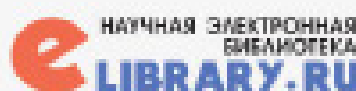
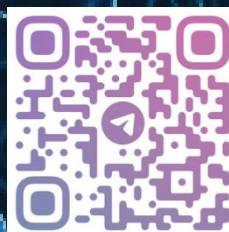
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