

Case 21-3c

Order of Impairment Testing

Five Star Hotel Corporation (Five Star) operates two exclusive resort properties operating under different brands — one located in the United States and the other in Bermuda. Each resort has been determined to be an asset group for testing long-lived assets for impairment and a reporting unit for testing goodwill for impairment. Five Star was acquired by an investment company several years ago, resulting in the inclusion of a brand name intangible asset and goodwill in each asset group/reporting unit. Both brand name intangible assets are determined to have an indefinite useful life. In summary, each resort asset group/reporting unit has the following types of assets:

- Accounts receivable
- Inventory
- Customer-related intangible assets (finite-lived)
- Brand name intangible assets (indefinite-lived)
- Property, plant, and equipment
- Goodwill

During the current reporting period, Five Star has determined that a triggering event occurred relative to the resort in the United States, requiring the asset group to be tested for impairment on a held-and-used basis. In addition, during the current reporting period, Five Star began a process to dispose of the resort in Bermuda through a sale and has determined that the criteria for classification as held for sale are met.

Required:

1. What is the order of impairment testing for the assets in Five Star's U.S. resort asset group when the asset group is classified as held and used?
2. What is the order of impairment testing for the assets in Five Star's Bermuda resort disposal group when the disposal group is classified as held for sale?