

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.