

## B-11.05

Leonard Heinz was recently put in charge of the construction division of McMahan Industries. He has reviewed the plant assets and their related accounting records, and believes certain items are "impaired" and should be charged off to a loss account. Examine the following list and decide if you believe the item is impaired.

	Impaired?	
	Yes	No
An abandoned building is slated for demolition	✓	
Equipment that will continue to be used as planned in the production of profitable projects; however, a forced sale of the equipment would not recover its book value		
Used equipment is no longer in use, but will be sold for more than its book value		
Newly purchased assets for which the company significantly overpaid, and which have costs that will not be recovered from future cash flows		
Actions of competitors have forced McMahan to permanently lower prices, and certain items of equipment continue to be used at full capacity, even though the resulting production is unprofitable and will not recover cost		
The maintenance department failed to properly lubricate the bearings on a crane, and it is now significantly damaged		