

Accounting 402
Impairments of Assets

El Dorado Foods Inc. owns a chain of specialty stores in the Pacific Northwest. Recently, four of the stores have experienced declining profits due to market saturation in the area. As a result, management gathered data about possible impairment of operational assets. The information gathered was as follows:

Book value: \$17.5 million

Fair value: \$14.9 million

Undiscounted sum of future cash flows: \$16.5 million

1. **Required:**

Determine the amount, if any, of the impairment loss that El Dorado must recognize on these assets.

2. **Required:**

Assume that the undiscounted sum of future cash flows is \$18.2 million, instead of \$16.5 million. Determine the amount, if any, of the impairment loss that El Dorado must recognize on these assets.