

## DISPOSAL OF LONG-LIVED ASSETS AND DISCONTINUED OPERATIONS: ASPE 3475

### Scope

This section does not apply to the following assets:

- the disposal of goodwill
- investments, including equity method accounted investments
- financial assets, financial liabilities

### Definition

- A **disposal group** is a group of assets to be disposed together as a group in a single transaction, and liabilities directly associated with those assets that will be transferred in the transaction
- This section also applies to disposal groups in addition to individual assets

### Long-lived assets to be disposed of other than by sale

- A long-lived asset to be disposed of other than by sale shall continue to be classified as held and used until it is disposed of
- This includes assets that are to be abandoned

### Long-lived assets to be disposed of by sale

- A long-lived asset to be sold shall be classified as held for sale in the period in which all of the following criteria are met:
  - 1) management commits to a **plan to sell**;
  - 2) it is **available for immediate sale** in its present condition
  - 3) an **active program to locate a buyer** and other actions required to complete the sale plan have been initiated;
  - 4) the sale is probable, and is **expected to be sold within one year**
  - 5) it is being actively marketed for sale at a **price that is reasonable** in relation to its current fair value; and
  - 6) actions required to complete the plan indicate that it is **unlikely that significant changes to the plan will be made** or that the plan will be withdrawn.

### Measurement

- A long-lived asset classified as held for sale shall be measured at the **lower of its**:
  - carrying amount; or
  - fair value less cost to sell.
- **Amortization is not taken** while an asset is classified as held for sale
- A **loss** shall be recognized for any initial or subsequent write-down to fair value less cost to sell
- A **gain** shall be recognized for any subsequent increase in fair value less cost to sell, but not in excess of the cumulative loss previously recognized for a write-down to fair value less cost to sell **required by this Section**

### Changes to a plan of sale

- If a long-lived asset no longer meets the criteria to be classified as held for sale, it shall be measured individually at the lower of:
  - (a) carrying amount before it was classified as held for sale, adjusted for any amortization that would have been recognized had it been continuously classified as held and used; or
  - (b) fair value at the date of the subsequent decision not to sell

## Presentation

### Balance sheet presentation

- A long-lived asset classified as held for sale is **presented separately** in the balance sheet
- Long-lived assets classified as held for sale are **not reclassified as current assets**, unless
  - the enterprise has **sold the assets prior to the date of completion of the financial statements**; and
  - **the proceeds of the sale will be realized within a year** of the date of the balance sheet, or within the **normal operating cycle** if that is longer than a year.

### Discontinued operations

- The results of operations of a **component** of an enterprise that either
  - **has been disposed** of (by sale, abandonment or spin-off); **or**
  - is **classified as held for sale** is reported in discontinued operations if both of the following conditions are met:
    - (a) the **operations and cash flows** of the **component have been (or will be) eliminated** as a result of the disposal transaction; **and**
    - (b) the enterprise will not have any **significant continuing involvement** in the operations of the component after the disposal transaction
- A **component** of an enterprise includes operations and cash flows that can be clearly distinguished, operationally and for financial reporting purposes, from the rest of the enterprise
- Examples of components include:
  - operating segment
  - a reporting
  - a subsidiary
  - an asset group
  - operations without long-lived or other assets.
- An **operating segment** is a component of an enterprise:
  - that earns revenues and incur expenses
  - for which operating results are regularly reviewed
  - for which separate information is available

### Comparison to IFRS

- This topic is covered under **IFRS 5**
- IFRS covers assets held for distribution to owners
- Under IFRS, you are allowed to write up the asset if the fair value less cost to sell subsequently increases; the reversal is limited to losses taken under IFRS 5 **and** any previous impairment losses taken when the asset was classified as held for use
- When the asset no longer qualifies as held for sale, under IFRS, asset is re-measured at the lower of “carrying value had the asset not been classified as held for sale” and the “recoverable amount” (rather than fair value)
- Under ASPE, “non-current assets held for sale” are shown as current assets if the assets are sold before the completion of the F/S; IFRS makes no mention of this – however, if a similar situation occurs, we would likely show “non-current assets held for sale” as current assets
- Under ASPE the criteria for classifying the loss due to re-measuring an asset held for sale under discontinued operations is different