

## NON-CURRENT ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS: IFRS 5

### Scope

- This section doesn't apply to the following assets:
  - deferred tax assets (IAS 12 Income Taxes)
  - assets arising from employee benefits (IAS 19 Employee Benefits)
  - financial assets within the scope of IAS 39
  - Investment Properties measured using fair value model (IAS 40)
  - Biological assets measured at fair value less cost to sell (IAS 41)
- Disposal group = a group of assets to be disposed, possibly with some directly associated liabilities, together in a single transaction
  - The group may include any assets and any liabilities of the entity, including current assets, current liabilities and assets excluded above.
  - If a **non-current asset within the scope of this IFRS is part of a disposal group**, the measurement requirements of **this IFRS apply to the group as a whole**, so that the **group is measured at the lower of its carrying amount and fair value less costs to sell**
- This section also covers disposal groups in addition to individual assets

### Classification of non-current assets (or disposal groups) held for sale

- classify a non-current asset (or disposal group) as held for sale **if its carrying amount will be recovered principally through a sale transaction rather than through continuing use**
- conditions for classifying a non-current asset as "held for sale"
  - the asset (or disposal group) must be **available for immediate sale**
  - in its **present condition** subject only to terms that are usual and customary for sales of such assets (or disposal groups); and
  - its **sale must be highly probable**
    - For the sale to be highly probable; the following must be met
      - 1) management must be **committed to a plan to sell** the asset (or disposal group)
      - 2) an **active program to locate a buyer** and complete the plan must have been initiated
      - 3) asset (or disposal group) must be actively marketed for sale at a **price that is reasonable** in relation to its current fair value.
      - 4) completed sale within one year from the date of classification
      - 5) actions required to complete the plan should indicate that it is unlikely that significant changes to the plan will be made or that the plan will be withdrawn

### Measurement of "held for distribution" assets

- measure a non-current asset (or disposal group) classified as held for sale at the **lower of its**:
  - carrying amount; and
  - fair value less costs to sell
- amortization would no longer be taken
- a loss is recognized on the write down
- if the fair value less cost to sell subsequently increases, you are allowed to write up the asset and recognize a gain to the extent of past impairment losses taken under this IFRS (while asset was held for sale) **and** IAS 36 – Impairment of Assets (while asset was held for use)

### Classification of non-current assets (or disposal groups) held for distribution to owners

- A non-current asset (or disposal group) is classified as held for distribution to owners when:
  - the entity is committed to distribute the asset (or disposal group) to the owners. For this to be the case,
    - the assets must be **available for immediate distribution** in their present condition; and
    - the distribution must be **highly probable**. For the distribution to be highly probable,
      - actions to complete the distribution must have been **initiated** and
      - should be expected to be completed **within one year** from the date of classification.
      - Actions required to complete the distribution should indicate that it is **unlikely that significant changes to the distribution will be made** or that the distribution will be withdrawn

### Measurement of “held for distribution” assets

- measure a non-current asset (or disposal group) classified as held for distribution to owners at the lower of its:
  - carrying amount; and
  - fair value less costs to distribute
- amortization would no longer be taken
- a loss is recognized on the write down
- if the fair value less cost to sell **subsequently increases**, you are allowed to **write up the asset** and recognize a gain to the extent of past impairment losses taken **under this IFRS** (while asset was held for sale) **and** IAS 36 – Impairment of Assets (while asset was held for use)

### Non-current assets that are to be abandoned

- Non-current assets that are to be abandoned are not considered “held for sale”
- Non-current assets to be abandoned include non-current assets that are to be **used to the end of their economic life** and non-current assets that are to be **closed rather than sold**

### Changes to a plan of sale

- **If the above mentioned criteria to classify an asset as held for sale are no longer met (this usually happens due to changes to the plan), the asset is no longer considered “held for sale”**
- The entity should measure a non-current asset that ceases to be classified as held for sale at the **lower of:**
  - a) its carrying amount **before the asset was classified as held for sale**, adjusted for any **amortisation** or **revaluations** that would have been recognised had the asset not been classified as held for sale, and
  - b) its **recoverable amount** at the date of the subsequent decision not to sell

### Presentation and disclosure

- **present non-current assets classified as held for sale separately from other assets on the balance sheet**
- **The liabilities of a disposal group classified as held for sale shall be presented separately from other liabilities**

### Discontinued Operations

- A Discontinued operation is when a “**component**” has been disposed or classified as held for sale
- A **component** of an entity includes **operations and cash flows** that can be **clearly distinguished**, operationally and for financial reporting purposes, from the rest of the entity.
  - In other words, a component of an entity will have been a **cash-generating unit** or a **group of cash-generating units while being held for use**
- The loss due to measuring a non-current asset held for sale at the fair value less cost to sell is classified under discontinued operations if the following are met:
  - a) The loss relates to a **component**;
  - b) The component has either been disposed or **classified as held for sale**; and
  - c) One of the following must be met; the component:
    - (i) represents a separate **major line of business** or **geographical area** of operations,
    - (ii) is part of a single co-ordinated **plan to dispose** of a **separate major line of business** or **geographical area** of operations or
    - (iii) is a **subsidiary acquired exclusively with a view to resale**
- loss from discontinued operations is shown after tax

### Comparison to ASPE

- This topic is covered under ASPE 3475
- ASPE does not cover assets held for distribution to owners
- Under ASPE, you are allowed to write up the asset if the fair value less cost to sell subsequently increases; however the reversal is limited to the losses taken under ASPE section 3475 (losses incurred since the asset was classified as held for sale only)
- When the asset no longer qualifies as held for sale, under ASPE, asset is re-measured at the lower of “carrying value had the asset not been classified as held for sale” and the “fair value” (rather than recoverable amount)
- 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