

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

By : CA MAYUR CHOKSHI
MUMBAI; INDIA

CA Mayur Chokshi, Mumbai, India : m_ifrs@rediffmail.com

IFRS 5 - OVERVIEW

- ◎Objective and scope
- ◎Classification as held for sale
- ◎Measurement
- ◎Presentation and disclosure

CA Mayur Chokshi, Mumbai, India : m_ifrs@rediffmail.com

IFRS 5 - OBJECTIVE AND SCOPE

- ⦿ Standards for non-current assets with carrying values to be recovered through sale rather than use
- ⦿ Covers classification, measurement, presentation of assets held for sale, and reporting of discontinued operations

Assets held for sale: refers to all such recognized non-current assets, and includes cash-generating units called disposal groups that may include current and non-current assets and liabilities

Discontinued operation: a component of an entity that either has been disposed of or is classified as held for sale

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IFRS 5 - CLASSIFICATION AS HELD FOR SALE

Held-for-sale classification.

- ⦿ management is committed to a plan to sell
- ⦿ the asset is available for immediate sale
- ⦿ active program to locate a buyer is initiated
- ⦿ the sale is highly probable, within 12 mths of classification as held for sale (subject to limited exceptions)
- ⦿ the asset is being actively marketed for sale at a sales price reasonable in relation to its fair value
- ⦿ actions required to complete the plan indicate that it is unlikely that plan will be significantly changed or withdrawn
- ⦿ The assets need to be disposed of through sale. Therefore, operations that are expected to be wound down or abandoned would not meet the definition (but may be classified as discontinued once abandoned).

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IFRS 5 - DISPOSABLE GROUP

A 'disposal group' is a group of assets, possibly with some associated liabilities, which an entity intends to dispose of in a single transaction. The measurement basis required for non-current assets classified as held for sale is applied to the group as a whole, and any resulting impairment loss reduces the carrying amount of the non-current assets in the disposal group in the order of allocation required by IAS 36.

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IFRS 5 - MEASUREMENT

On reclassification as held for sale

- **Measure** at lower of carrying amount and fair value less costs to sell
- Write-down is an impairment loss
- Impairment loss is recognized in profit or loss
- No depreciation is taken while classified as held for sale

Remeasure at each balance sheet date

- Increase in fair value less costs to sell is recognized as a gain in profit or loss
- Increase limited to cumulative impairment losses previously recognized

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IFRS 5 - MEASUREMENT

Changes to a plan of sale - Item is reclassified
Remeasured to **lower of**:

- (a) Carrying amount before classified as held for sale less any depreciation that would have been taken if it had not been held for sale, and
 - (b) Its recoverable amount (i.e., higher of fair value less costs to sell and value in use)
- Difference is recognized in profit or loss from continuing operations

CA Mayur Chokshi, Mumbai, India : m_ifrs@rediffmail.com

IFRS 5 - PRESENTATION AND DISCLOSURE

Objective of presentation and disclosure on income statement:

- ⦿ To provide useful information separately about continuing operations and discontinued operations so that users can assess the potential for future returns and operating cash flows

Discontinued operation must be a component of an entity that:

- (a) Represents a separate major line of business or geographic area of operation
- (b) Has clearly distinguishable operations and cash flows from the rest of the entity
- (c) Is part of a single coordinated plan to dispose of the component, or
- (d) Is a subsidiary acquired exclusively with a view to resell

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IFRS 5 - PRESENTATION AND DISCLOSURE

Income statement related disclosures:

- ⦿ Revenues, expenses, pre-tax profit/loss from operations, related income tax expense
- ⦿ Gain/loss on disposal from remeasurments and related income tax
- ⦿ Total of after-tax amounts from above
- ⦿ Net cash flows from operations, investing, and financing re discontinued operations

Other:

- ⦿ Restate to make prior period's income statement comparable
- ⦿ Report adjustments to amounts reported as discontinued in prior periods

CA Mayur Chokshi, Mumbai, India : m_ifrs@rediffmail.com

IFRS 5 - PRESENTATION AND DISCLOSURE

- ⦿ Objective of presentation and disclosure on the statement of financial position:
- ⦿ To allow financial statement readers to assess the effects of items whose cash flows will come from their sale rather than their use

Statement of financial position:

- ⦿ Non-current assets classified as held for sale and assets in disposal groups are reported separately from other assets
- ⦿ Liabilities included in disposal groups are reported separately from other liabilities
- ⦿ Disclose separately information about the major categories of assets and liabilities included above

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IFRS 5 - PRESENTATION AND DISCLOSURE

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Statement of financial position:

- ⦿ Do not reclassify assets and liabilities on comparative financial statements of prior years

Notes to the statements:

- ⦿ Descriptive information about the assets and disposal groups, amounts of write-downs and remeasurement and where they are reported, information about removal of assets and groups from the held-for-sale category

CA Mayur Chokshi, Mumbai, India : m_ifrs@rediffmail.com

CA MAYUR CHOKSHI

.
E-mail : mayur@mcnco.in
WebSite : www.mcnco.in
Facebook :
<http://www.facebook.com/mayur.chokshi>
LinkedIn :
<http://in.linkedin.com/in/CAmayurchokshi>

THANK YOU

CA Mayur Chokshi, Mumbai, India : m_ifrs@rediffmail.com