

IFRS 5 - Non-current Assets Held for Sale and Discontinued Operations (January 2016)

Non-current Assets Held for Sale and Discontinued Operations—Other various IFRS 5-related issues

The Interpretations Committee has received and discussed a number of issues relating to the application of IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* requirements at several meetings.

Those issues relate to various aspects of IFRS 5 and include the following: *Scope*

(a) the scope of the held-for-sale classification— paragraph 6 of IFRS 5 requires a non-current asset (or disposal group) to be classified as held for sale if its carrying amount will be recovered principally through a sale transaction rather than through continuing use. The issue relates to whether particular types of planned loss of control events, besides loss of control through sale or distribution, can result in a held-for-sale classification, such as loss of control of a subsidiary due to dilution of the shares held by the entity, call options held by a non-controlling shareholder or a modification of a shareholders' agreement.

(b) accounting for a disposal group consisting mainly of financial instruments—paragraph 5 of IFRS 5 states that the measurement requirements of IFRS 5 do not apply to financial assets within the scope of IFRS 9 *Financial Instruments*. The issue relates to whether IFRS 5 applies to a disposal group that consists mainly, or entirely, of financial instruments.

Measurement

(c) impairment of a disposal group—paragraph 15 of IFRS 5 requires a disposal group to be measured at the lower of its carrying amount and its fair value less costs to sell, whereas paragraph 23 requires the impairment loss recognised for a disposal group to be allocated to the carrying amount of the non-current assets that are within the scope of the measurement requirements of IFRS 5. The issue relates to a situation in which the difference between the carrying amount and the fair value less costs to sell of a disposal group exceeds the carrying amount of non-current assets in the disposal group. Should the amount of the impairment loss recognised be limited to the carrying amount of:

(i) non-current assets that are within the scope of the measurement requirements of IFRS 5;

(ii) the net assets of a disposal group;

(iii) the total assets of a disposal group; or (iv) the non-current assets and in this case the entity would recognise a liability for any excess?

(d) reversal of an impairment loss relating to goodwill in a disposal group—paragraph 22 of IFRS 5 requires the recognition of a gain for a subsequent increase in the fair value less costs to sell of a disposal group. The issue relates to a situation in which goodwill within the disposal group had previously been impaired. Specifically, the question relates to whether an impairment loss previously allocated to goodwill can be reversed.

Presentation

(e) how to apply the definition of 'major line of business' in presenting discontinued operations— in accordance with paragraph 32 of IFRS 5, a component of an entity that has been disposed of, or is classified as held for sale, and represents a separate major line of business or geographical area of operations is a discontinued operation. The issue relates to how to interpret the definition of 'discontinued operation', especially with regard to the notion of 'separate major line of business or geographical area of operations' as described in paragraph 32 of IFRS 5.

(f) how to apply the presentation requirements in paragraph 28 of IFRS 5—paragraph 28 requires the effects of a remeasurement (upon ceasing to be classified as held for sale) of a non-current asset to be recognised in profit or loss in the current period. Paragraph 28 also requires financial statements for the periods since classification as held for sale or as held for distribution to owners to be 'amended accordingly' if the disposal group or non-current asset that ceases to be classified as held for sale or as held for distribution to owners is a subsidiary, joint operation, joint venture, associate, or a portion of an interest in a joint venture or an associate. The issue relates to a situation in which a disposal group that consists of both a subsidiary and other non-current assets ceases to be classified as held for sale. In such a situation, should an entity recognise the remeasurement adjustments relating to the subsidiary and the other non-current assets in different accounting periods, and should any amendment apply to presentation as well as to measurement?

(g) how to present intragroup transactions between continuing and discontinued operations— paragraph 30 of IFRS 5 requires an entity to present and disclose information that enables users of the financial statements to evaluate the financial effects of discontinued operations and disposals of non-current assets or disposal groups). The issue relates to how best to eliminate and reflect transactions between continuing

and discontinued operations on the face of the statement of profit or loss, when there are significant transactions between them. Should the intragroup transactions:

- (i) be eliminated without any adjustments; or
- (ii) be eliminated, with adjustments to illustrate how transactions between continuing or discontinued operations are expected to be affected in the future?

Because of the number and variety of unresolved issues, the Interpretations Committee concluded that a broad-scope project on IFRS 5 might be warranted. In this respect, the Interpretations Committee noted that IFRS 5 was described as a possible research project in the Request for Views on the 2015 *Agenda Consultation* published by the IASB in August 2015. Consequently, the Interpretations Committee decided not to add these issues to its agenda.