

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

Non-current Assets Held for Sale and Discontinued Operations—How to present intragroup transactions between continuing and discontinued operations

The Interpretations Committee received a request to clarify how to present intragroup transactions between continuing and discontinued operations. The submitter points out that paragraph 30 of IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* 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). However, IFRS 5 does not provide specific requirements on how to eliminate intragroup transactions between continuing and discontinued operations. The Interpretations Committee noted that neither IFRS 5 nor IAS 1 *Presentation of Financial Statements* includes requirements regarding the presentation of discontinued operations that override the consolidation requirements in IFRS 10 *Consolidated Financial Statements*. The Interpretations Committee also noted that paragraph B86(c) of IFRS 10 requires elimination of, among other things, income and expenses relating to intragroup transactions, and not merely intragroup profit. Consequently, the Interpretations Committee observed that not eliminating intragroup transactions would be inconsistent with the elimination requirements of IFRS 10. The Interpretations Committee also noted that 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 disposal activity. In the light of this objective, the Interpretations Committee observed that, depending on the particular facts and circumstances, an entity may have to provide additional disclosures in order to enable users to evaluate the financial effects of discontinued operations.

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. In the light of this, the Interpretations Committee thought that the issue of how an entity should disaggregate consolidated results between continuing and discontinued operations in a way that reflects elimination of intragroup transactions would be better considered as part of such a project. Consequently, the Interpretations Committee decided not to add this issue to its agenda.