



**30 Cannon Street, London EC4M 6XH, United Kingdom**  
**Tel: +44 (0)20 7246 6410 Fax: +44 (0)20 7246 6411**  
**E-mail: [iasb@iasb.org](mailto:iasb@iasb.org) Website: [www.iasb.org](http://www.iasb.org)**

**International  
Accounting Standards  
Board**

*This document is provided as a convenience to observers at IASB meetings, to assist them in following the Board's discussion. It does not represent an official position of the IASB. Board positions are set out in Standards.*

*These notes are based on the staff papers prepared for the IASB. Paragraph numbers correspond to paragraph numbers used in the IASB papers. However, because these notes are less detailed, some paragraph numbers are not used.*

### **INFORMATION FOR OBSERVERS**

**Board Meeting: 12 December 2007, London**

**Subject: A proposed amendment to IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* (Agenda paper 6)**

---

### **PURPOSE OF THIS PAPER**

- 1 This paper asks the Board whether it agrees with the IFRIC's proposal to amend IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*.

### **SUMMARY OF THE IFRIC'S PROPOSAL TO AMEND IFRS 5**

- 2 The issue is whether the requirements in IFRS 5 applicable to non-current assets (or disposal groups) classified as held for sale and to discontinued operations should be *extended* to non-current assets (disposal groups) that are held for distribution to owners. The IFRIC identified the issue when it discussed its project on accounting for non-cash asset distributions.
- 3 IFRS 5 requires an entity to 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*. IFRS 5 also sets out presentation and disclosure requirements for a discontinued operation.
- 4 The IFRIC noted that, when an entity has an obligation to distribute assets to its owners, the carrying amount of the assets *will no longer be recovered*

*through continuing use.* In addition, the IFRIC observed that the information required by IFRS 5 (particularly the presentation and disclosure requirements applicable to discontinued operations) is important to users of financial statements *regardless of the form of the transaction by which the entity will lose continuing use of the asset.* For these reasons, the IFRIC concluded that the classification, presentation and measurement requirements in IFRS 5 applicable to non-current assets (or disposal groups) classified as held for sale and to discontinued operations should also be applied to non-current assets (or disposal groups) held for distribution to owners.

- 5 However, the IFRIC noted that the wording in IFRS 5 suggests that it only applies to non-current assets (disposal groups) that will be sold. Although IFRS 5 does define a disposal group as a group to be disposed of, by sale or otherwise, the IFRIC was informed that IFRS 5 had been strictly applied to sales only. Consequently, the IFRIC concluded that an amendment to IFRS 5 was necessary.
- 6 The proposed amendment to IFRS 5 is included as an Appendix to IFRIC Draft Interpretation D[X] *Distributions of Non-cash Assets to Owners* so that constituents can comment on all the proposals together.
- 7 The staff has included the proposed amendment to IFRS 5 and the related paragraphs of the Basis for Conclusions from the Draft Interpretation in the Appendix to this paper.

#### **QUESTION FOR THE BOARD**

- 8 Does the Board agree with the IFRIC's proposal that the Board should amend IFRS 5? Any drafting comments are welcome outside the meeting.

#### **Appendix**

**[The Appendix omitted from observer note.]**