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**International
Accounting Standards
Board**

This observer note is provided as a convenience to observers at IFRIC meetings, to assist them in following the IFRIC's discussion. Views expressed in this document are identified by the staff as a basis for the discussion at the IFRIC meeting. This document does not represent an official position of the IFRIC. Decisions of the IFRIC are determined only after extensive deliberation and due process. IFRIC positions are set out in Interpretations.

Note: The observer note is based on the staff paper prepared for the IFRIC. Paragraph numbers correspond to paragraph numbers used in the IFRIC paper. However, because the observer note is less detailed, some paragraph numbers are not used.

INFORMATION FOR OBSERVERS

IFRIC meeting: July 2007, London

Project: Review of tentative agenda decision published in May IFRIC Update
IFRS 5 Non-current Assets held for Sale and Discontinued Operations – Plan to sell the controlling interest in a subsidiary (Agenda Paper 7G)

Tentative agenda decision published in May 2007 IFRIC Update

The IFRIC was asked to provide guidance on applying IFRS 5 when an entity is committed to a plan to sell the controlling interest in a subsidiary. The request considered situations in which the entity retained a non-controlling interest in its former subsidiary, taking the form of either an investment in an associate, an investment in a joint venture or a financial asset. The submitter raised four issues relating to the consolidated financial statements of the entity:

- What triggers classification of the subsidiary's assets and liabilities as held for sale under IFRS 5?
- When classification as held for sale is required, should all the subsidiary's assets and liabilities be classified as held for sale or only the portion to be sold?
- Is classification as discontinued operations relevant when the entity plans to retain a significant influence over its former subsidiary after the sale?

- After the sale, how should the remaining non-controlling equity investment be measured?

In considering the first two issues, the IFRIC noted that paragraph 6 of IFRS 5 states: ‘An entity shall 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’ [emphasis added]. The IFRIC [decided] to recommend to the Board that IFRS 5 be amended to clarify whether the criteria for classification as held for sale are met for all a subsidiary’s assets and liabilities when the parent is committed to a plan that involves loss of control over the subsidiary. The IFRIC believed that [IFRS 5 should be amended so that](#) having a plan involving loss of control over a subsidiary should trigger classification as held for sale of all those assets and liabilities.

On the third issue, the IFRIC noted that a disposal group classified as held for sale will also be a discontinued operation if the criteria of paragraph 32 of IFRS 5 are met. The IFRIC also noted that IFRS/US GAAP differences are likely to arise until a common definition of discontinued operations is adopted with a consistent approach to continuing involvement. Because the IFRIC did not expect divergence to emerge in practice, it [decided] not to address the issue.

The IFRIC noted that the last issue is being considered in the Board’s joint project on Business Combinations and, therefore, [decided] not to address that issue.