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**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: 16 October 2007, London

Project: 2008 Annual improvements process

Subject: Disclosures required for non-current assets (or disposal groups) classified as held for sale or discontinued operations (Agenda Paper 6B)

Background

1. The IFRIC received a request to clarify whether the disclosure requirements of other standards, in the absence of specific exclusion, would apply to non-current assets (or disposal groups) classified as held for sale or discontinued operations in accordance with IFRS 5. At the May 2007 IFRIC meeting, the staff presented a paper with two alternative views:
 - view A: IFRS 5 and other standards that specifically relate to non-current assets (or disposal groups) classified as held for sale or discontinued operations set out all the disclosures required in respect of those assets or operations. Disclosures required by other standards do not apply to such assets (or disposal groups);
 - view B: disclosures required by IFRSs, whose scope does not exclude non-current assets (or disposal groups) classified as held for sale or discontinued operations, continue to apply to such assets (or disposal groups).

2. At its September 2007 meeting, the IFRIC believed that this issue could be resolved efficiently through an amendment to clarify IFRS 5 and decided to draw the issue to the attention of the Board rather than taking the item on to its own agenda. The IFRIC also believed that such an amendment should generally reflect view A, but believed that additional disclosures about such assets (or disposal groups) may be necessary to comply with the general requirements of IAS 1 *Presentation of Financial Statements*.

Staff analysis

3. In this paper, the staff discuss the following topics:
 - (a) Was the issue considered when issuing SFAS 144?
 - (b) What are the arguments supporting view A and view B?

A) Was the issue considered when issuing SFAS 144?

4. The FASB staff indicated to the IASB staff that, when issuing SFAS 144, the FASB did not specifically address the issue of whether disclosure requirements of other standards would apply to long-lived assets (or disposal groups) to be disposed of or to discontinued operations.
5. In respect of pensions, the staff note that :
 - SFAS 121, that was superseded by SFAS 144, did not affect any standards dealing with pensions;
 - SFAS 144 only affected SFAS 88 *Employers' Accounting for Settlements and Curtailments of Defined Benefit Pension Plans and for Termination Benefits* and SFAS 106 *Employers' Accounting for Postretirement Benefits Other Than Pensions*, replacing *segment of a business by component of an entity*;
 - SFAS 132R *Employers' Disclosures about Pensions and Other Postretirement Benefits* does not require specific disclosures for long-lived assets (or disposal groups) to be disposed of or discontinued operations.

B) What are the arguments supporting view A and view B?

View A

6. Supporters of view A believe that, for a disposal group for instance, applying the disclosures requirements of other standards to the individual assets and liabilities of the disposal group would not give users relevant information because IFRS 5 or SFAS 144 require assets to be collapsed into one or two line items rather than being included within the regular line items to which the separate disclosure of the other standards would apply.
7. When an entity is committed to a plan to sell a group of assets and liabilities, what really matters is disclosing information about the planned sale and the disposal group as a whole. 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)”. BC 17 of IFRS 5 states that “the Board concluded that providing information about assets and groups of assets and liabilities to be disposed of is of benefit to users of financial statements. Such information should assist users in assessing the timing, amount and uncertainty of future cash flows”.
8. In addition, as IAS 1 *Presentation of Financial Statements* applies to all general purpose financial statements prepared and presented in accordance with IFRS, its general requirements on fair presentation and materiality would also apply to non-current assets classified as held for sale or discontinued operations in accordance with IFRS 5. This should normally prevent omission of material items in connection with non-current assets (or disposal groups) classified as held for sale or discontinued operations under IFRS 5.

View B

9. Supporters of view B believe that disclosures required by IFRSs, that have not excluded non-current assets classified as held for sale and/or discontinued operations from their scope, continue to apply to non-current assets classified as held for sale and/or discontinued operations.
10. At the May IFRIC meeting, some who supported view B were concerned, for example, that under view A, a liability arising from employee benefits (IAS 19)

that is part of a disposal group would continue to be measured according to IAS 19 but the disclosures of IAS 19 would not be provided. They point out that these disclosures help in understanding the measurement requirements of IAS 19 that are quite specific. On the contrary, disclosures about PP&E required by IAS 16 (for instance) would not be very useful because, according to IFRS 5, such asset would cease to be depreciated and be measured at the lower of carrying amount and fair value less costs to sell and presented separately on a single line.

Staff recommendation

11. The staff is aware that the focus of the consequential amendments resulting from IFRS 5 was to make sure that assets classified as held for sale were measured under IFRS 5. Therefore, when developing IFRS 5, the Board did not discuss disclosure issues, in particular for liabilities of a disposal group arising from employee benefits. Never the less, resolving this issue does not require extensive changes to the standard. For this reason, the staff believe that this issue could be resolved efficiently through the Annual Improvement Process.
12. The staff support view A and suggest the addition of a paragraph for disclosures in the scope of IFRS 5 (see drafting).

13. Questions to the Board:

- **Does the Board support view A or view B?**
- **If the Board supports the staff recommendation (view A), should the staff prepare an amendment to IFRS 5 that reflects the Board's tentative decision and seek comments from the FASB on that proposed amendment?**

Drafting

14. The staff recommends that the following paragraph should be added to IFRS 5:

Scope

...

5A This Standard specifies disclosures required in respect of non-current assets (or disposal groups) classified as held for sale or discontinued operations. Disclosures in other Standards do not apply to such assets (or disposal groups) unless that other Standard specifically requires* a disclosure in respect of non-current assets (or disposal groups) classified as held for sale or discontinued operations. Disclosures about such assets (or disposal groups) may be necessary to comply with the general requirements of IAS 1 *Presentation of Financial Statements*.

(*) An alternative drafting could be to quote the paragraphs of such Standards (see the Appendix to this paper). However, the list is quite long and the Board may prefer the general approach above.

Basis for Conclusions on Proposed Amendments to IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*

This Basis for Conclusions accompanies, but is not part of, the draft amendments.

Scope

- BC1 The Board identified a need to clarify the disclosure requirements for non-current assets (or disposal groups) classified as held for sale or discontinued operations in accordance with IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*. Some believe that IFRS 5 and other standards that specifically refer to non-current assets (or disposal groups) classified as held for sale or discontinued operations set out all the disclosures required in respect of those assets or operations. Other believe that all disclosures required by IFRSs, whose scope does not exclude non-current assets (or disposal groups) classified as held for sale or discontinued operations, continue to apply to such assets (or disposal groups).
- BC2 The Board 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 disposals of non-current assets (or disposal groups)’. BC 17 of IFRS 5 states that ‘the Board concluded that providing information about assets and groups of assets and liabilities to be disposed of is of benefit to users of financial statements. Such information should assist users in assessing the timing, amount and uncertainty of future cash flows’.
- BC3 The Board also noted that some standards, other than IFRS 5, require specific disclosures for non-current assets (or disposal groups) classified as held for sale or discontinued operations. For instance, paragraph 68 of IAS 33 *Earnings per Share* requires an entity to disclose the amount per share for discontinued operations. The Board also noted that the requirements of IAS 1 *Presentation of Financial Statements* on fair presentation and materiality would also apply to such assets (or disposal groups).
- BC4 The Board decided to clarify that IFRS 5 and other standards that specifically refer to non-current assets (or disposal groups) classified as held for sale or discontinued operations set out all the disclosures required in respect of those assets or operations. Additional disclosures about such assets (or disposal groups) may be necessary to comply with the general requirements of IAS 1. Other disclosures required by other standards do not apply to such assets (or disposal groups).

Appendix: list of IFRSs that specifically refer to non-current assets (or disposal groups) classified as held for sale or discontinued operations

Standards	Paragraphs	Type of requirements
IAS 10	22	Disclosure
IAS 12	81(h)	Disclosure
IAS 33	42	Disclosure
IAS 33	68	Disclosure
IAS 34	16(i)	Disclosure
IAS 14	52, 52A, 60	Presentation/disclosure
IAS 37	9	Disclosure

Standards	Paragraphs	Type of requirements
IAS 1	68A, 81, 87	Presentation
IAS 14	67	Reconciliation
IAS 16	2	Scope
IAS 16	55	Measurement
IAS 16	73, 79	Reconciliation
IAS 17	41A	Scope
IAS 28	13	Scope
IAS 31	2, 42	Scope
IAS 34	24	Materiality (e.g. discontinued operations)
IAS 36	2	Scope
IAS 38	2	Scope
IAS 38	97, 117	Measurement
IAS 38	118	Reconciliation
IAS 40	56	Measurement
IAS 40	76, 79	Reconciliation
IAS 41	30	Measurement
IAS 41	50	Reconciliation
IFRS 1	34A, 34B	First application
IFRS 3	36	Exception
IFRS 3	75	Reconciliation