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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: **22 July 2008, London**

Project: **Amendments to IFRS 5**

Subject: **Sweep Issues – additional item (Agenda Paper 4A)**

INTRODUCTION

1. This paper stets out an issue on IFRS 5 raised by FASB Board members at their educational session on 16 July. FASB Board members noted that, based on the proposed disclosure requirements the Boards have agreed to thus far and the staff recommendation in FASB Memorandum #5/IASB Agenda Paper 4, the amounts presented in the note disclosures would not reconcile to the amounts presented on the face of the financial statements in the following areas, unless an entity voluntarily provides such reconciliation. An example illustrating the issue is attached.

Staff Analysis and Recommendation

2. The staff notes that there are two situations where the amounts presented in the disclosures would not necessarily reconcile to the amounts presented on the face of the financial statements. Those two situations are:

(a) Assuming that disclosure exemptions are provided for some components (ie subsidiaries, business or other groups of components) that meet the criteria to be classified as held for sale on acquisition, the post-tax profit or loss amounts and the assets and liability amounts for those businesses would not be required to be presented in the notes.

(b) As proposed, disclosures would be required for *major* classes of assets and liabilities and *major* income and expense items. Accordingly, any item the entity has determined as not being major would not be presented in the notes.

3. The staff notes that this issue also exists under current discontinued operations guidance. In practice, many entities voluntarily reconcile the required disclosures in the notes to the amounts in the statement of profit or loss and in the statement of financial position.

4. The staff recommends that entities should be required to give such reconciliations. In doing so, an entity may:

   (i) aggregate the assets and liabilities of businesses that meet the criteria to be classified as held for sale on acquisition into *total assets of a business held for sale on acquisition* and *total liabilities of a business held for sale on acquisition*, respectively; and

   (ii) aggregate the assets and liabilities classified as held for sale (other than those in (i)) that are not disclosed separately because they were not considered to be major into *other assets* and *other liabilities*, respectively.

   (iii) aggregate the profit or loss of businesses that meet the criteria to be classified as held for sale on acquisition into *profit or loss of a business held for sale on acquisition*; and

(iv) aggregate the income and expense items (other than those in (iii)) that are not disclosed separately because they were not considered to be major into *other income and expenses*.

5. The staff's reasoning for the recommendation include:

(a) The additional information for businesses that meet the criteria to be classified as held for sale on acquisition (that is, total assets, total liabilities, and profit or loss from discontinued operations) would be readily available because it would be the same information required for presentation on the face of the financial statements.

(b) The additional disclosure requirements would enable users of financial statements to better understand the relationship between the amounts presented in the notes and the amounts presented on the face of the statements, thereby providing more useful and complete information that improves the transparency of the information provided in the financial statements.

Additional Question for the Boards:

Does the Board agree with the additional disclosure requirements in paragraph 3?

APPENDIX

The amounts shown in boxes are currently not required to be disclosed.

FINANCIAL STATEMENTS

Statement of Income

Sales	$	525
Cost of sales		450
Depreciation expense		15
Interest expense		13
Income from continuing operations before income tax		**47**
Provision for income taxes		16
Income from continuing operations		**31**
Income from discontinued operations		**44**
Net Income	**$**	**75**

Statement of Financial Position

Assets of operations held for sale	$	822
Liabilities of operations held for sale	$	325

DISCLOSURE REQUIREMENTS

Major Classes of Income/Expense - Continuing Operations

Sales	$	525
Cost of Sales		450
Depreciation expense		15
Interest Expense		13
Income from continuing operations	**$**	**47**

Major Classes of Income/Expense - Discontinued Operations

Sales	$	250
Cost of sales		195
Depreciation expense		10
Other income and expenses		15
Income related to a business held for sale on acquisition (pre-tax)		37
Income from discontinued operations before income taxes		67
Income tax expense		23
Income from discontinued operations	**$**	**44**

Major Classes of Assets and Liabilities

Cash	$	80
Accounts receivable		77
Inventory		225
Property and equipment		230
Other assets		45
Assets of a business held for sale on acquisition		165
Total assets	**$**	**822**
Accounts payable	$	200
Other liabilities		50
Liabilities of a business held for sale on acquisition		75
Total liabilities	**$**	**325**