Project **Discontinued operations**

Topic **Definition and disclosures**

Introduction

1. At the October 26, 2009, joint FASB-IASB Board meeting, the Boards redeliberated the Exposure Draft, Discontinued Operations: Proposed Amendments to IFRS 5, and the proposed FASB Staff Position (FSP) FAS 144-d, Amending the Criteria for Reporting Discontinued Operations (hereinafter referred to as the EDs).

2. At the meeting, the FASB tentatively decided to present discontinued operations on the face of the statement of comprehensive income. The IASB was split, that is, there was no majority support for either presenting or not presenting discontinued operations on the face of the statement of comprehensive income.

3. The staff presented a new alternative definition for discontinued operations (assuming that they would be presented on the face of the statement of comprehensive income) that the Boards tentatively concluded is similar to the existing definition in IFRS 5, *Non-current Assets Held for Sale and Discontinued Operations.* Therefore, the Boards discussed the option of the FASB adopting the definition of a discontinued operation in IFRS 5 and instructed the staff to analyze the similarities and differences between the presentation and disclosure

requirements for a discontinued operation in IFRS 5 and FASB Accounting Standards Codification™ (ASC) Subtopic 205-20, Discontinued Operations.

Objectives of this Paper

4. The objectives of this paper are:

   a. To compare the definition, presentation and disclosure requirements for a discontinued operation in IFRS 5 and ASC Subtopic 205-20, and

   b. To discuss the alternatives for a common solution regarding the definition, presentation, and disclosures for discontinued operations.

Comparison of the Definition, Presentation, and Disclosure Requirements for Discontinued Operations

Comparison of IFRS and U.S. GAAP definitions

5. The staff notes the following primary differences between the definitions of a discontinued operation in IFRS 5 and ASC Subtopic 205-20:

   a. The U.S. GAAP definition explicitly states that a component of an entity may be a reportable segment or an operating segment, a reporting unit, a subsidiary, or an asset group, whereas the IFRS definition explicitly states that a component of an entity will have been a cash-generating unit or group of cash-generating units while being held for use;

   b. The U.S. GAAP definition includes continuing cash flows and continuing involvement criterion;

   c. The IFRS definition requires that a disposed component of an entity be

i. A separate major line of business or geographical area of operations,

ii. Part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations, or

iii. A subsidiary acquired exclusively with a view to resale.

6. The staff spoke with several auditors who performed outreach with their U.S. clients in various industries to determine how the discontinued operation definition in IFRS 5 would affect their accounting for disposals. The auditors and their clients noted that overall the IFRS 5 definition would result in fewer disposals qualifying for discontinued operations treatment because ASC Subtopic 205-20 includes reporting units and groups of assets in the definition. However, several of the preparers noted that, in some cases, a disposal that qualifies as a discontinued operation under IFRS 5 may not under ASC Subtopic 205-20 when an entity has significant continuing involvement or continuing cash flows with the disposed component.

Comparison of IFRS and U.S. GAAP presentation and disclosure requirements

7. Both IFRS 5 and ASC Subtopic 205-20 require entities to present discontinued operations for the current period and all prior periods presented on the face of the statement of comprehensive income. Additionally, both standards require either presentation or disclosure of the following information about a discontinued operation, including:

(a) Pre-tax profit or loss of the discontinued operation,

(b) Income tax for the discontinued operation,

(c) Pre-tax profit or loss of the gain or loss on the disposal,

(d) Income tax on the disposal, and

(e) Revenue of the discontinued operation.

8. IFRS 5 allows income taxes and revenue attributable to the discontinued operations ((b), (d), and (e) above) to be either presented on the face of the statement of comprehensive income or disclosed in the notes to the financial statements. ASC Subtopic 205-20 requires presentation in the income statement of pre-tax profit or loss related to the discontinued operation and income taxes ((a)-(d) above), while revenue of the discontinued operation is required to be disclosed.

9. IFRS 5 requires either presentation in the statement of comprehensive income or disclosure of the following information about a discontinued operation that are not required by ASC Subtopic 205-20:

(a) The expenses of the discontinued operation

(b) The net cash flows attributable to the operating, investing, and financing activities of the discontinued operation.

10. For disposals of groups of assets (that is, disposals that don't meet the definition of a discontinued operation), both IFRS 5 and ASC Subtopic 205-20 require the following disclosures:

(a) A description of the facts and circumstances of the sale, or leading to the expected disposal, and the expected manner and timing of the disposal

(b) The gain or loss recognised on the disposal and, if not separately presented in the statement of comprehensive income, the caption that includes that gain or loss

(c) If applicable, the segment/reporting segment in which the disposal group is presented in accordance with IFRS 8, *Operating Segments*, and ASC Topic 280.

11. Additionally, in the period in which an entity has either classified as held for sale or sold a disposal group, IFRS 5 requires disclosure of a description of the disposal group.

Implications for Users and Preparers

12. The staff thinks that the differences discussed above have these primary implications for users and preparers:

    a. In instances where both IFRS and U.S. GAAP would both recognize the same disposal as a discontinued operation, users will have more information under IFRS (for example, operating, investing and financing cash flows a required to be disclosed for the discontinued operation under IFRS 5)

    b. Because re-presentation occurs more often under ASC Subtopic 205-20, U.S. GAAP users have more information about discontinued operations for prior periods than under IFRS 5.

    c. Because re-presentation occurs more often under ASC Subtopic 205-20, U.S. GAAP preparers incur higher costs in presenting discontinued operations information than under IFRS 5

13. The staff notes that this issue has been difficult to reconcile because of the Boards' different starting points. Under current U.S. GAAP, many disposals meet the definition of discontinued operations and, therefore, the prior period amounts for these items are currently re-presented. Under IFRS, generally fewer disposals meet the definition of a discontinued operation, and re-presented financial information for many disposals is not available. If the Boards agree to use the current definition under IFRS 5, users in the U.S. would lose information that they currently receive. On the other hand, under current IFRS 5, fewer items meet the definition of discontinued operations and, if the Boards decide to require prior period information for items that are currently not re-presented, preparers would bear more costs to provide this information.

Alternatives for a Common Solution

Definition

14. Based on previous discussions, the staff thinks the Boards could adopt the definition of discontinued operations currently in IFRS 5 for the purposes of presenting discontinued operations on the face of the statement of comprehensive income. Paragraph 32 of IFRS 5 defines discontinued operations as follows:

> A discontinued operation is a component of an entity that either has been disposed of, or is classified as held for sale, and
>
> (a) represents a separate major line of business or geographical area of operations,
>
> (b) is part of a single co-ordinated plan to dispose of separate major line of business or geographical area of operations or
>
> (c) is a subsidiary acquired exclusively with a view to resale.

15. However, because users of financial statements prepared in accordance with U.S. GAAP will generally see fewer items reported as discontinued operations, the staff thinks there needs to be disclosures in addition to what is currently required in IFRS 5. Disclosures are discussed later in this paper.

16. The IASB's Exposure Draft proposed amending (c) of the definition of discontinued operations to read: "is a *business* that meets the criteria to be classified as held for sale on acquisition." The IASB's Exposure Draft explained the reasons for proposing this change as follows:

    (a) The IASB proposes that the definition should refer to a business, as that term is defined in IFRS 3 *Business Combinations* (as revised in 2008), rather than a subsidiary, because all acquisitions of businesses would face the same presentation issues and the presentation should not differ according to legal form. [Paragraph BC14]

    (b) The definition of a discontinued operation in IFRS 5 refers to subsidiaries 'acquired exclusively with a view to resale,' whereas disclosure exemptions are provided for subsidiaries that meet the criteria to be classified as held for sale on acquisition.' The IASB noted that these terms have identical meanings and decided to use the latter consistently throughout IFRS 5. [Paragraph BC15]

17. Proposed FSP FAS144-d, *Amending the Criteria for Reporting a Discontinued Operation*, stated that businesses that meet the criteria to be classified as held for sale on acquisition be included in the definition of discontinued operations.

18. Most respondents to the EDs who commented on this part of the definition supported the Boards' proposal. Accordingly, the staff recommends that the Boards adopt the IFRS 5 definition with the amendment proposed in the EDs for item (c) of the definition.

Question for the Boards

1. Do the Boards agree with the following definition of discontinued operations?

   A discontinued operations is a component that either has been disposed, or is classified as held for sale, and

   (a) represents a separate major line of business or geographical area of operations,

   (b) is part of a single co-ordinated plan to disposed of a separate major line of business or geographical area of operations, or

   (c) is a business that meets the criteria to be classified as held for sale on acquisition.

Disclosures

Disclosures about Disposals that Qualify as Discontinued Operations

19. The staff notes that respondents to the EDs did not express objections to the disclosure requirements proposed for disposals of components of an entity that meet the definition of a discontinued operation. The staff believes the proposed disclosures provide useful information to users of financial statements and recommends that the Boards affirm the disclosure requirements proposed in the EDs for disposals of components of an entity that meet the definition of a discontinued operation.

20. Those disclosures included the following for current and prior periods presented in the financial statements:

a. The profit or loss, together with major income and expense items constituting that profit or loss, including impairments, interest, depreciation, and amortization;

b. The major classes of cash flows (operating, investing, and financing);

c. A reconciliation of the major classes of assets and liabilities classified as held for sale in the notes to the financial statements to total assets and total liabilities classified as held for sale that are presented separately on the face of the statement of financial position income;

d. A reconciliation of the profit or loss for disposals presented in the notes to the financial statements to the after-tax profit or loss from discontinued operations presented on the face of the statement of comprehensive income;

e. If the component includes a noncontrolling interest, the profit or loss attributable to the parent.

Question for the Boards	
2.	Do the Boards agree with the staff recommendation? If the Boards do not agree with the staff recommendation, what disclosures would the Boards require for disposals of components of an entity that meet the definition of a discontinued operation?

Disclosures about Disposals of Components of an Entity that do not Qualify as Discontinued Operations

21. The staff notes that adopting the definition in IFRS 5 as the common definition of a discontinued operation would generally result in fewer components of an entity being reported as discontinued operations by preparers following U.S. GAAP than previously reported. Therefore, the results of many discontinued components of an entity that were previously reported as discontinued operations on the face of the income statement will now be classified within continuing operations.

22. The results of user outreach, preformed by the staff twice during the earlier stages of the project, indicated that users of statements prepared in accordance with U.S. GAAP were generally satisfied with the current definition of a discontinued operation under ASC Subtopic 205-20. Consequently, the staff believes that adopting the definition of a discontinued operation in IFRS 5 as the common definition of a discontinued operation will generally result in loss of information that is currently reported on the face of an entity’s financial statements that users consider important. Therefore, if the Boards decide to adopt definition of a discontinued operation in IFRS 5 as the common definition, the staff recommends the Boards require additional disclosures about disposals of components of an entity that do not meet that definition of a discontinued operation.

23. The staff notes that preparers that responded to the EDs indicated that the disclosures would be costly to provide for disposals that do not meet the definition of a discontinued operation. Preparers were particularly concerned about providing disclosures for prior periods, and questioned the usefulness for insignificant disposals.

24. The staff thinks that the cost of providing additional disclosures for disposals of components of an entity that do not meet the definition of a discontinued operation can be addressed in two ways:

    a. Require disclosures for only "significant" disposals of components an entity that do not meet the definition of a discontinued operation

    b. Reduce the number of items to be disclosed for each significant disposal of components of an entity that do not meet the definition of a discontinued operation.

25. The staff considered the following alternatives for determining "significant" disposals of components of an entity that do not meet the definition of a discontinued operation:

    Alternative A: A disposal of a significant component of an entity

    Alternative B: A disposal of a significant operating segment.

26. Alternative B would include fewer disposals of components of an entity than those under Alternative A. Therefore, Alternative B is likely to be less costly for preparers. However, Alternative B would provide fewer disclosures for users because disclosures would not be required for disposals that do not meet the definition of an operating segment.

27. Because Alternative A uses the *component of an entity* criteria that currently exists in the U.S. GAAP definition, proponents of this Alternative believe that it would provide information to users that is similar to what they receive today under existing U.S. GAAP (although some of this information would be in the notes instead of on the face of the statement of comprehensive income).

Proponents of Alternative B note that the *significant operating segment* criteria is likely to include more items than the number of items that meet the definition of a discontinued operation in current IFRS 5 and, therefore, is likely that users would receive more information compared to what they receive today.

28. The staff recommends Alternative A. The staff agrees that Alternative A would be more costly for preparers, but it would be less of a compromise than Alternative B. The staff thinks that the costs of the disclosures can be addressed further by reducing the number of items to be disclosed than proposed in the EDs for disposals of components of an entity that do not meet the definition of a discontinued operation. The alternatives for the items to be disclosed are discussed in the following section.

Question for the Board
3. Do the Boards prefer Alternative A or B?

29. The EDs required the following disclosures for disposals of components of an entity that do not meet the definition of a discontinued operation:

    a. The profit or loss, together with major income and expense items constituting that profit or loss, including impairments, interest, depreciation, and amortization;

    b. The major classes of cash flows (operating, investing, and financing);

    c. A reconciliation of the major classes of assets and liabilities classified as held for sale in the notes to the financial statements to total assets and total liabilities classified as held for sale that are presented separately on the face of the statement of financial position income;

d. A reconciliation of the profit or loss for disposals presented in the notes to the financial statements to the after-tax profit or loss from discontinued operations presented on the face of the statement of comprehensive income;

e. If the component includes a noncontrolling interest, the profit or loss attributable to the parent.

30. The EDs did not specify whether these disclosures would be required for prior periods.

31. The staff thinks that some of these items should not be required to be disclosed for disposals of components of an entity that do not meet the definition of a discontinued operation because the costs for preparers would outweigh the benefits for users. Additionally, the staff thinks that the targeted disclosures should be required to be presented for prior periods, similar to what users of U.S. GAAP financial statements have today on the face of the statement of comprehensive income.

32. The staff considered the following Alternatives for disclosures in the notes to the financial statements for significant disposals of components of an entity that do not meet the definition of a discontinued operation:

    a. Alternative A: For current and prior periods:

        i. The pre-tax profit or loss

    ii. A reconciliation of the major classes of assets and liabilities classified as held for sale in the notes to the financial statements to total assets and total liabilities classified as held for sale that are presented separately on the face of the statement of financial position income;

    iii. A reconciliation of the profit or loss for disposals presented in the notes to the financial statements to the after-tax profit or loss from discontinued operations presented on the face of the statement of comprehensive income;

    iv. If the component includes a noncontrolling interest, the profit or loss attributable to the parent.

b. Alternative B: For current and prior periods:

    i. The pre-tax profit or loss, together with major income and expense items constituting that profit or loss;

    ii. The major classes of cash flows (operating, investing, and financing);

    iii. A reconciliation of the major classes of assets and liabilities classified as held for sale in the notes to the financial statements to total assets and total liabilities classified as held for sale that are presented separately on the face of the statement of financial position income;

    iv. A reconciliation of the profit or loss for disposals presented in the notes to the financial statements to the after-tax profit or loss from discontinued operations presented on the face of the statement of comprehensive income;

v. If the component includes a noncontrolling interest, the profit or loss attributable to the parent.

33. Alternative A would provide information that is similar to what users receive currently under U.S. GAAP, with the following primary differences:

    a. Pre-tax profit or loss would be provided instead of net income

    b. For many disposals the information would be disclosed in the notes to the financial statements instead of on the face of the statement of comprehensive income.

34. Alternative A would also provide more information for users of IFRS financial statements because pre-tax profit or loss would be provided for prior periods for significant disposals. Additionally, the Boards concluded in the EDs that the reconciliations should be required because users may be confused if they try to reconcile the amounts included in the notes to the amounts presented on the face of the financial statements without the benefit of a reconciliation.

35. Alternative B adds the requirement to disclose the major classes of cash flows (operating, investing, and financing) for significant disposals of components of an entity that do not meet the definition of a discontinued operation. Additionally, it would require the major income and expense items constituting the profit or loss of a disposed component/operating segment. This would add information that is not currently required under IFRS or U.S. GAAP for disposals of components of an entity that do not meet the definition of a discontinued operation, which would be beneficial for users. However, this would be more costly for preparers.

36. The staff recommends Alternative A. The staff thinks that for disposals of components of an entity that do not meet the definition of a discontinued

operation, fewer items should be required to be disclosed. However, the staff thinks that for those items that are required to be disclosed, pre-tax profit or loss should be required for all periods presented in the financial statements so that users of U.S. GAAP financial statements will not lose information that they receive today.

Questions for the Boards
4. Do the Boards prefer Alternative A or B, or another alternative set of disclosures?

Disclosures about Disposals of Long-lived Assets

37. The staff notes that the only new disclosure included in the EDs for disposals of long-lived assets that are not discontinued operations or components of an entity (in addition to what is already required under IFRS and U.S. GAAP) was the following:

> If not separately presented on the face of the statement of financial position, the carrying amount(s) of the major classes of assets and liabilities included as part of the disposal group…The amounts provided in the notes to the financial statements shall reconcile to total assets and total liabilities classified as held for sale that are presented separately on the face of the statement of financial position, respectively. In doing so, an entity may:
>
> (1) Aggregate the assets and liabilities of businesses that meet the criteria to be classified as held for sale on acquisition; and

(2) Aggregate the assets and liabilities classified as held for sale (other than those in (1)) that are not disclosed separately because the entity did not consider them to be major.

38. The staff recommends retaining this requirement for the reasons noted above in paragraph 34 in the section discussing disclosures for disposals of components of an entity that are not discontinued operations

Questions for the Boards	
5.	Do the Boards agree with the staff recommendation? If the Boards do not agree with the staff recommendation, what disclosures would the Boards require about disposals of long-lived assets that do not represent a component of an entity?

Continuing Involvement and Continuing Cash Flows

39. The EDs did not include a continuing involvement criterion in the definition of discontinued operations. That is, the EDs proposed eliminating paragraphs 45-1 and 45-2 of Subtopic 205-20. These paragraphs require that a component of an entity that has been classified as a discontinued operation to meet the following conditions:

   a. The operations and cash flows of the component have been (or will be) eliminated from the ongoing operations of the entity as a result of the disposal transaction

   b. The entity will not have any significant continuing involvement in the operations of the component after the disposal transaction.

Current Disclosure Requirements

40. The IASB decided not to include the continuing involvement criterion when it originally issued IFRS 5. Paragraph BC70 of IFRS 5 states:

> The Board also noted that the FASB Emerging Issues Task Force (EITF) is considering practical problems that have arisen in implementing the criteria for discontinued operations in SFAS 144. Specifically, the EITF is considering (a) the cash flows of the component that should be considered in the determination of whether cash flows have been or will be eliminated from the ongoing operations of the entity and (b) the types of continuing involvement that constitute significant continuing involvement in the operations of the disposal component. As a result of these practical problems, the Board further concluded that it was not appropriate to change the definition of a discontinued operation in a way that was likely to cause the same problems in practice as have arisen under SFAS 144.

41. The definition of discontinued operations tentatively agreed by the IASB at its July 2009 Board meeting (see paragraph 39(b) of this paper) did not include a continuing involvement criterion.

42. U.S. GAAP requires that an entity provide disclosures regarding its continuing involvement with the disposed component and the continuing cash flows between the disposed component and the ongoing entity after the disposal date as follows:

> The following information shall be disclosed in the notes to financial statements for each discontinued operation that generates **continuing cash flows**:
>
> a. The nature of the activities that give rise to continuing cash flows
>
> b. The period of time continuing cash flows are expected to be generated

c. The principal factors used to conclude that the expected continuing cash flows are not direct cash flows of the disposed component. (Paragraph 205-20-50-4)

For each discontinued operation in which the ongoing entity will engage in a **continuation of activities** with the disposed component after its disposal and for which the amounts presented in continuing operations after the disposal transaction include a continuation of revenues and expenses that were intra-entity transactions (eliminated in consolidated financial statements) before the disposal transaction, intra-entity amounts before the disposal transaction shall be disclosed for all periods presented. The types of continuing involvement, if any, that the entity will have after the disposal transaction shall be disclosed. That information shall be disclosed in the period in which operations are initially classified as discontinued. (Paragraph 205-20-50-6)

43. Paragraphs 205-20-55-7 and 55-8 of the ASC define direct cash flows as follows:

The revenue-producing activities (cash inflows) of the component have been continued and therefore are considered direct cash flows if either of the following two conditions is met:

a. Significant cash inflows are expected to be recognized by the ongoing entity as a result of a migration of revenues from the disposed component after the disposal transaction. An entity is not required to track the identity of the individual customers who are expected to migrate to conclude a migration has occurred (for example, an entity that closes [or sells] several smaller retail stores and opens a superstore in the immediate area would likely conclude that a migration of specific retail customers is expected, even if the entity has not tracked the identity of all its individual customers). There is a presumption that if the ongoing entity continues to sell a similar **commodity** on an active market after the disposal transaction, the revenues or costs would be considered a migration. This presumption may be overcome based on facts and circumstances, such as the lack of similarity of the commodities or whether the sale of the commodity after the disposal transaction occurs in a different geographic region as compared with the sale of the commodity before the disposal transaction.

b. Significant cash inflows are expected to be received by the ongoing entity as a result of the **continuation of activities** between the ongoing entity and the disposed component after the disposal transaction. For example, the ongoing entity sold products or services to or purchased products or services from the disposed component before its disposal (recognized as intra-entity sales or cost of sales) and it continues to sell similar products or services to or purchase similar products or services from the disposed component or a related party, as defined in Topic 850 to the disposed component after its disposal (recognized as sales or cost of sales). After the disposal transaction, the former intra-entity sales or cost of sales are no longer eliminated in consolidation, which will result in continuing cash inflows or outflows to the ongoing entity.

The cost-generating activities (cash outflows) of the component have been continued and therefore are considered direct cash flows if either of the following conditions is met:

a. Significant cash outflows are expected to be recognized by the ongoing entity as a result of a migration of costs from the disposed component after the disposal transaction.

b. Significant cash outflows are expected to be recognized by the ongoing entity as a result of the continuation of activities between the ongoing entity and the disposed component after the disposal transaction.

44. Master Glossary of the ASC defines continuing cash flows, continuation of activities, and migration as follows:

a. Continuing cash flows are cash inflows or outflows that are generated by the ongoing entity and are associated with activities involving a disposed component.

b. Continuation of activities means the continuation of any revenue-producing or cost-generating activity through active involvement with the disposed component.

c. Migration means the ongoing entity expects to continue to generate revenues and (or) incur expenses from the sale of similar products or services to specific customers of the disposed component.

Staff recommendation and Analysis

45. The staff recommends that the Boards require entities to provide disclosures regarding the continuing involvement with the disposed component and the continuing cash flows between the disposed component and the ongoing entity after the disposal date. The staff recommends that the new disclosure requirements be based on the requirements currently contained in Topic 205, Section 20 of the ASC.

46. The staff recommends that if the ongoing entity expects to recognize (a) significant cash inflows or outflows as a result of the ongoing entity continuing to generate revenues and (or) incur expenses from the sale of similar products or services to specific customers of the disposed component, or (b) significant cash inflows or outflows as a result of the continuation of activities between the ongoing entity and the disposed component, the entity should be required to disclose that fact. The staff also recommends the entity disclose the following:

(a) The nature of the activities that give rise to continuing cash flows

(b) The period of time continuing cash flows are expected to be generated

(c) The amount of the continuing cash flows.

47. If the entity retains continuing involvement with the disposed component, for example through continuation of revenue-producing or cost-generating activities, or significant influence over the disposed component's operations, the entity should disclose that fact. Additionally, the entity should disclose the following:

(a) The nature of the continuing involvement

(b) The period of time the involvement is expected to continue

(c) The amounts presented in continuing operations after the disposal transaction that prior to the disposal transaction were eliminated in consolidated financial statements as intra-entity transactions.

48. Additionally, the staff recommends the Boards provide examples of the circumstances that give rise to an ongoing entity's continuing involvement with a disposed component and/or result in continuing cash flows. Additionally, the staff thinks that the Exposure Draft should state that the examples are not all inclusive. Some of the examples of such circumstances could be supply and distribution agreements, financial guarantees, continuing involvement with the pension plan,

and options to repurchase the disposed component at an amount that is not fair value (that is, bargain purchase options).

Questions for the Boards	
6.	Do the Boards agree with the disclosure requirements recommended by the staff? If the Boards do not agree with the staff recommendation, what disclosures, if any, would the Boards like to require regarding the entity's continuing involvement with the disposed component and the continuing cash flows between the ongoing entity and the disposed component?

Re-exposure, Effective Date, and Transition

49. The staff thinks that the proposed changes to the definition of a discontinued operation from what was included in the FASB's proposed FSP would require re-exposure. The staff thinks that a new Exposure Draft could be issued in the first quarter of 2010 with a 30-day comment period. If the Board agrees with any of the alternatives included in this memorandum, the staff thinks that the comment period can be limited to 30 days because many of the same disclosure provisions that were in the original EDs will be included in the new ED, and the definition of a discontinued operation will be the same as what is currently included in IFRS 5.

50. The staff thinks that a new Exposure Draft would not be necessary for the IASB because there would be relatively few changes from the original Exposure Draft.

51. The staff thinks that the new guidance could be issued by the second quarter of 2010. Therefore, the staff recommends that the new guidance should be effective for fiscal years beginning after December 15, 2010, and interim periods within those fiscal years, for U.S. GAAP preparers, and for fiscal years beginning after January 1, 2011, and interim periods within those fiscal years, for IFRS preparers, with early application permitted. The staff recommends prospective application of the new guidance.

Question for the Board
7. Do the Boards agree with the staff recommendation? If not, what effective date and transition do the Boards prefer?