



Project	Annual Improvements
Topic	IFRS 5 <i>Discontinued Operations</i> – OCI items

Objective of this paper

1. The objective of this paper is to ask the Board to consider amendments to IFRS 5 *Discontinued Operations* as part of the annual improvements project. The amendments would require items presented in other comprehensive income (OCI) relating to discontinued operations to be presented as a single item in OCI separately from other OCI items. The paper:
 - (a) provides background information on this issue;
 - (b) discusses the staff recommendation; and
 - (c) asks the Board whether it agrees with the staff recommendations.

Background information

2. The staff has received a request to clarify the presentation of OCI items relating to discontinued operations.
3. IFRS 5 requires the following presentation and disclosure of discontinued operations:
 - 33 An entity shall disclose:
 - (a) a single amount in the statement of comprehensive income comprising the total of:
 - (i) the post-tax *profit or loss* of discontinued operations and
 - (ii) the post-tax gain or loss recognised on the measurement to fair value less costs to sell or on the disposal of the assets or disposal group(s) constituting the discontinued operation.

This paper has been prepared by the technical staff of the IASCF for discussion at a public meeting of the IASB.

The views expressed in this paper are those of the staff preparing the paper. They do not purport to represent the views of any individual members of the IASB.

Comments made in relation to the application of an IFRS do not purport to be acceptable or unacceptable application of that IFRS—only the IFRIC or the IASB can make such a determination.

The tentative decisions made by the IASB at its public meetings are reported in IASB *Update*. Official pronouncements of the IASB, including Discussion Papers, Exposure Drafts, IFRSs and Interpretations are published only after it has completed its full due process, including appropriate public consultation and formal voting procedures.

[emphasis added, paragraphs 33(b)-(d) omitted]

- 33A If an entity presents the components of profit or loss in a separate income statement as described in paragraph 81 of IAS 1 (as revised in 2007), a section identified as relating to discontinued operations is presented in that separate statement.
4. One question raised is why paragraph 33A uses the expression 'a section', as opposed to the words in paragraph 33 'a single amount'. Some constituents are not sure whether the two expressions are supposed to be read as being different things.
 5. The second question relates to the emphasis that seems to be given to having all the items relating to discontinued operations in one place. What would an entity be expected to do if it had other comprehensive income (OCI) items as part of a discontinued operation and it chose to present two separate statements? Would the entity show (a) all the items in a single section/amount relating to discontinued operations; or (b) would it show the discontinued profit and loss items in the separate income statement and the discontinued OCI items in the second statement?

Analysis and staff recommendation

6. The staff notes that IFRS 5 is silent on the presentation of OCI items relating to discontinued operations. For example, paragraph 33 refers only to profit or loss of discontinued operations, not to comprehensive income.
7. The staff does not remember the presentation of OCI items being discussed when IFRS 5 was developed. The staff understands that under US GAAP OCI items relating to discontinued operations are not required to be presented separately from other OCI items.
8. Paragraph BC76 of IFRS 5 explains why the Board concluded that discontinued operations should be shown separately from continuing operations in the income statement:

The Board believes that discontinued operations should be shown in a section of the income statement separately from continuing operations because of the different cash flows expected to arise from the two types of operations. The Board concluded that it is sufficient to show a single

net figure for the discontinued operation on the face of the income statement because of the limited future cash flows expected to arise from the operations. The IFRS therefore permits an analysis of the single net amount to be presented either in the notes or in the income statement.

9. In April 2008, the Board asked the staff working on the definition of discontinued operations to consult with users on whether discontinued operations should be presented separately in the income statement. Users' responses are discussed in Agenda Paper 6, and the staff recommendation in that paper is that discontinued operations should be presented separately in the income statement.
10. The staff thinks that the rationale in paragraph BC76 applies equally to other comprehensive income. The items recognised in OCI may have different predictive implications for cash flows from items recognised in profit or loss. Nonetheless, it is still the case that the cash flows from discontinued operations are expected to be limited and that separating the OCI items relating to discontinued operations will give more informative amounts relating to OCI items for continuing operations.
11. The staff then considered whether, if an entity presented a single statement of comprehensive income, all discontinued items (ie profit or loss, gain or loss on remeasurement as held for sale and OCI items) should be presented together as a single amount. However, the staff notes that this would result in a change to the amounts included in profit or loss, as follows:
 - (a) if the single discontinued operations amount were included in profit or loss, OCI items relating to discontinued operations would be included in profit or loss.
 - (b) if the single discontinued operations amount were presented outside profit or loss, profit or loss from discontinued operations and the gain or loss on remeasurement would be excluded from profit or loss.

The staff does not think that either change to profit or loss is appropriate.

12. The staff therefore recommends that IFRS 5 is amended so that OCI items relating to discontinued operations are presented in OCI but separately from other OCI items, and may be presented as a single item net of tax. This is

consistent with the presentation of profit or loss from discontinued operations in the income statement.

13. Draft amendments to IFRS 5 are set out in Appendix A.

Question 1

Does the Board agree that OCI items relating to discontinued operations should be presented in OCI but separately from other OCI items, and may be presented as a single item net of tax?

Appendix A – Proposed amendment wording

The Staff proposes the following amendment to IFRS 5.

Proposed amendments to IFRS 5 *Discontinued Operations*

Paragraphs 33 and 33A are amended as follows.

- 33 An entity shall disclose:
- (a) a single amount in the statement of comprehensive income comprising the total of:
 - (i) the post-tax profit or loss of discontinued operations and
 - (ii) the post-tax gain or loss recognised on the measurement to fair value less costs to sell or on the disposal of the assets or disposal group(s) constituting the discontinued operation
 - (b) a single amount in the statement of comprehensive income comprising the post-tax total of items related to discontinued operations recognised in other comprehensive income.
 - ~~(b)~~ (c) an analysis of the amount in (a) into:
 - (i) the revenue, expenses and pre-tax profit or loss of discontinued operations;
 - (ii) the related income tax expense as required by paragraph 81(h) of IAS 12
 - (iii) the gain or loss recognised on the measurement to fair value less costs to sell or on the disposal of the assets or disposal group(s) constituting the discontinued operation; and
 - (iv) the related income tax expense as required by paragraph 81(h) of IAS 12

IASB Staff paper

(d) an analysis of the single amount in (b) into the individual post-tax items related to discontinued operations recognised in other comprehensive income.

(e) The analyses in (c) and (d) may be presented in the notes or in the statement of comprehensive income. If ~~it~~ either is presented in the statement of comprehensive income it shall be presented in a section identified as relating to discontinued operations, ie separately from continuing operations. The analysis is not required for disposal groups that are newly acquired subsidiaries that meet the criteria to be classified as held for sale on acquisition ([cross reference omitted]).

(ef) [note about cash flows, unchanged]

(eg) [note about amounts attributable to owners of the parent entity, unchanged]

33A If an entity presents the components of profit or loss in a separate income statement as described in paragraph 81 of IAS 1 (as revised in 2007), ~~a section identified as relating to discontinued operations is presented in that separate statement~~ an entity shall present the amount described in 33(a) in that separate statement.