



Project	Final agenda decision
Topic	IFRS 5 <i>Non-current Assets Held for Sale and Discontinued Operations</i> – write-down of a disposal group

Introduction

1. In July 2009, the IFRIC published a tentative agenda decision not to add to its agenda a request for guidance on the measurement of a disposal group classified as held for sale. The request asked for guidance on how the disposal group should be recognised at the lower of its carrying amount and fair value less costs to sell when the difference between the carrying amount and fair value less costs to sell exceeds the carrying amount of non-current assets.
2. At its meeting in July 2009, the IFRIC concluded that that the issue relates to the basic requirements of IFRS 5 and therefore could not be addressed by an interpretation. For this reason, the IFRIC recommended that the Board should consider an amendment to IFRS 5.
3. At its meeting in July 2009, the Board recommended that the staff perform further analysis of the issue, including discussions with the FASB, and provide a subsequent update to the Board.
4. One comment letter¹ was received. This comment letter stated agreement with the tentative agenda decision made by the IFRIC.

¹ Deloitte Touche Tohmatsu

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

Decisions made by the IFRIC are reported in *IFRIC Update*.

Interpretations are published only after the IFRIC and the Board have each completed their full due process, including appropriate public consultation and formal voting procedures. The approval of an Interpretation by the Board is reported in *IASB Update*.

Staff recommendation proposed wording of the final agenda decision

Question 1 - the staff recommends that the IFRIC finalise its tentative agenda decision not to add the issue to its agenda. Does the IFRIC agree with the recommendation?

Question 2 – Appendix A includes the staff’s proposed wording for the final agenda decision. This highlights some drafting improvements that were made to the tentative agenda decision language. Does the IFRIC agree with proposed wording?

Appendix A

IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* – write-down of a disposal group

The IFRIC received a request for guidance on ~~the write-down of~~ how a disposal group ~~to the lower of its fair value less costs to sell and~~ should be recognised at the lower of its carrying amount and fair value less costs to sell when the ~~write-down~~ difference between the carrying amount and fair value less costs to sell exceeds the carrying amount of non-current assets.

The IFRIC noted paragraph 22 of IFRS 5 requires the impairment loss recognised for a disposal group to be allocated to reduce the carrying amount of the non-current assets of the group that are within the measurement requirements of IFRS 5. This can result in a conflict between IFRS 5's requirement to recognise the disposal group at fair value less costs to sell and its limitation on the assets to which that loss can be allocated. Consequently, the IFRIC noted that divergence could arise in practice. The IFRIC also noted that the issue could be widespread in the current economic environment.

The IFRIC concluded that the issue relates to the basic requirements of IFRS 5 and therefore could not be addressed by an interpretation. For this reason, the IFRIC ~~{decided}~~ not to add the issue to its agenda. However, the IFRIC recommended that the Board ~~amend IFRS 5 as a matter of priority to address the issue~~ considers an amendment to IFRS 5 to address this issue.