

STAFF PAPER

September 2014

IFRS Interpretations Committee Meeting

Project	IFRS 5 <i>Non-current Assets Held for Sale and Discontinued Operations</i>		
Paper topic	Other IFRS 5 issues that the IASB had previously considered but not addressed		
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This paper has been prepared by the staff of the IFRS Foundation for discussion at a public meeting of the IFRS Interpretations Committee. Comments made in relation to the application of an IFRS do not purport to be acceptable or unacceptable application of that IFRS—only the IFRS Interpretations Committee or the IASB can make such a determination. Decisions made by the IFRS Interpretations Committee are reported in *IFRIC Update*. The approval of a final Interpretation by the Board is reported in *IASB Update*.

Introduction

1. As mentioned in Agenda Paper 3, the IFRS Interpretations Committee (the ‘Interpretations Committee’) discussed two issues relating to IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* at its September 2013 meeting. The two issues are as follows:
 - (a) **Issue 1:** how to recognise an impairment loss for a disposal group when the difference between its carrying amount and its fair value less costs to sell exceeds the carrying amount of non-current assets in the disposal group; and
 - (b) **Issue 2:** how to account for the reversal of an impairment loss for a disposal group when the reversal relates to an impairment loss recognised for goodwill.
2. The Interpretations Committee did not reach a consensus on these issues and therefore asked the staff to
 - (a) **(Request 1)** look at these issues along with other IFRS 5 issues that the IASB had previously considered but not addressed;

- (b) **(Request 2)** consult current and former IASB staff and members who were involved with the development of IFRS 5; and
 - (c) **(Request 3)** analyse the issues discussed using more complex fact patterns that illustrate further the interaction between non-current assets, current assets and liabilities in the disposal group.
3. This paper addresses **Request 1** as noted above, by providing a summary of other IFRS 5 issues that the IASB had previously considered but not addressed.

Summary of other IFRS 5 issues that the IASB had previously considered but not addressed

4. We have identified the following two major topics relating to IFRS 5, which the IASB discussed but did not lead to an amendment to IFRS 5:
- (a) Topic A—Definition and disclosures;
 - (b) Topic B—Presentation of OCI items; and

Topic A (Definition and disclosures): Summary of discussion

5. In September 2008, the IASB published an exposure draft *Discontinued Operations* (proposed amendments to IFRS 5 *Non-current Assets held for Sale and Discontinued Operations*), as part of a joint project with the US Financial Accounting Standards Board (FASB).
6. This exposure draft proposed changing the definition of discontinued operations so that a discontinued operation is a component of an entity that
- (a) is an *operating segment* (as that term is used in IFRS 8 *Operating Segments*) and either has been disposed of or is classified as held for sale or
 - (b) is a *business* (as that term is defined in IFRS 3 *Business Combinations* (as revised in 2008)) that meets the criteria to be classified as held for sale on acquisition.

7. In this regard, the exposure draft also proposed that an entity should determine whether the component of an entity meets the definition of an operating segment regardless of whether it is required to apply IFRS 8.
8. The proposed amendment related to changing paragraph 32 of IFRS 5 which currently states that:
 - 32 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 a separate major line of business or geographical area of operations or
 - (c) is a subsidiary acquired exclusively with a view to resale.
9. In addition, the exposure draft proposed:
 - (a) that although the proposed definition of a discontinued operation refers to operating segments, the amounts presented for discontinued operations should be based on the amounts presented in the statement of comprehensive income, even if segment information disclosed to comply with IFRS 8 includes different amounts that are reported to the chief operating decision maker; and
 - (b) disclosures for a component of an entity that has been disposed of or is classified as held for sale. The disclosures included profit or loss of the component, together with major income and expense items constituting that profit or loss.
10. In deliberating this project including an analysis of the comment letters on the exposure draft, the IASB, at its December 2009 meeting, decided to re-expose the proposed amendment. However, the IASB did not proceed with issuing a second exposure draft. Instead, In May 2010, the IASB and the FASB

decided to align the project timetable with the main financial statement presentation project¹.

Topic B (Presentation of OCI items): Summary of discussion

11. The IASB discussed how to present other comprehensive income (OCI) items relating to discontinued operations as part of an annual improvement project, at its July and December 2009 meetings.
12. The topic relates to paragraph 33(a) of IFRS 5 which refers only to profit or loss of discontinued operations, not to comprehensive income. Paragraph 33(a) of IFRS 5 is 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.
13. At its July 2009 meeting, the IASB tentatively decided to amend IFRS 5 so that OCI items relating to discontinued operations are required to be presented separately from other OCI items, and may be presented as a single item net of tax. The IASB asked the staff to consider whether additional amendments are needed to enhance the disclosures relating to accumulated OCI relating to discontinued operations.

¹ The project on Financial Statement Presentation has been paused. However, at its July 2014 meeting, the IASB tentatively decided to add a project to its Research Programme on *Performance Reporting* in response to stakeholders' request for resuming the Financial Statement Presentation project. (see [IASB Update July 2014](#))

14. At its December 2009 meeting, the IASB noted that any amendments to reflect the presentation and disclosure issues relating to OCI and accumulated other comprehensive income (AOCI) should be considered as part of the IASB's project on Financial Statement Presentation².
15. Consequently, the IASB discontinued addressing Topic B.

Question for Interpretations Committee

1. Does the Interpretations Committee have any questions or comments on a summary of other IFRS 5 issues as described above?

² The project on Financial Statement Presentation has been paused. However, at its July 2014 meeting, the IASB tentatively decided to add a project to its Research Programme on *Performance Reporting* in response to stakeholders' request for resuming the Financial Statement Presentation project. (see [IASB Update July 2014](#))