

STAFF PAPER

September 2015

IFRS Interpretations Committee Meeting

Project	IFRS 5 <i>Non-current Assets Held for Sale and Discontinued Operations</i>		
Paper topic	Proposal to publish a tentative agenda decision on various IFRS 5-related issues		
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This paper has been prepared 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. Over the last few years, the IFRS Interpretations Committee ('the Interpretations Committee') has received a number of submissions related to IFRS 5. The Interpretations Committee has discussed them over a number of its meetings, but many of them have still not been resolved.
2. The Interpretations Committee had its last discussion on these issues at its meeting in May 2015, and at that meeting the Interpretations Committee decided to ask the IASB whether it thought any issues should be addressed through the normal processes of the Interpretations Committee or whether the IASB thought it would be better to consider undertaking a broad-scope project on IFRS 5.
3. At its meeting in July 2015, the IASB agreed with a staff proposal to:¹
 - (a) divide the issues into those that could be considered in the short term and those that could be considered in the medium to longer term; and

¹ See Agenda Paper 2A for a summary of our analysis and recommendation to the IASB, and a summary of the IASB's discussion and decisions, in relation to the proposed next steps for the unresolved IFRS 5-related issue.

- (b) for the medium- to longer-term issues, to include a reference to the IFRS 5 concerns raised by the Interpretations Committee in the Request for Views for the Agenda Consultation.
4. The purpose of this paper is to propose to the Interpretations Committee that it should close the medium- to longer-term issues through the agenda decision process.
 5. The paper is structured as follows:
 - (a) staff analysis and recommendation; and
 - (b) Appendix A—Proposed wording for the tentative agenda decision.

Staff analysis and recommendation

Why an agenda decision?

6. We think that publishing an agenda decision that covers the medium- to longer-term issues is important because:
 - (a) it acknowledges that the issues subject to the agenda decision remain unresolved, but that the Interpretations Committee would no longer discuss these issues in the short term or unless and until there is a request to do so by the IASB; and
 - (b) through the agenda decision process, the Interpretations Committee can solicit comments on the decision not to address these issues in the short term.

Issues subject to a tentative agenda decision considered in this paper

7. The following table lists, by category, a series of the IFRS 5-related issues that the Interpretations Committee has discussed.

Issue	Title of the issue	Interpretations Committee's discussions in:	Next steps—when and where to be addressed
Scope			
1	The scope of the held-for-sale classification.	November 2014, March and May 2015	Medium to longer term, possibly in a broad-scope project on IFRS 5
2	Accounting for a disposal group consisting mainly of financial instruments.	March 2015	Medium to longer term. possibly in a broad-scope project on IFRS 5
Measurement			
3	Impairment of 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.	July and September 2009, September 2013 and September 2014	Medium to longer term, possibly in a broad-scope project on IFRS 5
4	Reversal of an impairment relating to goodwill in a disposal group.	March and May 2010, and September 2013	Medium to longer term, possibly in a broad-scope project on IFRS 5
5	To what extent can an impairment loss be allocated to non-current assets within a disposal group.	May 2015	Short term through an agenda decision (See Agenda Paper 2B)
Presentation			
6	Definition of discontinued operation and disclosures.	September 2014	Medium to longer term, possibly in a broad-scope project on IFRS 5
7	Presentation of other comprehensive income (OCI) items for discontinued operations.	September 2014	Medium to longer term, possibly in a broad-scope project on IFRS 5

Issue	Title of the issue	Interpretations Committee's discussions in:	Next steps—when and where to be addressed
8	How to apply 'major line of business' in presenting discontinued operations.	March 2015	Medium to longer term, possibly in a broad-scope project on IFRS 5
9	How to present intragroup transactions between continuing and discontinued operations.	May 2015	Short term through an agenda decision (See Agenda Paper 2C)
10	How to apply the presentation requirements, in the case of a change to a plan, to a disposal group that consists of both a subsidiary and other non-current assets when there has been a change to a plan.	May 2015	Medium to longer term, possibly in a broad-scope project on IFRS 5
Disclosure			
11	Applicability of the disclosure requirements in IFRS 12 to a subsidiary classified as held for sale.	May 2015	Short term, through an annual improvement process ²

8. In addition to the decisions summarised in paragraph 3, the IASB also agreed with the selection of the issues that could be considered in the short term as follows:

as possible Interpretations Committee agenda decisions:

- (a) Issue 5—To what extent can an impairment loss be allocated to non-current assets within a disposal group; and

² The staff have already presented a paper to the IASB with respect to this issue and the IASB agreed with the staff recommendation that this issue should be addressed through an annual improvement process. See Agenda Paper 2A for a summary of our analysis and recommendation to the IASB, and a summary of the IASB's discussion and decisions, in relation to this issue.

- (b) Issue 9—How to present intragroup transactions between continuing and discontinued operations.

as an annual improvement process item:

- (c) Issue 11—Applicability of the disclosure requirements in IFRS 12 to a subsidiary classified as held for sale.

9. Because these short-term issues are addressed separately, the tentative agenda decision considered in this paper excludes these three issues.
10. We note that Issues 6 and 7 are different from the other medium- to longer-term issues in the sense that:
 - (a) these two issues did not originate through a submission to the Interpretations Committee; and
 - (b) the Interpretations Committee did not discuss these issues, but instead it was informed of the previous discussions about these issues held by the IASB.
11. However, we think that a tentative agenda decision should also cover these two issues because their status is the same as the status of the other issues subject to the agenda decision process considered in this paper (ie these two issues are also categorised as medium- to longer-term issues, and are not proposed to be discussed by the Interpretations Committee in the short term).
12. Consequently, in our view, a tentative agenda decision should cover all the issues other than the short-term issues.

Staff recommendation

13. On the basis of our analysis, we recommend that the Interpretations Committee should proceed with an agenda decision with respect to the medium- to longer-term issues.

Questions for the Interpretations Committee

1. Does the Interpretations Committee agree with the staff's recommendation that it should publish a tentative agenda decision with respect to the medium- to longer-term issues?
2. If the answer to Question 1 is 'Yes', does the Interpretations Committee agree with the wording of the tentative agenda decision in Appendix A of this paper?

Appendix A—Proposed wording for the tentative agenda decision

A1. We propose the following wording for the tentative agenda decision.

IFRS 5 Non-current Assets Held for Sale Discontinued Operations— various IFRS 5-related issues

The Interpretations Committee has received and discussed a number of issues relating to the application of IFRS 5 requirements over a number of its meetings. Those issues touch on various aspects of IFRS 5 requirements, and include the following:

Scope

- (a) the scope of the held-for-sale classification—whether the scope of IFRS 5 should be limited to sales transactions and distribution to owners, or whether the Standard should be applied to a broader range of transactions in which it is highly probable that there will be a loss of control;
- (b) accounting for a disposal group consisting mainly of financial instruments—whether such a disposal group falls within the scope of IFRS 5;

Measurement

- (c) impairment of 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—whether and where such an excess impairment should be allocated;
- (d) reversal of an impairment relating to goodwill in a disposal group—whether the existence of previous impairment on goodwill limits the impairment reversal that can be recognised against other assets in the disposal group;

Presentation

- (e) definition of discontinued operation and disclosures—whether the current definition of the discontinued operations should be revised;
- (f) presentation of other comprehensive income (OCI) items for discontinued operations—whether items presented in OCI relating to

the discontinued operations should be presented as a single item in OCI separately from other OCI items;

- (g) how to apply the definition of ‘major line of business’ in presenting discontinued operations; and
- (h) how to apply the presentation requirements, in the case of a change to a plan, to a disposal group that consists of both a subsidiary and other non-current assets—whether remeasurements should be recognised in different accounting periods and whether the statement of financial position should be retrospectively adjusted.

Through the discussions of these issues, the Interpretations Committee noted that addressing these issues would require a broader-scope project than the Interpretations Committee could undertake.

Consequently, the Interpretations Committee [decided] not to add these issues to its agenda.