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Denise Durrant Technical
Manager
International Accounting Standards Board 30
Cannon Street
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Kingdom

19 October 2015 Dear Ms

Durrant

RESPONSE OF THE ACCOUNTING COMMITTEE OF CHARTERED ACCOUNTANTS IRELAND

IFRS 5 Non-Current Assets Held for Sale and Discontinued Operations – How to present intragroup transactions between continuing and discontinued operations:

Interpretations Committee's tentative agenda decision September 2015

The Accounting Committee (AC) notes that an issue, in relation to the manner in which intragroup transactions (e.g. sales and purchases) between continuing and discontinued operations are presented in the performance statement, was brought to the attention of the Interpretations Committee (IC). AC has similar concerns to those raised by the IC's staff in the May 2015 paper that the current draft IC agenda decision, requiring full elimination of these transactions, will not result in the most useful information for assessing the financial effects of continuing operations. One of the underlying purposes of IFRS 5 is to communicate clearly to users the effects of discontinued operations in such a way that the effect on the continuing operations and cash flows can be understood.

AC acknowledges that there is no specific relief in IFRS 5 from the requirement in IFRS 10.B86(c) to eliminate intragroup transactions in the preparation of consolidated financial statements, with this being the basis of the IC's tentative decision to require full elimination. Regardless, AC supports the alternative approach noted in that IC staff paper which, while generally requiring the elimination of intragroup transactions, allows for certain adjustments (on an 'as-if' presentation basis) to reflect how transactions between continuing or discontinued operations will be reflected in the continuing operations going forward. Such adjustments would reflect any ongoing supplier relationship between the entity and its discontinued operation after its disposal. In AC's view, this approach results in the presentation of discontinued operations in a manner that reflects a more appropriate level of revenue and expenses for the entity's continuing operations and also the results arising from discontinued operations. It is also helpful in achieving the objective of IFRS 5.30 to enable users to evaluate the financial effects of the discontinued operations on the continuing business activities. IFRS 5.BC14B (in relation to the scope of IFRS 5)

Chartered Accountants Ireland

notes that 'the Board concluded that providing information on assets and groups of assets and liabilities to be disposed of is of benefit to users of financial statements. Such information should assist users in assessing the timing, amount and uncertainty of future cash flows.' Also, BC62 of that standard, specifically in the context of discontinued operations, refers to the Framework's objective of (IAS 1) financial statements, as including information about performance that is useful to a wide range of users, to allow them 'to assess the ongoing ability of the entity to generate cash flows.'

AC is also of the view that the issue is not something that can be resolved by instead merely including supplementary disclosures in the notes to financial statements. AC considers that the presentation in the performance statement should be relevant and understandable and reflect the overall substance and financial effects of an entity that has a discontinued operation. More broadly, AC has concerns that the full elimination approach may not, where significant intragroup transaction amounts are involved, result in a fair presentation of the overall continuing performance of the entity.

AC notes that there is precedent in a different circumstance for diverging from the general requirement to fully eliminate intercompany transactions and balances arising within consolidated financial statements. This arises even though IFRS 10.86 (the paragraph referred to above that requires full elimination of intragroup balances and transactions) does not include any specific elimination exemptions. The matter arises in relation an investment entity parent preparing consolidated financial statements but where certain subsidiaries are measured at fair value through profit or loss (IFRS 10.31). It seems clear that intragroup transactions (e.g. loans) between the parent and the fair valued subsidiary are not in fact eliminated. This position is supported indirectly by IAS 24.04 which states:

'*Related party transactions and outstanding balances with other entities in a group are disclosed in an entity's financial statements. Intragroup related party transactions and outstanding balances are eliminated except for those between an investment entity and its subsidiaries measured at fair value through profit or loss, in the preparation of consolidated financial statements of the group*.'

Therefore, in this instance there appears to be acceptance of non-elimination of intercompany without a specific relief indicated within IFRS 10.86 itself, presumably as the fair value information on the subsidiary overall is considered more useful information. This may be a basis for viewing, in the case of the discontinued operations, that IFRS 5.30's requirements have greater relevance and significance.

AC considers that, as full elimination of intra group transactions against the disaggregated numbers will not result in the most appropriate reporting of continuing and discontinued performance, and indeed which the IC acknowledges may well require additional information in the notes to the financial statements, it is not appropriate for the IC to reject this as an agenda item without further consideration, including more substantive engagement with IASB if necessary. AC would therefore welcome further consideration of this matter to see if an approach that provides more meaningful and decision-useful information directly on the performance statement itself is feasible.

Should you wish to discuss any of the views expressed, please feel free to contact me.

Yours Sincerely

Mark Kenny
Secretary to the Accounting Committee

acteo
Association pour la participation des entreprises françaises à l'harmonisation comptable internationale

IASB
30 Cannon Street
London EC4M 6XH
UK

October 27, 2015

Dear Mr Upton

Re : Tentative rejection relating to IFRS 5

We would like to react to the drafting of the tentative rejection as presented in the latest IFRIC update, relating to the requirement for inter-company eliminations between the disposal group and the rest of the consolidated entity.

Although we agree that in the context of current IFRS there appears to be no room for avoiding the elimination of intragroup transactions between continuing and discontinued operations, we believe that more flexibility should be allowed to permit entities to present the income statement in a relevant and therefore useful way. When the IFRS Interpretations Committee states that preparers may provide additional disclosures in the notes, we think that this is too restrictive, since it eliminates any possibility of providing relevant information on the face of the financial statements. We think that there may be ways of presenting eliminations providing more relevant information on the face of the income statement and that this should not be excluded by the wording of the rejection.
Finally, we believe that the IFRIC should not close this issue definitively and we suggest that the question of the relevance (depending on facts and circumstances) of elimination of intragroup transactions should be re-examined on the occasion of a more comprehensive project that the Board may undertake relating to IFRS 5 in the longer term.

If you have any questions or a need for further information, please do not hesitate to contact us.

Yours sincerely,

Patrice MARTEAU
Chairman

ASCG • Zimmerstr. 30 • 10969 Berlin

Wayne Upton
Chairman of the
IFRS Interpretations Committee
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United Kingdom

IFRS Technical Committee
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Berlin, 11 November 2015

Dear Wayne,

IFRS IC's tentative agenda decision on IAS 32 and IFRS 5 from the September meeting

On behalf of the Accounting Standards Committee of Germany (ASCG), I am writing to comment on the IFRS IC's tentative agenda decisions regarding IAS 32—*Liabilities for prepaid cards* and IFRS 5—*Several issues*, which were both published in the September 2015 IFRIC Update.

We partly agree with the tentative decision on the IAS 32 issue that neither an interpretation nor an amendment (or even a clarification) is necessary. We agree with the Committee's finding that, based upon the existing literature applicable to the specific fact pattern, the definition of a financial liability is met. We therefore acknowledge that the requirements of IFRS 9 (or IAS 39) apply as to when, and to what extent, a financial liability shall be derecognised. However, we wonder whether the derecognition requirements pursuant to IAS 39 (or IFRS 9) are the most appropriate in the specific fact pattern, given that the derecognition principle in IFRS 15 (or in IFRIC 13) is different. While IFRS 9 (or IAS 39) only allows for derecognition upon the entity being discharged of its liability or the liability being cancelled or having expired—without considering any probability or remoteness—, IFRS 15 would consider remoteness of redemption when determining the contract liability. As the fact pattern (in particular, the three parties involved) for prepaid cards can be compared to similar events and circumstance, e.g. points or miles being awarded under a customer loyalty programme, we wonder whether different outcomes are warranted for fact patterns that are close to each other. We suggest that this issue be flagged for a more substantial review of the derecognition requirements laid down in different standards.

Further, we do not agree with the set of tentative decisions on several issues relating to IFRS 5. In general, we do not believe that it makes sense to decide upon selected issues relating to IFRS 5 now, whereas several other issues are put on hold until a broader scope project to revise IFRS 5 is initiated. Rather, and as suggested on several occasions, we think IFRS 5 deserves a comprehensive revision.

In particular, we do not agree with the decisions on *allocation of impairment losses to non-current assets* (Issue 5) and on *how to present intragroup transactions between continuing and discontinued operations* (Issue 9), which assume that in both cases sufficient guidance exists, resulting in accounting (only) the way as is proposed in the decision's wording. At least with regard to Issue 9, current accounting practice in our jurisdiction could differ from the IFRS IC's suggestion. For this reason, we object to the finding that there is clear guid-ance and that no diversity in practice exists.

To provide more detail on issue 9, we concur with the IFRS IC's answer being consistent with the principles of IFRS 10. However, the Committee's answer does not seem to comply with the general idea and principle of IFRS 5, which in our view is to present the continued busi- ness as if the discontinued business has already been disposed off. In other words, consoli- dation principles in IFRS 10 do not fit the purpose of IFRS 5, that we consider being *lex spe- cialis*. Therefore, IFRS 5 might bear an implicit exemption from the consolidation require- ments. Under this assumption, we acknowledge at least a need to clarify the hierarchy of IFRS 10 and IFRS 5 in this respect or, otherwise, a need to comprehensively review, and potentially revise and strengthen, the principles of IFRS 5.

If you would like to discuss our views further, please do not hesitate to contact Jan-Velten Große or me.

Yours sincerely,

Andreas Barckow
President

Norsk RegnskapsStiftelse

22 November 2015

International Accounting Standards Board/The IFRS Interpretations Committee
info@ifrs.org/ifric@ifrs.org

Cc: EFRAG

Dear Sir/Madam

Issues relating to the requirements for scope, measurement, presentation and disclosure in IFRS 5 – "how to present intragroup transactions between continuing and discontinued operation"

Comments to tentative agenda decision

We have observed the IFRS Interpretations Committee's tentative agenda decision on IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations – How to present intragroup transactions between continuing and discontinued operation*, published in the September IFRIC Update. In the tentative decision, the committee states: *Although the Interpretations Committee observed diversity in practice, it concluded on the basis of this analysis that, in the light of the existing requirements of IFRS 5, sufficient guidance exists and that neither an Interpretation nor an amendment to a Standard was necessary. Consequently, the Interpretations Committee [decided] not to add this issue to its agenda.*

The agenda papers referred to conclude that in a situation where there are transactions between continuing and discontinued operations, those internal transactions should be eliminated in a way not reflecting in which part of the reporting entity's activities the underlying resources were consumed. This leads to overstating the result from continuing operations and understating the result from discontinued operations in a situation where goods or services are sold from discontinued operations to continuing operations and consumed in the continuing activities. Similarly, results from continuing operations are understated and the result from discontinued operations are overstated in a situation where goods or services are sold from continuing operations to discontinued operations and consumed in the discontinued activities. In our view, this is not providing decision useful information, and does not present information that enables users of the financial statements to evaluate the financial effects of discontinued operations.

Provided that the IFRS Interpretations Committee uphold this decision after the ongoing consultation process, we urge the IASB to make necessary changes to IFRS 5 and/or IFRS 10 so as to require information that may be decision useful in these situations. In our view, the IFRS IC's tentative agenda decision results in information that is not relevant and through that deteriorate the standing of the financial reporting according to IFRS.

Yours faithfully, Erlend

Kvaal
Chairman of the Technical Committee on IFRS of Norsk RegnskapsStiftelse

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Mr Wayne Upton
International Accounting Standards Board
1st Floor
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Our ref MV/288
Contact Mark Vaessen
David Littleford

20 November 2015

Dear Mr Upton

Tentative agenda decision: IFRS 5 Non-current Assets Held for Sale and Discontinued Operations – How to present intragroup transactions between continuing and discontinued operation

We appreciate the opportunity to comment on the IFRS Interpretations Committee's tentative agenda decision, *IFRS 5 Non-current Assets Held for Sale and Discontinued Operations — How to present intragroup transactions between continuing and discontinued operation* (IFRIC Update September 2015). We have consulted with, and this letter represents the views of, the KPMG network.

Although we agree with the Committee's tentative decision of not taking this issue onto its agenda, we do not agree with the reasons for rejection provided in the tentative agenda decision.

We note that the third paragraph of the tentative agenda decision states no requirements or guidance in IFRS 5 or IAS 1 overrides the consolidation requirements of IFRS 10 and as a consequence an entity should eliminate the intragroup transactions in full. We agree that intragroup items should be eliminated in full, but we believe that these requirements can be considered to be met in the financial statements as a whole, even if subtotals of pre-aggregated amounts of the results of continuing and discontinued operations are disclosed (as further explained below). Therefore, we believe that such separate presentation does not affect the entity's compliance with the consolidation requirements in IFRS 10.

The objective of paragraph 30 of IFRS 5 is to provide the users of the financial statements with the most useful information to evaluate the financial effects of discontinued operations and disposals of non-current assets. We are concerned that the tentative agenda decision is inconsistent with this objective and simultaneously conflicting with the foundation principle of the Conceptual Framework (CF.OB2-10). We believe that, depending on facts and circumstances, full elimination of the intragroup transactions between continuing and discontinued operations may not result in the most useful information for assessing the financial effects of discontinued operations.

We consider that an entity should be permitted to use judgement to determine the appropriate way to present the information based on the facts and circumstances of transactions that actually happened. The full elimination approach, both in the financial statements as a whole and also in the pre-aggregated information (IAS 1.29-31) for each of continuing and discontinued operations is not the only acceptable interpretation of the current standard. In our view if the transactions between the continuing and discontinued operations are expected to continue after the operations are disposed of, then another acceptable approach is to present the results of the discontinued operations in such a way that reflects the continuance of the relationship.

The tentative agenda decision would effectively preclude a preparer from using such a presentation on the face of the statement of comprehensive income. We believe this conflicts with paragraph 85 of IAS 1, whereby an entity shall present additional line items, headings and subtotals when such presentation is relevant to an understanding of the entity's financial performance. Furthermore it is not clear why this information could not be presented alongside the (eliminated) statement of comprehensive income totals on the face of the statement of comprehensive income, in accordance with paragraph 85A and B of IAS 1, as this is the presentation that a preparer might like to use to meet the acknowledged objectives of the standard.

We would be happy to discuss our comments in more detail.

Please contact Mark Vaessen or David Littleford on +44 (0)20 7694 8871 if you wish to discuss any of the issues raised in this letter.

Yours sincerely

KPMG IFRG Limited

KPMG IFRG Limited

Copy: Reinhard Dotzlaw

MAZARS

Mr. Wayne Upton

IFRS Interpretation
Committee 30
Cannon Street
London EC4M
6XH United
Kingdom

Paris, November 23, 2015

RE: IFRS Interpretations Committee tentative agenda decisions, September 2015

Dear Wayne,

MAZARS is pleased to comment on the various IFRS Interpretations Committee tentative agenda decisions published in the September IFRIC Update.

We have gathered all our comments as appendices to this letter. Should you prefer us to prepare separate comment letter for each tentative agenda decision, please let us know.

Should you have any questions regarding our comments, please do not hesitate to contact Michel Barbet-Massin (+33 1 49 97 62 27) or Edouard Fossat (+33 1 49 97 65 92).

Best regards,

Michel Barbet-Massin
Head of Financial Reporting Technical Support

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Appendix 3
IFRS 5 – *Non -current Assets Held for Sale and Discontinued Operations* – How to present intragroup transactions between continuing and discontinued operation? (Agenda Paper 2C)

We do not support the IFRS Interpretations Committee's tentative decision not to add this issue onto its agenda. Through its tentative agenda decision, the Committee acknowledges that IFRS 5 does not lead to numbers that make sense on the face of the income statement, and only proposes preparers should add disclosures in order to explain why the numbers in the primary financial statements are irrelevant and what the relevant numbers are.

Suppose a continuing operation manufacturing products that are sold to the discontinued operation in charge of distributing those products on a geographical market. Eliminating intragroup transactions the way described in the tentative agenda decision, without any margin reallocation between continuing and discontinued operation, would lead to a 100% margin in the net result from discontinued operations while the result from continuing operations is decreased.
The outcome is that figures on the face of the income statement are useless and even misleading in presenting the performance for the year and helping users assessing the future net cash flows of the entity.

We understand from the tentative agenda decision that the Committee has reached the same conclusions on the effects of eliminating intra-group transactions. We strongly believe that this statement should have led the Committee, on the contrary, to add this issue onto its agenda and to consider potential amendments to IFRS 5. We believe that additional disclosures are supposed to complement and explain figures in the primary financial statements, rather than adjusting or correcting them.

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INVESTOR IN PEOPLE

International Financial Reporting Standards Interpretations Committee
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23 November 2015

Dear IFRS Interpretations Committee members,

Invitation to comment – *Tentative agenda decisions* – IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* – How to present intragroup transactions between continuing and discontinued operations (Agenda Paper 2C)

Ernst & Young Global Limited, the central coordinating entity of the global EY organisation, welcomes the opportunity to offer its views on the above Tentative Agenda Decision (TAD) of the IFRS Interpretations Committee (the Committee) published in the September 2015 IFRIC Update.

The Committee received a request "to clarify how to present intragroup transactions between continuing and discontinued operations."

We agree with the technical analysis and the conclusion reached in the TAD that IFRS 10 *Consolidated Financial Statements* requires an entity to eliminate transactions between members of a group, such that intragroup sales are eliminated against the internal selling party and intragroup purchases against the internal purchasing party. We agree that the presentation requirements for continuing and discontinued operations do not envisage the reinstatement of such intragroup transactions.

However, we are concerned that this presentation may not always provide users of financial statements with relevant information about the continuing and discontinued operations.
In circumstances where the profit or loss of the continuing and discontinued operations is significantly impacted by transactions between the two, we believe additional information is necessary to allow users of the financial statements to understand the performance of the continuing and discontinued operations. In such situations, we believe the accounting standards should permit the adjustments to be reflected on the face of the statement of comprehensive income. This issue could be considered as part of a potential broad-scope research project on IFRS 5, for which feedback has been requested as part of the *2015 Agenda Consultation*.

Should you wish to discuss the contents of this letter with us, please contact Leo van der Tas on +31 88 407 5035.

Yours faithfully

Ernst & Young Global Limited

Mr Michael Stewart
Director of Implementation Activities
International Accounting Standards Board 30
Cannon Street
London EC4M
6XH

23 November 2015

Dear Mr Stewart,

Comment to the Interpretation Committee's (IC) tentative agenda decision: 'How to present intragroup transactions between continuing and discontinued operations'

We are commenting on the above tentative agenda decision, published in the September 2015 edition of IFRIC Update, on behalf of PricewaterhouseCoopers. Following consultation with members of the PricewaterhouseCoopers network of firms, this response summarises the views of member firms who commented on the Tentative Agenda Decision. 'PricewaterhouseCoopers ' refers to the network of member firms of PricewaterhouseCoopers International Limited, each of which is a separate and independent legal entity.

The tentative agenda decision

The tentative agenda decision acknowledges the absence of specific guidance in IFRS S on how to eliminate transactions between continuing and discontinuing operations. It also notes that there are no requirements in IFRS S or !AS 1that override the requirement to eliminate intragroup transactions under IFRS 10 B86(c). The IC understood this to mean that an entity needs to eliminate intragroup sales against the internal selling party and intragroup purchases against the internal purchasing party (hereafter referred to as 'cross-elimination').

The IC referred to the objective in IFRS S paragraph 30 that requires an entity to present and disclose information that enable users to evaluate the financial effects of discontinued operations. The IC observed that the proposed presentation of the elimination entries might not be help users understamd the financial effects of discontinued operations, but that additional disclosures in the notes may satisfy the information needed to evaluate the financial effects of discontinued operations.

Our view

We believe that the agenda decision goes beyond clarifying or explaining the requirements of IFRS 5. Instead, it will establish a single rule for applying a presentation standard without adequate due process. This may well lead to key figures in the income statement and earnings per share that are misleading and do not provide decision useful information.

We agree with the IC's view that the requirement in IFRS 10 to eliminate intragroup transactions in full is applicable, and that this applies in situations where a portion of the group is classified and presented separately as a discontinued operation.

We disagree with the requirement that intragroup sales should always be eliminated against the internal selling party and intragroup purchases always against the internal purchasing party, without any modifications.

This position is difficult to support for two reasons:

- Cross-elimination reduces the decision usefulness of the financial information; and
- IFRS 10 is silent on how eliminations should be attributed to parts of the group.

Firstly, consolidated financial statements shall present income and expenses for a group as those of a single economic entity. The requirement to eliminate intragroup transactions fulfils this objective. After elimination, only transactions with third-parties are presented in the consolidated statements.

The remaining external transactions need to be attributed to the continuing and discontinuing operations. External revenues for the two operations follows from the nature of the operation. External costs need to be expensed in the operation where it has been consumed and the revenues generated.
This is essential in measuring accounting profit. The tentative agenda decision seems to conflict with this objective.

Secondly, the requirement in IFRS 10 B86(c) to eliminate intragroup transactions does not in any way specify *where* these eliminations should be attributed, or indicate the need for such attribution.

Conclusion

The tentative decision seems to be based on the idea IFRS 10 is clear. We agree that the need for elimination is applicable, but we disagree that IFRS 10 gives clear guidance on how the elimination is performed. It is unclear if the tentative agenda decision only refers to situations where IFRS 5 applies, or more generally applies to IFRS 10. However, we do not support the IC setting standards in an agenda decision.

We suggest that the sentence "[...] an entity needs to eliminate intragroup sales against the internal selling party and intragroup purchases against the internal purchasin g party [...] as a minimum is removed from the draft agenda decision. We believe that given that cross-eliminat ion is not mandatory, it follows from the purpose of IFRS 5.30 that other elimination methods may better fulfil the objective. The draft agenda decision would create and impose a requirement that does not exist in IFRS 10 today. Another approach would be to refer the issue back to the IASB for a comprehensive assessment, and with possible improvements to IFRS 5 or IFRS 10 as deemed necessary.

If you have any questions, please contact Mary Dolson (+44 207 804 2930) or Bj0rn Einar Strandberg (+47 95 26 10 15).

Yours sincerely

PricewaterhouseCoopers

PricewaterhouseCoopers

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Wayne Upton
Chairman
IFRS Interpretations Committee
30 Cannon Street
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23 November 2015

Dear Mr Upton

Tentative agenda decision – IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations:* How to present intragroup transactions between continuing and discontinued operation

Deloitte Touche Tohmatsu Limited is pleased to respond to the IFRS Interpretations Committee's publication in the September IFRIC Update of the tentative decision not to take onto the Committee's agenda a request for clarification on the presentation of intragroup transactions between continuing and discontinued operations.

We agree that IFRS 5 does not override the requirements of IFRS 10 *Consolidated Financial Statements,* but do not believe that this is sufficient grounds for the comment in the tentative agenda decision that "an entity needs to eliminate intragroup sales against the internal selling party and intragroup purchases against the internal purchasing party" as IFRS 10 makes no reference to the specific journal entries required to achieve this elimination at an overall group level (including continuing and discontinued operations). In fact, for transactions between continuing operations there is no need to allocate the elimination of sales and purchases to any particular party within the group.

As implied in the tentative agenda decision, this approach could lead to circumstances in which an entity's primary financial statements do not enable users to evaluate the financial effects of discontinued operations. For example, in a circumstance in which inventory is purchased from an external supplier by a continuing operating and sold to a discontinued operation this approach could lead to:

- recognition of cost of sales with no revenue in continuing operations and revenue with no cost of sales in discontinued operations when the inventory is subsequently sold to an external customer; and
- when the inventory is still held by the discontinued operation at the reporting date, a reallocation of inventory that is legally and economically an asset of the discontinued operation to continuing operations.

For example, in a circumstance where inventory is purchased by a continuing operation for CU4, sold to a discontinued operation for CU6 and then sold to an external customer for CU7 the approach described in the tentative agenda decision would lead to presentation of cost of sales (with no revenue) of CU4 in continuing operations and revenue (with no cost of sales) of CU? in discontinued operations. A presentation which fails to reflect the economics of the transaction from either party's point of view and has no predictive value in terms of the entity's future performance and cash flows.

We do not believe that the reference to IFRS 10 is sufficient to prohibit an appropriate allocation of revenue and costs to eliminate such anomalies. One such approach would be to, in the example above, to allocate CU6 of the total (external) revenue of CU? to continuing operations and CU1 to discontinued operations and to allocate the total (external) cost of sales of CU4 to continuing operations. This would maintain a faithful presentation of the profit earned by continuing and discontinued operations (CU2 and CU1 respectively) whilst complying with the requirement of paragraph B86(c) of IFRS 10 to eliminate intragroup income and expenses (as the total revenue and cost of sales presented reflects only the *effect* of external transactions).

In addition, we believe that this issue is as problematic as those included in the separate tentative agenda decision 'Various IFRS 5-related issues' and is equally in need of standard-setting activity for appropriate resolution. As such, we believe that it should be dealt with in a consistent manner to those issues rather than by imposing a simplistic approach that does not provide users with useful information and is inconsistent with current practice.

If you have any questions concerning our comments, please contact Veronica Poole in London at +44 (0) 20 7007 0884.

Yours sincerely

Veronica Poole
Global IFRS Leader

European Securities and Markets Authority

The Chair

Date: 1 December 2015
ESMA/2015/1742

Wayne Upton
IFRS Interpretations Committee
30 Cannon Street
London
EC4M 6XH
United Kingdom

Ref: The IFRS Interpretations Committee's tentative agenda decisions on Application of IFRS 5 Non-current Assets Held for Sale and Discontinued Operations

Dear Mr Upton,

The European Securities and Markets Authority (ESMA) thanks you for the opportunity to respond to the IFRS Interpretations Committee's (IFRS IC) publication in the September 2015 IFRIC Update of a series of tentative agenda decisions related to the implementation issues arising from the application of IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations.* We are pleased to provide you with the following comments with the aim of improving the c9nsistent application and enforceability of IFRSs.

ESMA has considered the IFRS IC's tentative decision not to add to its agenda various application issues relating to the requirements of IFRS 5, and to wait until completion of the 2015 Agenda Consultation before further discussing them. These issues relate to:

- **scope:** whether IFRS 5 does apply to the loss of control in situations other than a loss of control through outright sale; and the accounting for disposal groups consisting mainly of financial instruments;

- **measurement:** how to account for situations where the difference between the carrying amount and the fair value less costs to sell of a disposal group exceeds the carrying amount of non-current assets in the disposal group; and whether the recognised impairment on assets including goodwill limits the amount of impairment reversal that can be recognised against other assets in the disposal group;

- **presentation:** how to apply the definition of 'discontinued operation' especially with regard to the notion of 'separate major line of business or geographical area of operations';

- the **timing** for recognising remeasurement adjustments on non-current assets held for sale and discontinued operations in situations where there is a change in the disposal plan of a disposal group that consists of both a subsidiary and other non-current assets.

Many of these issues have been identified as part of European enforcer's enforcement activities and ESMA's coordination activities [1] and we are of the view that the absence of certain definitions in IFRS 5, together with the lack of implementation guidance results in different practices when classifying and measuring non-current assets held for sale and discontinued operations.

As the issues mentioned above potentially impair the relevance, comparability and understandability of financial statements and pose significant challenges in the enforcement of financial information, ESMA strongly encourages the IFRS IC to recommend the IASB to undertake a fundamental review of the existing standard. As set out in ESMA's response to the IASB's Request for Views on the 2015 Agenda Consultation[2], this could be done either in the form of a research project or a post-implementation review.

Furthermore, ESMA specifically notes the IFRS IC's tentative decision not to add to its agenda the request to clarify how to present intragroup transactions between continuing and discontinued operations. Whilst we agree with the technical analysis, ESMA is concerned that the information provided in the statement of profit or loss and other comprehensive income may in some cases not result in useful information for assessing the financial effects of discontinued operations. ESMA recommends that the Interpretations Committee brings this issue to the IASB's attention with a request to address the issue further. ESMA notes and welcomes that in the draft agenda decision, the IFRS IC emphasises that "depending on the entity's facts and circumstances, it may have to provide additional disclosures in the notes to the financial statements in order to enable users to evaluate the financial effects of discontinued operations".

We would be happy to discuss these issues further with you.

Yours sincerely,

Steven Maijoor

[1] Letter to the IFRS IC, Agenda item request: Issues related to the application of IFRS 5 – Non-current assets held for sale and discontinued operations, 2 December 2013, ESMA/2013/1773

[2] Letter to the IASB, ESMA Response to the IASB Agenda Consultation, November 2015, Ref. ESMA/2015/1740