

**ACCOUNTING STANDARD**

**AASB 5**  
July 2004

# **Non-current Assets Held for Sale and Discontinued Operations**



**Australian Government**

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**Australian Accounting  
Standards Board**

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BASIS FOR CONCLUSIONS ON IFRS 5

(available to AASB online subscribers or through the IASB)

Australian Accounting Standard AASB 5 *Non-current Assets Held for Sale and Discontinued Operations* is set out in paragraphs 1 – 42 and in Appendices A – B. All the paragraphs have equal authority. Paragraphs in **bold type** state the main principles. Terms defined in this Standard are in *italics* the first time they appear in the Standard. AASB 5 is to be read in the context of other Australian Accounting Standards, including AASB 1048 *Interpretation and Application of Standards*, which identifies the Australian Accounting Interpretations. In the absence of explicit guidance, AASB 108 *Accounting Policies, Changes in Accounting Estimates and Errors* provides a basis for selecting and applying accounting policies.

## **PREFACE**

### **Reasons for Issuing AASB 5**

The Australian Accounting Standards Board (AASB) is implementing the Financial Reporting Council's policy of adopting the Standards of the International Accounting Standards Board (IASB) for application to reporting periods beginning on or after 1 January 2005. The AASB has decided it will continue to issue sector-neutral Standards, that is, Standards applicable to both for-profit and not-for-profit entities, including public sector entities. Except for Standards that are specific to the not-for-profit or public sectors or that are of a purely domestic nature, the AASB is using the IASB Standards as the "foundation" Standards to which it adds material detailing the scope and applicability of a Standard in the Australian environment. Additions are made, where necessary, to broaden the content to cover sectors not addressed by an IASB Standard and domestic, regulatory or other issues.

The IASB defines International Financial Reporting Standards (IFRSs) as comprising:

- (a) International Financial Reporting Standards;
- (b) International Accounting Standards; and
- (c) Interpretations originated by the International Financial Reporting Interpretations Committee (IFRIC) or the former Standing Interpretations Committee (SIC).

The Australian equivalents to IFRSs are:

- (a) Accounting Standards issued by the AASB that are equivalent to Standards issued by the IASB, being AASBs 1 – 99 corresponding to the IFRS series and AASBs 101 – 199 corresponding to the IAS series; and
- (b) Interpretations issued by the AASB corresponding to the Interpretations adopted by the IASB, as listed in AASB 1048 *Interpretation and Application of Standards*.

## **Main Features of this Standard**

### **Application Date**

This Standard is applicable to annual reporting periods beginning on or after 1 January 2005. To promote comparability among the financial reports of Australian entities, early adoption of this Standard is not permitted.

### **First-time Application and Comparatives**

Application of this Standard will begin in the first annual reporting period beginning on or after 1 January 2005 in the context of adopting all Australian equivalents to IFRSs. The requirements of AASB 1 *First-time Adoption of Australian Equivalents to International Financial Reporting Standards*, the Australian equivalent of IFRS 1 *First-time Adoption of International Financial Reporting Standards*, must be observed. AASB 1 requires prior period information, presented as comparative information, to be restated as if the requirements of this Standard had always applied. This differs from previous Australian requirements where changes in accounting policies did not require the restatement of the income statement and balance sheet of the preceding period.

### **Main Requirements**

This Standard:

- (a) adopts the classification “held for sale”;
- (b) introduces the concept of a “disposal group”, being a group of assets to be disposed of, by sale or otherwise, together as a group in a single transaction, and liabilities directly associated with those assets that will be transferred in the transaction;
- (c) specifies that assets or disposal groups that are classified as held for sale are carried at the lower of carrying amount and fair value less costs to sell;
- (d) specifies that an asset classified as held for sale, or included within a disposal group that is classified as held for sale, is not depreciated;
- (e) specifies that an asset classified as held for sale, and the assets and liabilities included within a disposal group classified as held for sale, are presented separately on the face of the balance sheet;

- (f) classifies an operation as a discontinued operation at the date when the operation meets the criteria to be classified as held for sale or when the entity has actually disposed of the operation;
- (g) requires the results of the discontinued operation to be shown separately on the face of the income statement; and
- (h) prohibits the classification of an operation as discontinued at the reporting date, when the criteria for that classification are met after the reporting date and before the authorisation of the financial report for issue.

## **COMPARISON WITH INTERNATIONAL PRONOUNCEMENTS**

### **AASB 5 and IFRS 5**

AASB 5 is equivalent to IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* issued by the IASB. Paragraphs that have been added to this Standard (and do not appear in the text of the equivalent IASB standard) are identified with the prefix “Aus”, followed by the number of the relevant IASB paragraph and decimal numbering.

### **Compliance with IFRS 5**

Entities that comply with AASB 5 will simultaneously be in compliance with IFRS 5, except for government departments that restructure administrative arrangements or administered activities.

### **AASB 5 and IPSASs**

International Public Sector Accounting Standards (IPSASs) are issued by the Public Sector Committee of the International Federation of Accountants.

There is no specific IPSAS dealing with the measurement of non-current assets to be disposed of or the presentation of discontinued operations at present.

## ACCOUNTING STANDARD AASB 5

The Australian Accounting Standards Board makes Accounting Standard AASB 5 *Non-current Assets Held for Sale and Discontinued Operations* under section 334 of the *Corporations Act 2001*.

Dated 15 July 2004

D.G. Boymal  
Chair – AASB

## ACCOUNTING STANDARD AASB 5

### ***NON-CURRENT ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS***

#### **Objective**

- 1 The objective of this Standard is to specify the accounting for assets held for sale, and the presentation and disclosure of *discontinued operations*. In particular, the Standard requires:
  - (a) assets that meet the criteria to be classified as held for sale to be measured at the lower of carrying amount and *fair value* less *costs to sell*, and depreciation on such assets to cease; and
  - (b) assets that meet the criteria to be classified as held for sale to be presented separately on the face of the balance sheet and the results of discontinued operations to be presented separately in the income statement.

#### **Application**

**Aus1.1 This Standard applies to:**

- (a) **each entity that is required to prepare financial reports in accordance with Part 2M.3 of the Corporations Act and that is a reporting entity;**
- (b) **general purpose financial reports of each other reporting entity; and**
- (c) **financial reports that are, or are held out to be, general purpose financial reports.**

- Aus1.2** This Standard applies to annual reporting periods beginning on or after 1 January 2005.
- Aus1.3** This Standard shall not be applied to annual reporting periods beginning before 1 January 2005.
- Aus1.4** The requirements specified in this Standard apply to the financial report where information resulting from their application is material in accordance with AASB 1031 *Materiality*.
- Aus1.5** When applicable, this Standard supersedes AASB 1042 *Discontinuing Operations* as notified in the *Commonwealth of Australia Gazette* No S 456, 22 August 2000.
- Aus1.6** AASB 1042 remains applicable until superseded by this Standard.
- Aus1.7** Notice of this Standard was published in the *Commonwealth of Australia Gazette* No S 294, 22 July 2004.
- Aus1.8** A requirement in an Australian Accounting Standard to restate comparative information does not, of itself, give rise to a requirement to replace the original financial report for the preceding period.

## Scope

- 2 The classification and presentation requirements of this Standard apply to all recognised *non-current assets*<sup>1</sup> and to all *disposal groups* of an entity. The measurement requirements of this Standard apply to all recognised non-current assets and disposal groups (as set out in paragraph 4), except for those assets listed in paragraph 5 which shall continue to be measured in accordance with the Standard noted.

- Aus2.1** The requirements in this Standard do not apply to:
- (a) the restructuring of administrative arrangements of government departments; and
  - (b) the restructuring of administered activities of government departments.

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<sup>1</sup> For assets classified according to a liquidity presentation, non-current assets are assets that include amounts expected to be recovered more than twelve months after the reporting date. Paragraph 3 applies to the classification of such assets.

- Aus2.2 AAS 29 *Financial Reporting by Government Departments* includes requirements for the disclosure of assets, liabilities, items of equity, revenues and expenses resulting from the restructuring of administrative arrangements between government departments.
- Aus2.3 An administered activity of a government department does not give rise to revenues and expenses of the department reporting the administered activity and therefore, from the point of view of the department, the discontinuance of an administered activity does not give rise to a discontinued operation. However, if a government were to discontinue an activity that one of its departments had disclosed as an administered activity, from the point of view of that government the discontinuance may constitute a discontinued operation.
- Aus2.4 Although AAS 27 *Financial Reporting by Local Governments* contains requirements relating to the restructuring of local governments, these requirements only apply to the local government receiving assets or liabilities as a result of the restructuring. This Standard applies to the local government transferring assets and liabilities where the restructuring results in a discontinued operation of the transferor local government.
- 3 Assets classified as non-current in accordance with AASB 101 *Presentation of Financial Statements* shall not be reclassified as *current assets* until they meet the criteria to be classified as held for sale in accordance with this Standard. Assets of a class that an entity would normally regard as non-current that are acquired exclusively with a view to resale shall not be classified as current unless they meet the criteria to be classified as held for sale in accordance with this Standard.
- 4 Sometimes an entity disposes of a group of assets, possibly with some directly associated liabilities, together in a single transaction. Such a disposal group may be a group of *cash-generating units*, a single cash-generating unit, or part of a cash-generating unit<sup>2</sup>. The group may include any assets and any liabilities of the entity, including current assets, current liabilities and assets excluded by paragraph 5 from the measurement requirements of this Standard. If a non-current asset within the scope of the measurement requirements of this Standard is part of a disposal group, the measurement requirements of this Standard apply to the group as a whole, so that the group is measured

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2 However, once the cash flows from an asset or group of assets are expected to arise principally from sale rather than continuing use, they become less dependent on cash flows arising from other assets, and a disposal group that was part of a cash-generating unit becomes a separate cash-generating unit.

at the lower of its carrying amount and fair value less costs to sell. The requirements for measuring the individual assets and liabilities within the disposal group are set out in paragraphs 18, 19 and 23.

- 5 The measurement provisions of this Standard<sup>3</sup> do not apply to the following assets, which are covered by the Australian Accounting Standards listed, either as individual assets or as part of a disposal group:
- (a) deferred tax assets (AASB 112 *Income Taxes*);
  - (b) assets arising from employee benefits (AASB 119 *Employee Benefits*);
  - (c) financial assets within the scope of AASB 139 *Financial Instruments: Recognition and Measurement*;
  - (d) non-current assets that are accounted for in accordance with the fair value model in AASB 140 *Investment Property*;
  - (e) non-current assets that are measured at fair value less estimated point-of-sale costs in accordance with AASB 141 *Agriculture*; and
  - (f) contractual rights under insurance contracts as defined in AASB 4 *Insurance Contracts*.

## **Classification of Non-current Assets (or Disposal Groups) as Held for Sale**

- 6 **An entity shall classify a non-current asset (or disposal group) as held for sale if its carrying amount will be recovered principally through a sale transaction rather than through continuing use.**
- 7 For this to be the case, the asset (or disposal group) must be available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such assets (or disposal groups) and its sale must be *highly probable*.
- 8 For the sale to be highly *probable*, the appropriate level of management must be committed to a plan to sell the asset (or disposal group), and an active program to locate a buyer and complete the plan must have been initiated. Further, the asset (or disposal group) must be

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<sup>3</sup> Other than paragraphs 18 and 19, which require the assets in question to be measured in accordance with other applicable Australian Accounting Standards.

actively marketed for sale at a price that is reasonable in relation to its current fair value. In addition, the sale should be expected to qualify for recognition as a completed sale within one year from the date of classification, except as permitted by paragraph 9, and actions required to complete the plan should indicate that it is unlikely that significant changes to the plan will be made or that the plan will be withdrawn.

- 9 Events or circumstances may extend the period to complete the sale beyond one year. An extension of the period required to complete a sale does not preclude an asset (or disposal group) from being classified as held for sale if the delay is caused by events or circumstances beyond the entity's control and there is sufficient evidence that the entity remains committed to its plan to sell the asset (or disposal group). This will be the case when the criteria in Appendix B are met.
- 10 Sale transactions include exchanges of non-current assets for other non-current assets when the exchange has commercial substance in accordance with AASB 116 *Property, Plant and Equipment*.
- 11 When an entity acquires a non-current asset (or disposal group) exclusively with a view to its subsequent disposal, it shall classify the non-current asset (or disposal group) as held for sale at the acquisition date only if the one-year requirement in paragraph 8 is met (except as permitted by paragraph 9) and it is highly probable that any other criteria in paragraphs 7 and 8 that are not met at that date will be met within a short period following the acquisition (usually within three months).
- 12 If the criteria in paragraphs 7 and 8 are met after the reporting date, an entity shall not classify a non-current asset (or disposal group) as held for sale in the financial report when issued. However, when those criteria are met after the reporting date but before the authorisation of the financial report for issue, the entity shall disclose the information specified in paragraph 41(a), (b) and (d) in the notes.

### **Non-current assets that are to be abandoned**

- 13 An entity shall not classify as held for sale a non-current asset (or disposal group) that is to be abandoned. This is because its carrying amount will be recovered principally through continuing use. However, if the disposal group to be abandoned meets the criteria in paragraph 32(a)-(c), the entity shall present the results and cash flows of the disposal group as discontinued operations in accordance with paragraphs 33 and 34 at the date on which it ceases to be used. Non-current assets (or disposal groups) to be abandoned include non-current assets (or disposal groups) that are to be used to the end of

their economic life and non-current assets (or disposal groups) that are to be closed rather than sold.

- 14 An entity shall not account for a non-current asset that has been temporarily taken out of use as if it had been abandoned.

## **Measurement of a Non-current Assets (or Disposal Group) Classified as Held for Sale**

### **Measurement of a non-current asset (or disposal group)**

- 15 **An entity shall measure a non-current asset (or disposal group) classified as held for sale at the lower of its carrying amount and fair value less costs to sell.**
- 16 If a newly acquired asset (or disposal group) meets the criteria to be classified as held for sale (see paragraph 11), applying paragraph 15 will result in the asset (or disposal group) being measured on initial recognition at the lower of its carrying amount had it not been so classified (for example, cost) and fair value less costs to sell. Hence, if the asset (or disposal group) is acquired as part of a business combination, it shall be measured at fair value less costs to sell.
- 17 When the sale is expected to occur beyond one year, the entity shall measure the costs to sell at their present value. Any increase in the present value of the costs to sell that arises from the passage of time shall be presented in profit or loss as a financing cost.
- 18 Immediately before the initial classification of the asset (or disposal group) as held for sale, the carrying amounts of the asset (or all the assets and liabilities in the group) shall be measured in accordance with applicable Australian Accounting Standards.
- 19 On subsequent remeasurement of a disposal group, the carrying amounts of any assets and liabilities that are not within the scope of the measurement requirements of this Standard, but are included in a disposal group classified as held for sale, shall be remeasured in accordance with applicable Australian Accounting Standards before the fair value less costs to sell of the disposal group is remeasured.

### **Recognition of impairment losses and reversals**

- 20 An entity shall recognise an impairment loss for any initial or subsequent write-down of the asset (or disposal group) to fair value less costs to sell, to the extent that it has not been recognised in accordance with paragraph 19.

- 21 An entity shall recognise a gain for any subsequent increase in fair value less costs to sell of an asset, but not in excess of the cumulative impairment loss that has been recognised either in accordance with this Standard or previously in accordance with AASB 136 *Impairment of Assets*.
- 22 An entity shall recognise a gain for any subsequent increase in fair value less costs to sell of a disposal group:
- (a) to the extent that it has not been recognised in accordance with paragraph 19; but
  - (b) not in excess of the cumulative impairment loss that has been recognised, either in accordance with this Standard or previously in accordance with AASB 136, on the non-current assets that are within the scope of the measurement requirements of this Standard.
- 23 The impairment loss (or any subsequent gain) recognised for a disposal group shall reduce (or increase) the carrying amount of the non-current assets in the group that are within the scope of the measurement requirements of this Standard, in the order of allocation set out in paragraphs 104(a) and (b) and 122 of AASB 136.
- 24 A gain or loss not previously recognised by the date of the sale of a non-current asset (or disposal group) shall be recognised at the date of derecognition. Requirements relating to derecognition are set out in:
- (a) paragraphs 67-72 of AASB 116 for property, plant and equipment; and
  - (b) paragraphs 112-117 of AASB 138 *Intangible Assets* for intangible assets.
- 25 An entity shall not depreciate (or amortise) a non-current asset while it is classified as held for sale or while it is part of a disposal group classified as held for sale. Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale shall continue to be recognised.

### **Changes to a plan of sale**

- 26 If an entity has classified an asset (or disposal group) as held for sale, but the criteria in paragraphs 7-9 are no longer met, the entity shall cease to classify the asset (or disposal group) as held for sale.

- 27 The entity shall measure a non-current asset that ceases to be classified as held for sale (or ceases to be included in a disposal group classified as held for sale) at the lower of:
- (a) its carrying amount before the asset (or disposal group) was classified as held for sale, adjusted for any depreciation, amortisation or revaluations that would have been recognised had the asset (or disposal group) not been classified as held for sale; and
  - (b) its *recoverable amount* at the date of the subsequent decision not to sell.<sup>4</sup>
- 28 The entity shall include any required adjustment to the carrying amount of a non-current asset that ceases to be classified as held for sale in income<sup>5</sup> from continuing operations in the period in which the criteria in paragraphs 7-9 are no longer met. The entity shall present that adjustment in the same income statement caption used to present a gain or loss, if any, recognised in accordance with paragraph 37.
- 29 If an entity removes an individual asset or liability from a disposal group classified as held for sale, the remaining assets and liabilities of the disposal group to be sold shall continue to be measured as a group only if the group meets the criteria in paragraphs 7-9. Otherwise, the remaining non-current assets of the group that individually meet the criteria to be classified as held for sale shall be measured individually at the lower of their carrying amounts and fair values less costs to sell at that date. Any non-current assets that do not meet the criteria shall cease to be classified as held for sale in accordance with paragraph 26.

## Presentation and Disclosure

- 30 An entity shall present and disclose information that enables users of the financial report to evaluate the financial effects of discontinued operations and disposals of non-current assets (or disposal groups).**

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4 If the non-current asset is part of a cash-generating unit, its recoverable amount is the carrying amount that would have been recognised after the allocation of any impairment loss arising on that cash-generating unit in accordance with AASB 136.

5 Unless the asset is property, plant and equipment or an intangible asset that had been revalued in accordance with AASB 116 or AASB 138 before classification as held for sale, in which case the adjustment shall be treated as a revaluation increase or decrease.

## Presenting discontinued operations

- 31 A *component of an entity* comprises operations and cash flows that can be clearly distinguished, operationally and for financial reporting purposes, from the rest of the entity. In other words, a component of an entity will have been a cash-generating unit or a group of cash-generating units while being held for use.
- 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.
- 33 An entity shall disclose:
- (a) a single amount on the face of the income statement 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) an analysis of the single 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 AASB 112;
    - (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 AASB 112.

The analysis may be presented in the notes or on the face of the income statement. If it is presented on the face of the income statement it shall be presented in a section identified as relating to discontinued operations, that is, 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 (see paragraph 11).

- (c) the net cash flows attributable to the operating, investing and financing activities of discontinued operations. These disclosures may be presented either in the notes or on the face of the financial statements. These disclosures are not required for disposal groups that are newly acquired subsidiaries that meet the criteria to be classified as held for sale on acquisition (see paragraph 11).

- 34 An entity shall re-present the disclosures in paragraph 33 for prior periods presented in the financial report so that the disclosures relate to all operations that have been discontinued by the reporting date for the latest period presented.
- 35 Adjustments in the current period to amounts previously presented in discontinued operations that are directly related to the disposal of a discontinued operation in a prior period shall be classified separately in discontinued operations. The nature and amount of such adjustments shall be disclosed. Examples of circumstances in which these adjustments may arise include the following:
  - (a) the resolution of uncertainties that arise from the terms of the disposal transaction, such as the resolution of purchase price adjustments and indemnification issues with the purchaser;
  - (b) the resolution of uncertainties that arise from and are directly related to the operations of the component before its disposal, such as environmental and product warranty obligations retained by the seller; and
  - (c) the settlement of employee benefit plan obligations, provided that the settlement is directly related to the disposal transaction.
- 36 If an entity ceases to classify a component of an entity as held for sale, the results of operations of the component previously presented in discontinued operations in accordance with paragraphs 33-35 shall be reclassified and included in income from continuing operations for all periods presented. The amounts for prior periods shall be described as having been re-presented.

### **Gains or losses relating to continuing operations**

- 37 Any gain or loss on the remeasurement of a non-current asset (or disposal group) classified as held for sale that does not meet the definition of a discontinued operation shall be included in profit or loss from continuing operations.

### **Presentation of a non-current asset or disposal group classified as held for sale**

- 38 An entity shall present a non-current asset classified as held for sale and the assets of a disposal group classified as held for sale separately from other assets in the balance sheet. The liabilities of a disposal group classified as held for sale shall be presented separately from other liabilities in the balance sheet. Those assets and liabilities shall not be offset and presented as a single amount. The major classes of assets and liabilities classified as held for sale shall be separately disclosed either on the face of the balance sheet or in the notes, except as permitted by paragraph 39. An entity shall present separately any cumulative income or expense recognised directly in equity relating to a non-current asset (or disposal group) classified as held for sale.
- 39 If the disposal group is a newly acquired subsidiary that meets the criteria to be classified as held for sale on acquisition (see paragraph 11), disclosure of the major classes of assets and liabilities is not required.
- 40 An entity shall not reclassify or re-present amounts presented for non-current assets or for the assets and liabilities of disposal groups classified as held for sale in the balance sheets for prior periods to reflect the classification in the balance sheet for the latest period presented.

### **Additional disclosures**

- 41 An entity shall disclose the following information in the notes in the period in which a non-current asset (or disposal group) has been either classified as held for sale or sold:
- (a) a description of the non-current asset (or disposal group);
  - (b) a description of the facts and circumstances of the sale, or leading to the expected disposal, and the expected manner and timing of that disposal;

- (c) the gain or loss recognised in accordance with paragraphs 20-22 and, if not separately presented on the face of the income statement, the caption in the income statement that includes that gain or loss; and
- (d) if applicable, the segment in which the non-current asset (or disposal group) is presented in accordance with AASB 114 *Segment Reporting*.

42 If either paragraph 26 or paragraph 29 applies, an entity shall disclose, in the period of the decision to change the plan to sell the non-current asset (or disposal group), a description of the facts and circumstances leading to the decision and the effect of the decision on the results of operations for the period and any prior periods presented.

### **Transitional Provisions**

43 [Deleted by the AASB]

### **Effective Date of IFRS 5**

44 [Deleted by the AASB]

### **Withdrawal of IAS 35**

45 [Deleted by the AASB]

## **APPENDIX A**

### **DEFINED TERMS**

*This appendix is an integral part of AASB 5.*

<b>cash-generating unit</b>	The smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets.
<b>component of an entity</b>	Operations and cash flows that can be clearly distinguished, operationally and for financial reporting purposes, from the rest of the entity.
<b>costs to sell</b>	The incremental costs directly attributable to the disposal of an asset (or <b>disposal group</b> ), excluding finance costs and income tax expense.
<b>current asset</b>	An asset that satisfies any of the following criteria: <ul style="list-style-type: none"><li>(a) it is expected to be realised in, or is intended for sale or consumption in, the entity's normal operating cycle;</li><li>(b) it is held primarily for the purpose of being traded;</li><li>(c) it is expected to be realised within twelve months after the reporting date; or</li><li>(d) it is cash or a cash equivalent asset unless it is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting date.</li></ul>

<b>discontinued operation</b>	<p>A <b>component of an entity</b> that either has been disposed of or is classified as held for sale and:</p> <ul style="list-style-type: none"> <li>(a) represents a separate major line of business or geographical area of operations;</li> <li>(b) is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations; or</li> <li>(c) is a subsidiary acquired exclusively with a view to resale.</li> </ul>
<b>disposal group</b>	<p>A group of assets to be disposed of, by sale or otherwise, together as a group in a single transaction, and liabilities directly associated with those assets that will be transferred in the transaction. The group includes goodwill acquired in a business combination if the group is a <b>cash-generating unit</b> to which goodwill has been allocated in accordance with the requirements of paragraphs 80-87 of AASB 136 <i>Impairment of Assets</i> or if it is an operation within such a cash-generating unit.</p>
<b>fair value</b>	<p>The amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.</p>
<b>firm purchase commitment</b>	<p>An agreement with an unrelated party, binding on both parties and usually legally enforceable, that (a) specifies all significant terms, including the price and timing of the transactions, and (b) includes a disincentive for non-performance that is sufficiently large to make performance <b>highly probable</b>.</p>
<b>highly probable</b>	<p>Significantly more likely than <b>probable</b>.</p>
<b>non-current asset</b>	<p>An asset that does not meet the definition of a <b>current asset</b>.</p>
<b>probable</b>	<p>More likely than not.</p>

<b>recoverable amount</b>	The higher of an asset's <b>fair value</b> less <b>costs to sell</b> and its <b>value in use</b> .
<b>value in use</b> <sup>1</sup>	The present value of estimated future cash flows expected to arise from the continuing use of an asset and from its disposal at the end of its useful life.

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<sup>1</sup> Not-for-profit entities should refer to AASB 136 *Impairment of Assets* when the future economic benefits of an asset are not primarily dependent on the asset's ability to generate net cash inflows.

## **APPENDIX B**

### **APPLICATION SUPPLEMENT**

*This appendix is an integral part of AASB 5.*

#### **Extension of the period required to complete a sale**

- B1 As noted in paragraph 9, an extension of the period required to complete a sale does not preclude an asset (or disposal group) from being classified as held for sale if the delay is caused by events or circumstances beyond the entity's control and there is sufficient evidence that the entity remains committed to its plan to sell the asset (or disposal group). An exception to the one-year requirement in paragraph 8 shall therefore apply in the following situations in which such events or circumstances arise:
- (a) at the date an entity commits itself to a plan to sell a non-current asset (or disposal group) it reasonably expects that others (not a buyer) will impose conditions on the transfer of the asset (or disposal group) that will extend the period required to complete the sale, and:
    - (i) actions necessary to respond to those conditions cannot be initiated until after a *firm purchase commitment* is obtained; and
    - (ii) a firm purchase commitment is highly probable within one year;
  - (b) an entity obtains a firm purchase commitment and, as a result, a buyer or others unexpectedly impose conditions on the transfer of a non-current asset (or disposal group) previously classified as held for sale that will extend the period required to complete the sale, and:
    - (i) timely actions necessary to respond to the conditions have been taken; and
    - (ii) a favourable resolution of the delaying factors is expected;
  - (c) during the initial one-year period, circumstances arise that were previously considered unlikely and, as a result, a non-current asset (or disposal group) previously classified as held for sale is not sold by the end of that period, and:

- (i) during the initial one-year period the entity took action necessary to respond to the change in circumstances;
- (ii) the non-current asset (or disposal group) is being actively marketed at a price that is reasonable, given the change in circumstances; and
- (iii) the criteria in paragraphs 7 and 8 are met.