

AASB 5 Non-current Assets Held for Sale and Discontinued Operations vs. IFRS for SMEs

1. Executive Summary

Main differences in recognition, measurement or presentation requirements

The *IFRS for SMEs* does not include any particular accounting requirements for Non-current Assets Held for Sale and Discontinued Operations. An entity applying AASB 5 is required to 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, and measure a non-current asset (or disposal group) classified as held for distribution to owners at the lower of its carrying amount and fair value less costs to distribute. An entity applying the *IFRS for SMEs*, depending on the circumstances, may or may not measure them in the same manner.

Disclosure proposals

It is proposed to exclude paragraphs 12 (second sentence), 33(b), 33(d), 35 (second and third sentences), 41(d) and 42 from the Reduced Disclosure Regime (RDR).

2. Analysis of disclosure requirements

Text in AASB 5 <i>Non-current Assets Held for Sale and Discontinued Operations</i>	Comment
<p>12 If the criteria in paragraphs 7 and 8 are met after the end of the reporting period, an entity shall not classify a non-current asset (or disposal group) as held for sale in those financial statements when issued. However, when those criteria are met after the end of the reporting period but before the authorisation of the financial statements for issue, the entity shall disclose the information specified in paragraph 41(a), (b) and (d) in the notes.</p>	<p>The first sentence of paragraph 12 provides context but does not add disclosure requirements and, consistent with paragraph IN7 of this Appendix, should be retained in the RDR.</p> <p>The second sentence of paragraph 12 has no equivalent in the <i>IFRS for SMEs</i>. Based on an assessment of user needs in the context of the entities likely to apply the RDR, and consistent with paragraph IN5 of this Appendix, the second sentence of paragraph 12 should be excluded from the RDR.</p>
<p>Presentation and Disclosure</p> <p>30 An entity shall present and disclose information that enables users of the financial statements to evaluate the financial effects of discontinued operations and disposals of non-current assets (or disposal groups).</p>	<p>Based on an assessment of user needs and the significance of this information in the context of the requirement to separately classify discontinued operations and disposals of non-current assets, and consistent with paragraph IN5 of this Appendix, paragraph 30 should be retained in the RDR.</p>
<p>Presenting Discontinued Operations</p> <p>31 <i>A component of an entity</i> 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.</p>	<p>Paragraph 31 provides guidance on paragraph 33 but does not add disclosure requirements and, consistent with paragraph IN7 of this Appendix, should be retained in the RDR.</p>
<p>32 A discontinued operation is a component of an entity that either has been disposed of, or is classified as held for sale, and:</p> <ul style="list-style-type: none"> (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. 	<p>Paragraph 32 provides guidance but does not add disclosure requirements and, consistent with paragraph IN7 of this Appendix, should be retained in the RDR.</p>
<p>33 An entity shall disclose:</p>	<p>Paragraph 33(a) is considered to relate to classification rather than disclosure and is equivalent to paragraph 5.5(e) of the <i>IFRS for</i></p>

Text in AASB 5 <i>Non-current Assets Held for Sale and Discontinued Operations</i>	Comment
<p>(a) a single amount in the statement of comprehensive income comprising the total of:</p> <ul style="list-style-type: none"> (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; <p>(b) an analysis of the single amount in (a) into:</p> <ul style="list-style-type: none"> (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. <p>The analysis may be presented in the notes or in the statement of comprehensive income. If it is presented in the statement of comprehensive income 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).</p> <p>(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 in 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).</p> <p>(d) the amount of income from continuing operations and from</p>	<p><i>SMEs</i>. Its inclusion in the <i>IFRS for SMEs</i> is also an indication that it provides useful information that should not be excluded on cost-benefit grounds.</p> <p>Paragraph 33(a) should be retained in the RDR. Paragraph 33(b) requires disclosures about the paragraph 33(a) classification. Based on an assessment of the costs and benefits of the disclosures required by 33(b), and consistent with paragraph IN5 of this Appendix, paragraph 33(b) should be excluded from the RDR.</p> <p>Paragraph 33(c) is considered to relate to classification rather than disclosure and, consistent with paragraph IN9 of this Appendix, should be retained in the RDR.</p> <p>Paragraph 33(d) is a further disclosure about the paragraph 33(a) classification. Based on an assessment of the costs and benefits of the disclosures required by 33(d), and consistent with paragraph IN5 of this Appendix, paragraph 33(b) should be excluded from the RDR.</p>

Text in AASB 5 <i>Non-current Assets Held for Sale and Discontinued Operations</i>	Comment
<p>discontinued operations attributable to owners of the parent. These disclosures may be presented either in the notes or in the statement of comprehensive income</p>	
<p>33A If an entity presents the components of profit or loss in a separate income statement as described in paragraph 81 of AASB 101 (as revised in 2007), a section identified as relating to discontinued operations is presented in that separate statement.</p>	<p>Paragraph 33A is considered to relate to classification rather than disclosure and, consistent with paragraph IN9 of this Appendix, should be retained in the RDR.</p>
<p>34 An entity shall re-present the disclosures in paragraph 33 for prior periods presented in the financial statements so that the disclosures relate to all operations that have been discontinued by the end of the reporting period for the latest period presented.</p>	<p>Paragraph 34 is considered to relate to classification rather than disclosure and, consistent with paragraph IN9 of this Appendix, should be retained in the RDR.</p>
<p>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:</p> <ul style="list-style-type: none"> (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. 	<p>The first sentence of paragraph 35 is considered to relate to classification rather than disclosure and, consistent with paragraph IN9 of this Appendix, should be retained in the RDR.</p> <p>Based on an assessment of the costs and benefits of the disclosures required by the second and third sentences of paragraph 35, and consistent with paragraph IN5 of this Appendix, they should be excluded from the RDR.</p>
<p>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</p>	<p>Paragraph 36 is considered to relate to classification rather than disclosure and, consistent with paragraph IN9 of this Appendix, should be retained in the RDR.</p>

Text in AASB 5 <i>Non-current Assets Held for Sale and Discontinued Operations</i>	Comment
amounts for prior periods shall be described as having been re-presented.	
36A An entity that is committed to a sale plan involving loss of control of a subsidiary shall disclose the information required in paragraphs 33-36 when the subsidiary is a disposal group that meets the definition of a discontinued operation in accordance with paragraph 32.	Paragraph 36A provides guidance about requirements retained in the RDR but does not add disclosure requirements and, consistent with paragraph IN7 of this Appendix, should be retained in the RDR.
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.	Paragraph 37 is considered to relate to classification rather than disclosure and, consistent with paragraph IN9 of this Appendix, should be retained in the RDR.
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 statement of financial position. The liabilities of a disposal group classified as held for sale shall be presented separately from other liabilities in the statement of financial position. 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 in the statement of financial position or in the notes, except as permitted by paragraph 39. An entity shall present separately any cumulative income or expense recognised in other comprehensive income relating to a non-current asset (or disposal group) classified as held for sale.	Paragraph 38 is considered to relate to classification rather than disclosure and, consistent with paragraph IN9 of this Appendix, should be retained in the RDR.
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	Paragraph 39 is considered to relate to classification rather than disclosure and, consistent with paragraph IN9 of this Appendix, should be retained in the RDR.
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 statements of financial position for prior periods to reflect the	Paragraph 40 is considered to relate to classification rather than disclosure and, consistent with paragraph IN9 of this Appendix, should be retained in the RDR.

Text in AASB 5 <i>Non-current Assets Held for Sale and Discontinued Operations</i>	Comment
<p>classification in the statement of financial position for the latest period presented.</p>	
<p>Additional disclosures</p> <p>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:</p> <ul style="list-style-type: none"> (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 in the statement of comprehensive income, the caption in the statement of comprehensive income that includes that gain or loss; and (d) if applicable, the reportable segment in which the non-current asset (or disposal group) is presented in accordance with AASB 8 Operating Segments. 	<p>The disclosures in paragraphs 41(a), 41(b) and 41(c) are considered to be particularly useful in providing a context for the classifications required by AASB 5 and unlikely to involve significant costs. Consistent with paragraph IN5 of this Appendix, paragraphs 41(a), 41(b) and 41(c) should be retained in the RDR.</p> <p>Since AASB 8 is not included in the RDR, paragraph 41(d) should be excluded from the RDR.</p>
<p>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.</p>	<p>Based on a cost-benefit assessment, and consistent with paragraph IN5 of this Appendix, paragraph 42 should be excluded from the RDR.</p>

3. AASB 5 *Non-current Assets Held for Sale and Discontinued Operations*: Text of Proposed Disclosures

The following are the disclosure requirements of AASB 5 *Non-current Assets Held for Sale and Discontinued Operations*, showing requirements from which it is proposed entities applying the RDR should be exempt as shaded text.

- 12 If the criteria in paragraphs 7 and 8 are met after the end of the reporting period, an entity shall not classify a non-current asset (or disposal group) as held for sale in those financial statements when issued. However, when those criteria are met after the end of the reporting period but before the authorisation of the financial statements for issue, the entity shall disclose the information specified in paragraph 41(a), (b) and (d) in the notes.

Presentation and Disclosure

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

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 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;
 - (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 in the statement of comprehensive income. If it is presented in the statement of comprehensive income 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 in 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).

- (d) the amount of income from continuing operations and from discontinued operations attributable to owners of the parent. These disclosures may be presented either in the notes or in the statement of comprehensive income

- 33A If an entity presents the components of profit or loss in a separate income statement as described in paragraph 81 of AASB 101 (as revised in 2007), a section identified as relating to discontinued operations is presented in that separate statement.
- 34 An entity shall re-present the disclosures in paragraph 33 for prior periods presented in the financial statements so that the disclosures relate to all operations that have been discontinued by the end of the reporting period 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.
- 36A An entity that is committed to a sale plan involving loss of control of a subsidiary shall disclose the information required in paragraphs 33-36 when the subsidiary is a disposal group that meets the definition of a discontinued operation in accordance with paragraph 32.

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 statement of financial position. The liabilities of a disposal group classified as held for sale shall be presented separately from other liabilities in the statement of financial position. 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 in the statement of financial position or in the notes, except as permitted by paragraph 39. An entity shall present separately any cumulative income or expense recognised in other comprehensive income 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 statements of financial position for prior periods to reflect the classification in the statement of financial position 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 in the statement of comprehensive income, the caption in the statement of comprehensive income that includes that gain or loss; and
 - (d) if applicable, the reportable segment in which the non-current asset (or disposal group) is presented in accordance with AASB 8 *Operating Segments*.
- 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.