

5 December 2008

Mr Bruce Porter
Acting Chairman
Australian Accounting Standards Board (AASB)
PO BOX 204
COLLINS ST WEST VIC 8007

Via email: standard@asb.gov.au

Dear Bruce

ED 167: Discontinued Operations: Proposed Amendments to AASB 5

Thank you for the opportunity of commenting on the AASB's ED 167: *Discontinued Operations: Proposed Amendments to AASB 5*. CPA Australia Ltd, The Institute of Chartered Accountants and the National Institute of Accountants (the joint accounting bodies) have jointly considered the above exposure draft (ED) and our comments follow.

The Joint Accounting Bodies represent over 180,000 professional accountants in Australia. Our members work in diverse roles across public practice, commerce, industry, government, academia throughout Australia and internationally.

We have publicised this exposure draft among our constituents and have not been made aware of any significant concerns relating to these proposals. Our detailed comments on the AASB questions are in the attached appendix and our comments to the IASB are in the attached letter.

If you have any questions regarding this submission, please do not hesitate to contact either Mark Shying (CPA Australia) at mark.shying@cpaaustralia.com.au, Kerry Hicks (the Institute) at kerry.hicks@charteredaccountants.com.au, or Tom Ravlic (NIA) at tom.ravlic@nia.org.au.

Yours sincerely



Chief Executive Officer
CPA Australia Ltd



Chief Executive Officer
The Institute of Chartered
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- (a) Given that AASB 8 (IFRS 8) applies only to for-profit entities identified in paragraph Aus2.1 of AASB 8 (see above), are there any concerns about all entities including not-for-profit entities having to apply the notion of operating segments in the context of discontinued operations?**

While it is unusual to import the requirements of another standard with different applicability, we are not unduly concerned about the references to AASB 8 *Operating Segments*. These references are only instructing the reader how to apply AASB 5; they are not introducing AASB 8 in its entirety.

However, we note an underlying trend on the part of the standard setters to apply a "through the eyes of management" approach in standards other than AASB 8, for example, these proposals and the recent amendments to AASB 136 *Impairment of Assets*. In our view, this approach is sensible, but, because AASB 8 only applies to listed entities, we suggest that the Board embark on an education process. Entities that are not listed may assume that they have no need to read AASB 8, but AASB 5 and AASB 136, which draw on the reasoning in AASB 8, may apply to them. It may in fact be necessary to enunciate this approach via an over-arching concept statement.

Furthermore, the AASB may wish to publish supplementary guidance on how to apply this aspect of AASB 5, like that proposed by the New Zealand FRSB – see http://www.nzica.com/AM/Downloads/StdPolicy/ED_DiscontinuedOperations_RequestComment.pdf towards the end of the document.

- (b) Are there any regulatory issues or other issues arising in the Australian environment that may affect the implementation of the proposals, particularly any issues relating to: not-for-profit entities; public sector entities?**

In our view there are good reasons for introducing segment reporting in the not-for-profit sector in the interests of giving the reader a clearer picture of the not-for-profit's operations. Until this happens, the not-for-profit sector will have to apply the rationale in AASB 8 as best it can. When segment reporting for the not-for-profit sector is introduced, the applicability of these AASB 5 clauses may have to be reconsidered.

- (c) Overall, would the proposals result in financial statements that would be useful to users?**

These proposals will result in financial statements that are useful to users as they will be internationally consistent. We support the 'through the eyes of management' approach described in AASB 8 as it will result in more meaningful information to users.

- (d) Are the proposals in the best interests of the Australian economy?**

These proposals appear to be in the best interests of the Australian economy.

5 December 2008

Sir David Tweedie
International Accounting Standards Board
30 Cannon Street
LONDON EC4M 6XH
United Kingdom

Via "Open to comment" page on www.iasb.org

Dear Sir David

Comments on IASB Exposure Draft *Discontinued Operations – Proposed Amendments to IFRS 5*

Thank you for the opportunity to comment on the IASB Exposure Draft *Discontinued Operations – Proposed Amendments to IFRS 5*. CPA Australia Ltd, The Institute of Chartered Accountants and the National Institute of Accountants (the joint accounting bodies) have jointly considered the above exposure draft (ED) and our comments follow.

The Joint Accounting Bodies represent over 180,000 professional accountants in Australia. Our members work in diverse roles across public practice, commerce, industry, government, academia throughout Australia and internationally.

General Comments on the Proposed Amendments to IFRS 5

We agree with the proposed amendments outlined in the ED in the interests of international harmonisation.

Our response to matters on which specific comment is requested is included in the attached Appendix.

If you have any questions regarding this submission, please do not hesitate to contact either Mark Shying (CPA Australia) at mark.shying@cpaaustralia.com.au, Kerry Hicks (the Institute) at kerry.hicks@charteredaccountants.com.au or Tom Ravlic (NIA) at tom.ravlic@nia.org.au.

Yours sincerely



Chief Executive Officer
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CC: Bruce Porter Acting Chairman. Australian Accounting Standards Board

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Question 1 – Definition of discontinued operations

IFRS 5 defines a discontinued operation as 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.

This exposure draft proposes changing the definition so that a discontinued operation is a component of an entity that

- (a) is an *operating segment* (as that term is defined in IFRS 8) and either has been disposed of or is classified as held for sale or
- (b) is a *business* (as that term is defined in IFRS 3 *Business Combinations* (as revised in 2008)) that meets the criteria to be classified as held for sale on acquisition.

The exposure draft proposes that an entity should determine whether the component of an entity meets the definition of an operating segment regardless of whether it is required to apply IFRS 8.

1(a) Do you agree with the proposed definition? Why or why not? If not, what definition would you propose, and why?

We agree with the proposed definition.

1(b) If an entity is not required to apply IFRS 8, is it feasible for the entity to determine whether the component of an entity meets the definition of an operating segment? Why or why not? If not, what definition would you propose for an entity that is not required to apply IFRS 8, and why?

While it is unusual to import the requirements of another standard with different applicability, we are not unduly concerned about the references to IFRS 8. These references are only instructing the reader how to apply IFRS 5; they are not introducing IFRS 8 in its entirety.

However, we note an underlying trend on the part of the standard setters to apply a 'through the eyes of management' approach in standards other than IFRS 8, for example, these proposals and the recent amendments to IAS 36 *Impairment of Assets*. In our view, this approach is sensible, but, because IFRS 8 only applies to listed entities, we suggest that the Board embark on an education process. Entities that are not listed may assume that they have no need to read IFRS 8, but IFRS 5 and IAS 36, which draw on the reasoning in IFRS 8, may apply to them. It may even be necessary to enunciate this approach via an over-arching concept statement.

In addition, the IASB should consider the need to relate the relevant parts of IFRS 8 to the public and not-for-profit sectors for the sake of countries with sector neutral standards. The IASB may wish to consider material such as that proposed by the New Zealand FRSB. This can be found at http://www.nzica.com/AM/Downloads/StdPolicy/ED_DiscontinuedOperations_RequestComment.pdf towards the end of the document.

Question 2 – Amounts presented for discontinued operations

Under IFRS 8, amounts disclosed for operating segments are the amounts reported to the chief operating decision maker. Nevertheless, although the proposed definition of a discontinued operation refers to operating segments, this exposure draft proposes that the amounts presented for discontinued operations should be based on the amounts presented in the statement of comprehensive income, even if segment information disclosed to comply with IFRS 8 includes different amounts that are reported to the chief operating decision maker.

2. Do you agree that the amounts presented for discontinued operations should be based on the amounts presented in the statement of comprehensive income? Why or why not? If not, what amounts should be presented, and why?

Amounts presented should be based on amounts presented in the statement of comprehensive income.

Question 3 – Disclosures for all components of an entity that have been disposed of or are classified as held for sale

The exposure draft proposes disclosures for all components of an entity that have been disposed of or are classified as held for sale, except for *businesses* that meet the criteria to be classified as held for sale on acquisition.

3(a) Do you agree with the proposed disclosure requirements? Why or why not? If not, what changes would you propose, and why?

We agree with these proposals.

3(b) Do you agree with the disclosure exemptions for businesses that meet the criteria to be classified as held for sale on acquisition? Why or why not? If not, what changes would you propose, and why?

We agree with these proposals.

Question 4 – Effective date and transition

Entities would be required to apply the proposed changes prospectively, from a date to be determined by the IASB after exposure, with one exception: the amounts in the statement of comprehensive income (or in the separate income statement) should be reclassified on the basis of the revised definition of discontinued operations for all periods presented. Earlier application would be permitted.

4. Are the transitional provisions appropriate? Why or why not? If not, what would you propose, and why?

We support the transitional provisions as drafted.