

Provided by
ACCA Research Institute

ACCA F7

Financial Reporting(INT.)

财务报告（国际会计准则）

Chapter 15 Hold for sales

ACCA Lecturer: Roy Wang





IFRS 5 *Non-current assets held for sale and discontinued operations*

1

Definition.

2

Measurement

3

Discontinued operation

4

Example



IFRS 5 Non-current assets held for sale and discontinued operations



IFRS 5 *Non-current assets held for sale and discontinued operations*

IFRS 5 is the result of a short-term convergence project with the US Financial Accounting Standards Board (FASB). It replaced IAS 35 *Discontinuing operations*.



IFRS 5 *Non-current assets held for sale and discontinued operations*

IFRS 5 requires assets and groups of assets that are 'held for sale' to be **presented separately** of financial position and the results of discontinued operations to be presented separately in the statement of profit or loss and other comprehensive income. This is required so that users of financial statements will be better able to **make projections** about the financial position, profits and cash flows of the entity.



Classification of assets held for sale



IFRS 5 *Non-current assets held for sale and discontinued operations*

A non-current asset (or disposal group) should be classified as held for sale if its carrying amount will be recovered principally through a **sale transaction** rather than through **continuing use**.

A number of detailed criteria must be met:

- a) The asset must be **available for immediate sale** in its present condition.
- b) Its sale must be highly **probable** (ie significantly more likely than not).



IFRS 5 *Non-current assets held for sale and discontinued operations*

For the sale to be highly probable, the following must apply:

- (a) Management must be **committed** to a plan to sell the asset.
- (b) There must be an active programme to **locate a buyer**.
- (c) The asset must be marketed for sale at a **price that is reasonable** in relation to its current fair value.
- (d) The sale should be expected to take place **within one year** from the date of classification.
- (e) It is unlikely that significant changes to the plan will be made or that the plan will be withdrawn.



Measurement of assets held for sale



IFRS 5 *Non-current assets held for sale and discontinued operations*

A non-current asset (or disposal group) that is held for sale should be measured at the **lower of its carrying amount and fair value less costs of disposal**. Fair value less costs of disposal is equivalent to net realisable value.

An impairment loss should be recognised where fair value less costs of disposal is lower than carrying amount.

Non-current assets held for sale **should not be depreciated**, even if they are still being used by the entity.



IFRS 5 *Non-current assets held for sale and discontinued operations*

A non-current asset (or disposal group) that is **no longer classified as held for sale** (for example, because the sale has not taken place within one year) is measured at the **lower of:**

- (a) Its **carrying amount** before it was classified as held for sale, adjusted for any depreciation that would have been charged had the asset not been held for sale
- (b) Its **recoverable amount** at the date of the decision not to sell



Presenting discontinued operations



IFRS 5 *Non-current assets held for sale and discontinued operations*

An entity should **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.

This allows users to distinguish between operations which will continue in the future and those which will not, and makes it more possible to predict future results.



IFRS 5 *Non-current assets held for sale and discontinued operations*

Discontinued operation. A component of an entity that has either 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.

Component of an entity. Operations and cash flows that can be clearly distinguished, operationally and for financial reporting purposes, from the rest of the entity.



IFRS 5 *Non-current assets held for sale and discontinued operations*

An entity should disclose a **single amount** in the statement of profit or loss comprising the total of:

(a) The **post-tax profit or loss** of discontinued operations

(b) The post-tax gain or loss recognised on the

measurement to fair value less costs of disposal or

on the disposal of the assets or disposal group(s)

constituting the discontinued operation



IFRS 5 *Non-current assets held for sale and discontinued operations*

Discontinued operations

Profit for the year from discontinued operations	<u>X</u>	<u>X</u>
Profit for the year	<u>X</u>	<u>X</u>
Profit attributable to:		
Owners of the parent	X	X
Non-controlling interest	<u>X</u>	<u>X</u>
	<u>X</u>	<u>X</u>



IFRS 5 *Non-current assets held for sale and discontinued operations*

At what amount should an asset classified as 'held for sale' be measured?

- A Lower of carrying amount and fair value less costs of disposal
- B Lower of carrying amount and value in use
- C Higher of value in use and fair value less costs of disposal
- D Higher of carrying amount and recoverable amount



IFRS 5 *Non-current assets held for sale and discontinued operations*

At 1 April 2014, Tilly owned a property with a carrying amount of \$800,000 which had a remaining estimated life of 16 years. The property had not been revalued. On 1 October 2014, Tilly decided to sell the property and correctly classified it as being 'held-for-sale'. A property agent reported that the property's fair value less costs to sell at 1 October 2014 was expected to be \$790,500 which had not changed at 31 March 2015.



IFRS 5 *Non-current assets held for sale and discontinued operations*

- **What should be the carrying amount of the property in Tilly's statement of financial position as at 31 March 2015?**
- **A.\$775,000**
- B.\$790,500
- C.\$765,000
- D.\$750,000

ACCAspace

Professional Accounting Education

Provided by
ACCA Research Institute



Thank You!

