

Exposure Draft

**ED 4 DISPOSAL OF
NON-CURRENT ASSETS AND
PRESENTATION OF
DISCONTINUED OPERATIONS**

Comments to be received by 24 October 2003

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ISBN for this part: 1-904230-24-5

ISBN for complete publication (three parts): 1-904230-23-7

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INVITATION TO COMMENT

The International Accounting Standards Board invites comments on any aspect of this Exposure Draft of its proposed IFRS *Disposal of Non-current Assets and Presentation of Discontinued Operations*. It would particularly welcome answers to the questions set out below. Comments are most helpful if they indicate the specific paragraph or group of paragraphs to which they relate, contain a clear rationale, and, where applicable, provide a suggestion for alternative wording.

Comments should be submitted in writing so as to be received no later than **24 October 2003**.

Question 1 – Classification of non-current assets held for sale

The Exposure Draft proposes that non-current assets should be classified as assets held for sale if specified criteria are met. (See paragraphs 4 and 5 and Appendix B.) Assets so classified may be required to be measured differently (see question 2) and presented separately (see question 7) from other non-current assets.

Does the separate classification of non-current assets held for sale enable additional information to be provided to users? Do you agree with the classification being made? If not, why not?

Question 2 – Measurement of non-current assets classified as held for sale

The Exposure Draft proposes that non-current assets classified as held for sale should be measured at the lower of carrying amount and fair value less costs to sell. It also proposes that non-current assets classified as held for sale should not be depreciated. (See paragraphs 8-16.)

Is this measurement basis appropriate for non-current assets classified as held for sale? If not, why not?

Question 3 – Disposal groups

The Exposure Draft proposes that assets and liabilities that are to be disposed of together in a single transaction should be treated as a disposal group. The measurement basis proposed for non-current assets classified as held for sale would be applied to the group as a whole and any resulting impairment loss would reduce the carrying amount of the non-current assets in the disposal group. (See paragraph 3.)

Is this appropriate? If not, why not?

Question 4 – Newly acquired assets

The Exposure Draft proposes that newly acquired assets that meet the criteria to be classified as held for sale should be measured at fair value less costs to sell on initial recognition (see paragraph 9). It therefore proposes a consequential amendment to [draft] IFRS X *Business Combinations* (see paragraph C13 of Appendix C) so that non-current assets acquired as part of a business combination that meet the criteria to be classified as held for sale would be measured at fair value less costs to sell on initial recognition, rather than at fair value as currently required.

Is measurement at fair value less costs to sell on initial recognition appropriate? If not, why not?

Question 5 – Revalued assets

The Exposure Draft proposes that, for revalued assets, impairment losses arising from the write-down of assets (or disposal groups) to fair value less costs to sell (and subsequent gains) should be treated as revaluation decreases (and revaluation increases) in accordance with the standard under which the assets were revalued, except to the extent that the losses (or gains) arise from the recognition of costs to sell. Costs to sell and any subsequent changes in costs to sell are proposed to be recognised in the income statement. (See paragraphs B6-B8 of Appendix B.)

Is this appropriate? If not, why not?

Question 6 – Removal of the exemption from consolidation for subsidiaries acquired and held exclusively with a view to resale

The Exposure Draft proposes a consequential amendment to draft IAS 27 *Consolidated and Separate Financial Statements* to remove the exemption from consolidation for subsidiaries acquired and held exclusively with a view to resale. (See paragraph C3 of Appendix C and paragraphs BC39 and BC40 of the Basis for Conclusions.)

Is the removal of this exemption appropriate? If not, why not?

Question 7 – Presentation of non-current assets held for sale

The Exposure Draft proposes that non-current assets classified as held for sale, and assets and liabilities in a disposal group classified as held for sale, should be presented separately in the balance sheet. The assets and liabilities of a disposal group classified as held for sale should not be offset and presented as a single amount. (See paragraph 28.)

Is this presentation appropriate? If not, why not?

Question 8 – Classification as a discontinued operation

The Exposure Draft proposes that a discontinued operation should be a component of an entity that either has been disposed of, or is classified as held for sale, and:

- (a) the operations and cash flows of that component have been, or will be, eliminated from the ongoing operations of the entity as a result of its disposal, and
- (b) the entity will have no significant continuing involvement in that component after its disposal.

A component of an entity may be a cash-generating unit or any group of cash-generating units. (See paragraphs 22 and 23.)

These criteria could lead to relatively small units being classified as discontinued (subject to their materiality). Some entities may also regularly sell (and buy) operations that would be classified as discontinued operations, resulting in discontinued operations being presented every year. This, in turn, will lead to the comparatives being restated every year. Do you agree that this is appropriate? Would you prefer an amendment to the criteria, for example adding a requirement adapted from IAS 35 *Discontinuing Operations* that a discontinued operation shall be a separate major line of business or geographical area of operations, even though this would not converge with SFAS 144 *Accounting for the Impairment or Disposal of Long-Lived Assets*. How important is convergence in your preference?

Are the other aspects of these criteria for classification as a discontinued operation (for example, the elimination of the operations and cash flows) appropriate? If not, what criteria would you suggest, and why?

Question 9 – Presentation of a discontinued operation

The Exposure Draft proposes that the revenue, expenses, pre-tax profit or loss of discontinued operations and any related tax expense should be presented separately on the face of the income statement. (See paragraph 24.) An alternative approach would be to present a single amount, profit after tax, for discontinued operations on the face of the income statement with a breakdown into the above components given in the notes.

Which approach do you prefer, and why?

[Draft] International Financial Reporting Standard X *Disposal of Non-current Assets and Presentation of Discontinued Operations* ([draft] IFRS X) is set out in paragraphs 1-31 and Appendices A-C. All the paragraphs have equal authority. Paragraphs in **bold type** state the main principles. Terms defined in Appendix A are in *italics* the first time they appear in the [draft] Standard. Definitions of other terms are given in the Glossary for International Financial Reporting Standards. [Draft] IFRS X should be read in the context of its objective and the Basis for Conclusions, the *Preface to International Financial Reporting Standards* and the *Framework for the Preparation and Presentation of Financial Statements*. These provide a basis for selecting and applying accounting policies in the absence of explicit guidance.

INTRODUCTION

Reasons for issuing the [draft] IFRS

- IN1 Convergence of accounting standards around the world is one of the prime objectives of the International Accounting Standards Board (IASB). To further that objective, the Board has agreed with the Financial Accounting Standards Board (FASB) in the United States a memorandum of understanding that sets out the two boards' commitment to convergence. As a result of that understanding the boards have undertaken a joint short-term project that has the objective of reducing differences between IFRSs and US GAAP that are capable of resolution in a relatively short time and can be addressed outside current and planned major projects.
- IN2 One aspect of that project involves the two boards considering each other's recent standards with a view to adopting recent high quality accounting solutions. The [draft] IFRS arises from the IASB's consideration of the FASB Statement No. 144 *Accounting for the Impairment or Disposal of Long-Lived Assets* (SFAS 144), issued in 2001.
- IN3 SFAS 144 addresses three areas: (i) the impairment of long-lived assets to be held and used, (ii) the classification, measurement and presentation of assets held for sale and (iii) the classification and presentation of discontinued operations. The impairment of long-lived assets to be held and used is an area where there are extensive differences between IFRSs and US GAAP. However, those differences were not thought capable of resolution in a relatively short time. Convergence on the other two areas was thought to be worth pursuing within the context of the short-term project.
- IN4 The [draft] IFRS achieves substantial convergence with the requirements of SFAS 144 relating to assets held for sale and discontinued operations.

Main features of the [draft] IFRS

- IN5 The [draft] IFRS:
- (a) adopts the classification 'held for sale' using the same criteria as those contained in SFAS 144;
 - (b) introduces the concept of a disposal group;

- (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) withdraws IAS 35 *Discontinuing Operations* and replaces it with requirements that:
 - (i) change the definition of a discontinued operation from a separate major line of business or geographical area to any unit whose operations and cash flows can be clearly distinguished operationally and for financial reporting purposes.
 - (ii) change the timing of the classification as a discontinued operation. IAS 35 classifies an operation as discontinuing at the earlier of (a) the entity entering into a binding sale agreement and (b) the board of directors approving and announcing a formal disposal plan. The [draft] IFRS classifies an operation as discontinued at the date the entity has actually disposed of the operation, or when the operation meets the criteria to be classified as held for sale.
 - (iii) present the results of discontinued operations separately on the face of the income statement.
 - (iv) prohibit the retroactive classification as a discontinued operation, when the discontinued criteria are met after the balance sheet date.

[DRAFT] INTERNATIONAL FINANCIAL REPORTING STANDARD X

Disposal of Non-current Assets and Presentation of Discontinued Operations

OBJECTIVE

- 1 The objective of this [draft] IFRS is to improve the information in financial statements about assets and *disposal groups* that are to be disposed of and discontinued operations. It seeks to do this by specifying (i) the measurement, presentation and disclosure of non-current assets and disposal groups to be disposed of and (ii) the presentation and disclosure of discontinued operations.

SCOPE

- 2 This [draft] IFRS applies to all recognised *non-current assets* of an entity, except:
 - (a) goodwill,
 - (b) deferred tax assets,
 - (c) financial assets included in the scope of IAS 39 *Financial Instruments: Recognition and Measurement*,
 - (d) assets arising from employee benefits, and
 - (e) financial assets arising under leases,and to disposal groups as set out in paragraph 3.
- 3 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. If a non-current asset covered by this [draft] IFRS is part of a disposal group, the measurement requirements of this [draft] IFRS apply to the group as a whole. The measurement of the individual assets and liabilities within the disposal group is set out in paragraphs 11 and 14.

CLASSIFICATION OF NON-CURRENT ASSETS AS HELD FOR SALE

- 4 **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.**
- 5 Such a classification shall be required when and only when the criteria in Appendix B are met. Sale transactions include exchanges of non-current assets for other non-current assets.

Non-current assets to be abandoned

- 6 Because its carrying amount will be recovered principally through continuing use, an entity shall not classify as held for sale a non-current asset (or disposal group) that is to be abandoned. However, if the disposal group to be abandoned is a *component of an entity*, the entity shall present the results and cash flows of the disposal group as discontinued operations in accordance with paragraph 24 at the date on which it ceases to be used.
- 7 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 ASSET (OR DISPOSAL GROUP) CLASSIFIED AS HELD FOR SALE

- 8 **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*.**
- 9 If a newly acquired asset (or disposal group) meets the criteria to be classified as held for sale (see paragraph B3 of Appendix B), it shall be measured on initial recognition at fair value less costs to sell.
- 10 In the rare circumstances that the sale is expected to occur beyond one year, the entity shall measure the costs to sell at their present value.
- 11 The carrying amounts of any assets that are not covered by this [draft] IFRS, including goodwill, but are included in a disposal group classified as held for sale, shall be measured in accordance with other applicable IFRSs before the fair value less costs to sell of the disposal group is measured.

- 12 For assets that, before classification as held for sale, have not been revalued under another IFRS and for disposal groups that do not include any such revalued assets, an entity shall recognise:
- (a) an impairment loss for any initial or subsequent write-down of the asset (or disposal group) to fair value less costs to sell; and
 - (b) a gain for any subsequent increase in fair value less costs to sell, but not in excess of the cumulative impairment loss that has been recognised either under this [draft] IFRS or previously under IAS 36 *Impairment of Assets*.
- 13 Paragraphs B5-B8 of Appendix B set out the requirements for the recognition of impairment losses and subsequent gains for assets that, before classification as held for sale, were measured at revalued amounts under another IFRS and for disposal groups that include such revalued assets.
- 14 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 included in the scope of this [draft] IFRS.
- 15 A gain or loss not previously recognised by the time of the sale of a non-current asset (or disposal group) shall be recognised at the date of sale.
- 16 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

- 17 If an entity has classified an asset (or disposal group) as held for sale, but the criteria in Appendix B are no longer met, the entity shall cease to classify the asset (or disposal group) as held for sale.
- 18 The entity shall measure a non-current asset that ceases to be classified as held for sale at the lower of its:
- (a) carrying amount before the asset (or disposal group) was classified as held for sale, adjusted for any depreciation or amortisation that would have been recognised had the asset (or disposal group) not been classified as held for sale, and

- (b) *recoverable amount* at the date of the subsequent decision not to sell.*
- 19 The entity shall include, in income from continuing operations in the period in which the criteria in Appendix B are not met, any required adjustment to the carrying amount of a non-current asset that ceases to be classified as held for sale. The entity shall present that adjustment in the same income statement caption used to report a gain or loss, if any, recognised in accordance with paragraph 27.
- 20 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 Appendix B. 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 17.

PRESENTATION AND DISCLOSURE

- 21 **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

- 22 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. A component of an entity may be a cash-generating unit or any group of cash-generating units.
- 23 A discontinued operation is a component of an entity that either has been disposed of, or is classified as held for sale, and:
- (a) the operations and cash flows of that component have been (or will be) eliminated from the ongoing operations of the entity as a result of its disposal, and

* If the 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 under IAS 36.

- (b) the entity will have no significant continuing involvement in that component after its disposal.

24 An entity shall disclose for all periods presented:

- (a) the revenue, expenses and pre-tax profit or loss of discontinued operations, and the related income tax expense as required by paragraph 81(h) of IAS 12 *Income Taxes*;
- (b) the gain or loss recognised on the remeasurement to fair value less costs to sell or disposal of the assets or disposal group(s) comprising the discontinued operation and the related income tax expense as required by paragraph 81(h) of IAS 12;
- (c) the net cash flows attributable to the operating, investing and financing activities of discontinued operations.

An entity shall present the disclosures required by (a) on the face of the income statement. The other disclosures may be presented either in the notes to, or on the face of, the financial statements.

25 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 pursuant to 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.
- (c) the settlement of employee benefit plan obligations provided that the settlement is directly related to the disposal transaction.

26 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 22-25 shall be reclassified and included in income from continuing operations for all periods presented.

Gains or losses relating to continuing operations

- 27 Any gain or loss on the remeasurement of a non-current asset (or disposal group) that does not meet the definition of a component of an entity shall be included in the profit or loss from continuing operations.

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

- 28 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 to the financial statements.

Additional disclosures

- 29 An entity shall disclose the following information in the notes to the financial statements that cover 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 facts and circumstances leading to the expected disposal and the expected manner and timing of that disposal;
 - (b) the gain or loss recognised in accordance with paragraph 12 (or paragraphs B5-B8 of Appendix B) and, if not separately presented on the face of the income statement, the caption in the income statement that includes that gain or loss;
 - (c) if applicable, the segment in which the non-current asset (or disposal group) is presented under IAS 14 *Segment Reporting*.
- 30 If either paragraph 17 or paragraph 20 applies, an entity shall disclose, in the notes to the financial statements that include 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.

EFFECTIVE DATE

- 31 An entity shall apply this [draft] IFRS in its annual financial statements for periods beginning on or after 1 January 2005. Earlier application is encouraged. If an entity applies the [draft] IFRS in its financial statements for a period beginning before 1 January 2005, it shall disclose that fact.

Appendix A

Defined terms

This appendix is an integral part of the [draft] IFRS.

cash-generating unit	The smallest identifiable group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.
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.
costs to sell	The incremental costs directly attributable to the disposal of an asset (or disposal group), excluding finance costs and income tax expense.
current asset	An asset that: <ul style="list-style-type: none">(a) is expected to be realised in, or is intended for sale or consumption in, the normal course of the entity's operating cycle;(b) is held primarily for trading purposes;(c) is expected to be realised within twelve months of the balance sheet date; * or(d) is cash or a cash equivalent asset that is not restricted from being exchanged or used to settle a liability for at least twelve months from the balance sheet date.
discontinued operation	A component of an entity that either has been disposed of or is classified as held for sale and: <ul style="list-style-type: none">(a) the operations and cash flows of that component have been (or will be) eliminated from the ongoing operations of the entity as a result of its disposal, and(b) the entity will have no significant continuing involvement in that component after its disposal.

* The Board has tentatively agreed in the Improvements project that this wording will be amended so that it does not include non-current assets that are expected to be realised in the next twelve months.

disposal group	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 cash-generating unit to which goodwill has been allocated in accordance with the requirements of paragraphs 73 and 74 of [draft] IAS 36 <i>Impairment of Assets</i> or if it is an operation within such a cash-generating unit.
fair value	The amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.
firm purchase commitment	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 highly probable .
highly probable	Significantly more likely than probable .
non-current asset	An asset that does not meet the definition of a current asset .
probable	More likely than not.
recoverable amount	The higher of an asset's fair value less costs to sell and its value in use .
value in use	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.

Appendix B

Application supplement

This appendix is an integral part of the [draft] IFRS.

Classification of a non-current asset or disposal group as held for sale

- B1 Paragraph 4 of this [draft] IFRS requires a non-current asset (or disposal group) to be classified as held for sale if its carrying amount will be recovered principally through a sale transaction rather than through continuing use. An entity shall classify a non-current asset (or disposal group) as held for sale in the reporting period in which all of the following criteria are met:
- (a) management, having the authority to approve the action, commits itself to a plan to sell;
 - (b) the asset (or disposal group) is 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);
 - (c) an active programme to locate a buyer and other actions required to complete the plan to sell the asset (or disposal group) are initiated;
 - (d) the sale is *highly probable*, and is expected to qualify for recognition as a completed sale, within one year from the date of classification as held for sale, except as permitted by paragraph B2;
 - (e) the asset (or disposal group) is being actively marketed for sale at a price that is reasonable in relation to its current fair value; and
 - (f) actions required to complete the plan indicate that it is unlikely that significant changes to the plan will be made or that the plan will be withdrawn.
- B2 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). An exception to the one-year requirement in paragraph B1(d) 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 paragraph B1 are met.
- B3 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 B1(d) is met (except as permitted by paragraph B2) and it is highly probable that any other criteria in paragraph B1 that are not met at that date will be met within a short period following the acquisition (usually within three months).

Meeting the held for sale criteria after the balance sheet date

- B4 If the criteria in paragraph B1 are met after the balance sheet date but before the financial statements are authorised for issue, an entity shall not classify a non-current asset (or disposal group) as held for sale in those financial statements when issued. However, the entity shall disclose the information specified in paragraph 28(a) in the notes to the financial statements.

Impairment losses and subsequent increases in fair value less costs to sell of assets that were previously revalued

- B5 Paragraph 12 requires the recognition of impairment losses and subsequent gains for assets that have not been revalued under another IFRS before classification as held for sale (and for disposal groups that do not include any such revalued assets). Paragraphs B6-B8 set out the equivalent requirements for assets that, before classification as held for sale, have been revalued and for disposal groups that include such revalued assets.
- B6 Any asset that is carried at a revalued amount under another IFRS shall be revalued under that IFRS immediately before it is classified as held for sale under this [draft] IFRS. Any impairment loss that arises on reclassification of the asset (or of a disposal group containing the asset) shall be recognised in the income statement.

Subsequent impairment losses

- B7 Any subsequent increases in costs to sell shall be recognised in the income statement. Any decreases in fair value shall be treated as revaluation decreases in accordance with the standard under which the assets were revalued before their classification as held for sale.

Subsequent gains

- B8 Any subsequent decreases in costs to sell shall be recognised in the income statement. For individual assets that, before classification as held for sale, were revalued under another IFRS, any subsequent increase in fair value shall be recognised to its full extent and treated as a revaluation increase in accordance with the standard under which the assets were revalued before their classification as held for sale. For disposal groups that include such revalued assets, any subsequent increases in fair value shall be recognised to the extent that the carrying value of the non-current assets in the group after the increase has been allocated does not exceed their fair value less costs to sell. The increase shall be treated as a revaluation increase in accordance with the standard under which the assets were revalued before their classification as held for sale.

Appendix C

Amendments to other IFRSs

The amendments in this [draft] appendix become effective for accounting periods beginning on or after 1 January 2005. If an entity applies this [draft] IFRS for an earlier period, these amendments become effective for that earlier period.

C1 In [draft] * IAS 1 *Presentation of Financial Statements*, paragraph 54 is amended to read as follows:

An asset shall be classified as current when it:

(a) is expected to be realised in, or is intended for sale or consumption in, the normal course of the entity's operating cycle;

(b) ...

C2 In [draft] * IAS 16 *Property, Plant and Equipment*, paragraph 2 is amended to read as follows:

This Standard does not apply to:

(a) non-current assets classified as held for sale under IFRS X *Disposal of Non-current Assets and Presentation of Discontinued Operations*;

(b) biological assets...

C3 In [draft] * IAS 27 *Consolidated and Separate Financial Statements*, paragraph 13 is deleted.

C4 In [draft] * IAS 28 *Accounting for Investments in Associates*, paragraph 8 is amended as follows:

An investment in an associate shall be accounted for under the equity method except when:

(a) the investment is acquired and held exclusively with a view to its subsequent disposal within twelve months from acquisition. Such investments shall be accounted for in accordance with IAS 39 Financial Instruments: Recognition and Measurement, at fair value with changes in fair value included in profit or loss of the period of change; or

* included in the Exposure Draft *Improvements to International Accounting Standards*, published in May 2002.

(b) the investment is classified as held for sale under IFRS X Disposal of Non-current Assets and Presentation of Discontinued Operations. Such investments shall be accounted for in accordance with that IFRS.

C5 In IAS 31 *Financial Reporting of Interests in Joint Ventures*, paragraph 36A is added as follows:

36A A venturer shall account for an interest in a jointly controlled entity that is classified as held for sale under IFRS X *Disposal of Non-current Assets and Presentation of Discontinued Operations* in accordance with that IFRS.

C6 IAS 35 *Discontinuing Operations* is withdrawn.

C7 In [draft] * IAS 36 *Impairment of Assets*, all references to 'net selling price' are replaced by 'fair value less costs to sell'.

C8 In [draft] * IAS 36, paragraph 1 is amended to read as follows:

This Standard shall be applied in accounting for the impairment of all assets, other than:

(a) ...

(e) non-current assets (or disposal groups) classified as held for sale under IFRS X Disposal of Non-current Assets and Presentation of Discontinued Operations;

(f) ...

C9 In [draft] * IAS 36, paragraph 2 is amended to read as follows:

This Standard does not apply to inventories, assets arising from construction contracts, deferred tax assets, assets arising from employee benefits, or assets classified as held for sale under IFRS X *Disposal of Non-current Assets and Presentation of Discontinued Operations* because existing Standards applicable to these assets already contain specific requirements for recognising and measuring these assets.

* included in the Exposure Draft *Amendments to IAS 36, Impairment of Assets, and IAS 38, Intangible Assets*, published in December 2002.

C10 In [draft] * IAS 38 *Intangible Assets*, paragraph 2 is amended to read as follows:

...For example, this Standard does not apply to:

- (a) non-current intangible assets classified as held for sale under IFRS X *Disposal of Non-current Assets and Presentation of Discontinued Operations*;
- (b) intangible assets...

C11 In IAS 40 *Investment Properties*, paragraph 3 is amended to read as follows:

This Standard does not apply to:

...

- (c) investment property classified as held for sale under IFRS X *Disposal of Non-current Assets and Presentation of Discontinued Operations*.

C12 In IAS 40 *Investment Properties*, paragraph 7(a) is amended to read as follows:

- (a) property intended for sale in the ordinary course of business...

C13 In [draft] † IFRS X *Business Combinations*, paragraph 35 is amended to read as follows:

The acquirer shall, at the acquisition date, allocate the cost of a business combination by recognising the acquiree's identifiable assets, liabilities and contingent liabilities that satisfy the recognition criteria in paragraph 36 at their fair values at that date, except for non-current assets (or disposal groups) that meet the criteria to be classified as held for sale under IFRS X *Disposal of Non-current Assets and Presentation of Discontinued Operations*, which shall be recognised at fair value less costs to sell. Any difference...

* included in the Exposure Draft *Amendments to IAS 36, Impairment of Assets, and IAS 38, Intangible Assets*, published in December 2002.

† in ED 3 *Business Combinations*, published in December 2002.