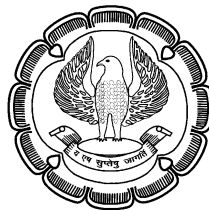


Exposure Draft

Accounting Standard (AS) 105

Non-current Assets Held for Sale and Discontinued Operations

Last date for the comments: September 14, 2021



**Issued by
Accounting Standards Board
The Institute of Chartered Accountants of India**

Exposure Draft

Accounting Standard (AS) 105, *Non-current Assets Held for Sale and Discontinued Operations*

The Indian Accounting Standards (Ind AS), as notified by the Ministry of Corporate Affairs in February 2015, are applicable to the specified class of companies. Accounting Standards notified under Companies (Accounting Standards) Rules 2021, and those issued by the ICAI are applicable to entities to whom Ind AS are not applicable. However, on the basis of the discussions held at various standard setting forums, it has been decided to revise the Accounting Standards. Accordingly, the Accounting Standards Board of ICAI has initiated the process of revision of these standards which will be applicable to the entities to whom Ind AS are not applicable. While formulating these Standards, it was decided to maintain the consistency in the numbering of AS with Ind AS numbering.

In the above background, the ASB has finalised AS 105, *Non-current Assets Held for Sale and Discontinued Operations*, taking Ind AS 105, *Non-current Assets Held for Sale and Discontinued Operations*, notified by MCA as the base. Major differences between draft of AS 105 and Ind AS 105 are included in the Appendix 1 of the Standard. Major differences between draft of AS 105 and AS 24, *Discontinuing Operations*, are included in the Appendix 2 of the Standard.

This is the Exposure Draft of the Accounting Standard (AS) 105, *Non-current Assets Held for Sale and Discontinued Operations*, issued by the ASB, for comments. AS 105 refers to provisions of various revised AS which are under formulation.

The ASB invites comments on any aspect of this Exposure Draft. 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.

How to Comment:

*Comments can be submitted using one of the following methods so as to receive not later than **September 14, 2021**.*

Electronically:	click on http://www.icai.org/comments/asb/ to submit comments online
Email:	Comments can be sent at commentsasb@icai.in
Postal:	Secretary, Accounting Standards Board, The Institute of Chartered Accountants of India ICAI Bhawan, Post Box No. 7100, Indraprastha Marg, New Delhi – 110 002

Further clarifications on any aspect of this Exposure Draft may be sought by e-mail to asb@icai.in.

Accounting Standard (AS) 105

Non-current Assets Held for Sale and Discontinued Operations

(This Accounting Standard includes paragraphs set in **bold** type and plain type, which have equal authority. Paragraphs in bold type indicate the main principles.)

Objective

- 1 The objective of this Accounting Standard (AS) is to specify the accounting for assets held for sale, and the presentation and disclosure of *discontinued operations*. In particular, this AS 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 in the balance sheet and the results of discontinued operations to be presented separately in the statement of profit and loss.

Scope

- 2 The classification and presentation requirements of this AS apply to all recognised *non-current assets*¹ and to all *disposal groups* of an entity. The measurement requirements of this AS 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.
- 3 Assets classified as non-current in accordance with AS 1, *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 AS. 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 AS.
- 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.² The group may include any assets and any

¹ 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 period. Paragraph 3 applies to the classification of such assets.

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.

liabilities of the entity, including current assets, current liabilities and assets excluded by paragraph 5 from the measurement requirements of this AS. If a non-current asset within the scope of the measurement requirements of this AS is part of a disposal group, the measurement requirements of this AS apply to the group as a whole, so that the group is measured 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 24, 25 and 29.

- 5 The measurement provisions of this AS³ do not apply to the following assets, which are covered by the ASs listed, either as individual assets or as part of a disposal group:
- (a) deferred tax assets (AS 12, *Income Taxes*).
 - (b) assets arising from employee benefits (AS 19, *Employee Benefits*).
 - (c) financial assets within the scope of AS 109, *Financial Instruments*.
 - (d) non-current assets that are measured at fair value less costs to sell in accordance with AS 41, *Agriculture*.
- 6 The classification, presentation and measurement requirements in this AS applicable to a non-current asset (or disposal group) that is classified as held for sale apply also to a non-current asset (or disposal group) that is classified as held for distribution to owners acting in their capacity as owners (held for distribution to owners).
- 7 This AS specifies the disclosures required in respect of non-current assets (or disposal groups) classified as held for sale or discontinued operations. Disclosures in other ASs do not apply to such assets (or disposal groups) unless those ASs require:
- (a) specific disclosures in respect of non-current assets (or disposal groups) classified as held for sale or discontinued operations; or
 - (b) disclosures about measurement of assets and liabilities within a disposal group that are not within the scope of the measurement requirement of AS 105 and such disclosures are not already provided in the other notes to the financial statements.

Additional disclosures about non-current assets (or disposal groups) classified as held for sale or discontinued operations may be necessary to comply with the general requirements of AS 1, in particular paragraph 12 of that Standard.

- 8 The requirements related to cash flow statement contained in this standard are applicable where an entity prepares and presents a cash flow statement.

³ Other than paragraphs 24 and 25, which require the assets in question to be measured in accordance with other applicable Accounting Standards.

Classification of non-current assets (or disposal groups) as held for sale or as held for distribution to owners

- 9 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.**
- 10 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*. Thus, an asset (or disposal group) cannot be classified as a non-current asset (or disposal group) held for sale, if the entity intends to sell it in a distant future.
- 11 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 programme to locate a buyer and complete the plan must have been initiated. Further, the asset (or disposal group) must be 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 13, 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. The probability of shareholders' approval, if required, should be considered as part of the assessment of whether the sale is highly probable.
- 12 An entity that is committed to a sale plan involving loss of control of a subsidiary shall classify all the assets and liabilities of that subsidiary as held for sale when the criteria set out in paragraphs 9-11 are met, regardless of whether the entity will retain a non-controlling interest in its former subsidiary after the sale.
- 13 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.
- 14 Sale transactions include exchanges of non-current assets for other non-current assets when the exchange has commercial substance in accordance with AS 16, *Property, Plant and Equipment*.
- 15 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 11 is met (except as permitted by paragraph 13) and it is highly probable that any other criteria in paragraphs 10 and 11 that are not

met at that date will be met within a short period following the acquisition (usually within three months).

- 16 If the criteria in paragraphs 10 and 11 are met after 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 reporting period but before the approval of the financial statements for issue, the entity shall disclose the information specified in paragraph 47(a), (b) and (d) in the notes.
- 17 A non-current asset (or disposal group) is classified as held for distribution to owners when the entity is committed to distribute the asset (or disposal group) to the owners. For this to be the case, the assets must be available for immediate distribution in their present condition and the distribution must be highly probable. For the distribution to be highly probable, actions to complete the distribution must have been initiated and should be expected to be completed within one year from the date of classification. Actions required to complete the distribution should indicate that it is unlikely that significant changes to the distribution will be made or that the distribution will be withdrawn. The probability of shareholders' approval, if required, should be considered as part of the assessment of whether the distribution is highly probable.

Non-current assets that are to be abandoned

- 18 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 38(a)–(c), the entity shall present the results and cash flows of the disposal group as discontinued operations in accordance with paragraphs 39 and 40 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.
- 19 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 non-current assets (or disposal groups) classified as held for sale

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

- 20 **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.**

- 21 An entity shall 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.⁴**
- 22 If a newly acquired asset (or disposal group) meets the criteria to be classified as held for sale (see paragraph 15), applying paragraph 20 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 combination⁵, it shall be measured at fair value less costs to sell.
- 23 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.
- 24 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 ASs.
- 25 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 AS, but are included in a disposal group classified as held for sale, shall be remeasured in accordance with applicable ASs before the fair value less costs to sell of the disposal group is remeasured.

Recognition of impairment losses and reversals

- 26 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 25.
- 27 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 AS or previously in accordance with AS 36, *Impairment of Assets*⁶.
- 28 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 25; but
 - (b) not in excess of the cumulative impairment loss that has been recognised, either in accordance with this AS or previously in

⁴ Costs to distribute are the incremental costs directly attributable to the distribution, excluding finance costs and income tax expense.

⁵ AS 103, *Business Combination*, is under formulation.

⁶ The Standard is under formulation.

accordance with AS 36, on the non-current assets that are within the scope of the measurement requirements of this AS.

- 29 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 AS, in the order of allocation set out in paragraphs 104(a) and (b) and 122 of AS 36.
- 30 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 67–73 of AS 16 for property, plant and equipment, and
 - (b) paragraphs 112–117 of AS 38, *Intangible Assets*⁷, for intangible assets.
- 31 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

- 32 If an entity has classified an asset (or disposal group) as held for sale, but the criteria in paragraphs 10-13 are no longer met, the entity shall cease to classify the asset (or disposal group) as held for sale.
- 33 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.⁸
- 34 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 profit or loss⁹ from continuing operations in the period in which the criteria in paragraphs 10-13 are no longer met. Financial statements for the periods since

⁷ The Standard is under formulation.

⁸ 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 AS 36.

⁹ Unless the asset is property, plant and equipment or an intangible asset that had been revalued in accordance with AS 16 or AS 38 before classification as held for sale, in which case the adjustment shall be treated as a revaluation increase or decrease.

classification as held for sale shall be amended accordingly if the disposal group or non-current asset that ceases to be classified as held for sale is a subsidiary, joint operation, joint venture, associate, or a portion of an interest in a joint venture or an associate. The entity shall present that adjustment in the same caption in the statement of profit and loss used to present a gain or loss, if any, recognised in accordance with paragraph 44.

- 35 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 10-13. 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 32.

Presentation and disclosure

- 36 **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

- 37 *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.
- 38 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.
- 39 An entity shall disclose:
- (a) a single amount in the statement of profit and loss 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; and
 - (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.
 - (iv) the related income tax expense.

The analysis may be presented in the notes or in the statement of profit and loss. If it is presented in the statement of profit and loss it shall be presented in a section identified as relating to discontinued operations, ie 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 15).

- (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 15).
- (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 profit and loss.

40 An entity shall re-present the disclosures in paragraph 39 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.

41 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.
 - (c) the settlement of employee benefit plan obligations, provided that the settlement is directly related to the disposal transaction.
- 42 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 39-41 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.
- 43 An entity that is committed to a sale plan involving loss of control of a subsidiary shall disclose the information required in paragraphs 39-42 when the subsidiary is a disposal group that meets the definition of a discontinued operation in accordance with paragraph 38.

Gains or losses relating to continuing operations

- 44 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

- 45 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 in the balance sheet or in the notes, except as permitted by paragraph 46. An entity shall present separately the amount recognised in any specific reserve relating to a non-current asset (or disposal group) classified as held for sale.
- 45 If the disposal group is a newly acquired subsidiary that meets the criteria to be classified as held for sale on acquisition (see paragraph 15), disclosure of the major classes of assets and liabilities is not required.
- 46 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

- 47 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 26-28 and, if not separately presented in the statement of profit and loss, the caption in the statement of profit and loss that includes that gain or loss;
 - (d) if applicable, the reportable segment in which the non-current asset (or disposal group) is presented in accordance with AS 108, *Segment Reporting*¹⁰.
- 48 If either paragraph 32 or paragraph 35 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.

¹⁰ The Standard is under formulation.

Appendix A

Defined terms

This appendix is an integral part of the AS.

cash-generating unit	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.
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 entity shall classify an asset as current when: (a) it expects to realise the asset, or intends to sell or consume it, in its normal operating cycle; (b) it holds the asset primarily for the purpose of trading; (c) it expects to realise the asset within twelve months after the reporting period; or (d) the asset is cash or a cash equivalent (as defined in AS 7) unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.
discontinued operation	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.
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 80–87 of AS 36, *Impairment of Assets*, or if it is an operation within such a cash-generating unit.

fair value	<i>Fair value</i> is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. (See AS 113, <i>Fair Value Measurement</i> ¹¹ .)
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.

¹¹ The Standard is under formulation.

Appendix B

Application supplement

This appendix is an integral part of the AS.

Extension of the period required to complete a sale

B1 As noted in paragraph 13, 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 11 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 10 and 11 are met.

Appendix 1

Note 1: This Appendix is not a part of the Accounting Standard (AS) 105. The purpose of this Appendix is only to bring out the major differences, if any, between revised AS 105, *Non-current Assets Held for Sale and Discontinued Operations* and Indian Accounting Standard (Ind AS) 105.

Note 2: Paragraph numbers appearing in Revised AS 105 may be different as compared to those in Ind AS 105.

Comparison with Ind AS 105, *Non-current Assets Held for Sale and Discontinued Operations*

1. Accounting Standard corresponding to Ind AS 104, *Insurance Contracts*, will not be issued as it is not considered necessary for entities that will be following AS series of standards. Accordingly, paragraph 5(f) of Ind AS 105 has not been included in revised AS 105.
2. Under revised AS 105, requirements related to cash flow statement are applicable when the entity presents a cash flow statement. Ind AS 105 does not specifically mention so.
3. Ind AS 105 requires to 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. Since the Other comprehensive Income section of statement of profit and loss has not been included under revised AS revised AS 105 has been amended requiring the entities to present separately the amount recognised in any specific reserve relating to a non-current asset (or disposal group) classified as held for sale.

Appendix 2

Note: This Appendix is not a part of the Accounting Standard (AS) 105. The purpose of this Appendix is only to bring out the major differences, if any, between revised AS 105, *Non-current Assets Held for Sale and Discontinued Operations* and existing Accounting Standard (AS) 24, *Discontinuing Operations*.

Comparison with AS 24, *Discontinuing Operations*

1. Revised AS 105 specifies the accounting for non-current assets held for sale, and the presentation and disclosure of discontinued operations. AS 24 established principles for reporting information about discontinuing operations. It did not deal with the non-current assets held for sale; fixed assets retired from active use and held for sale, which were dealt in AS 10, *Property, Plant and Equipments*. (Paragraph 1 of revised AS 105 and 'Objective' of AS 24)
2. Under revised AS 105, a discontinued operation is a component of an entity that either has been disposed of or is classified as held for sale. In AS 24, there was no concept of discontinued operations but it dealt with discontinuing operations.
3. As per revised AS 105, the sale should be expected to qualify for recognition as a completed sale within one year from the date of classification with certain exceptions. AS 24 did not specify any time period in this regard as it was related to discontinuing operations.
4. As per revised AS 105, a discontinued operation is a component of an entity that represents a separate major line of business or geographical area, or is a subsidiary acquired exclusively with a view to resale. Under AS 24, a discontinuing operation was a component of an entity that represents the major line of business or geographical area of operations and that can be distinguished operationally and for financial reporting purposes. (Paragraph 3 of AS 24 and paragraph 38 of revised AS 105)
5. AS 24 specified about the initial disclosure event in respect to a discontinuing operation. Revised AS 105 does not mention so as it relates to discontinued operation. (Paragraph 15 of AS 24)
6. Under revised AS 105, non-current assets (disposal groups) held for sale are measured at the lower of carrying amount and fair value less costs to sell, and are presented separately in the balance sheet. AS 24 required to apply the principles set out in other relevant Accounting Standards, e.g., AS 10 requires that the property, plant and equipment retired from active use and held for disposal should be stated at the lower of their carrying amount and net realisable value and shown separately in the financial statements.
7. Revised AS 105 specifically mentions that abandonment of assets should not be classified as held for sale. In AS 24, abandonment of assets was classified as a discontinuing operation; however, changing the scope of an operations or the manner in which it is conducted is not abandonment and hence not a

discontinuing operation. (Paragraph 7 of AS 24 and paragraph 18 of revised AS 105)

8. Revised AS 105 provides guidance regarding changes to the plan to sell non-current assets (or disposal groups) which are classified as held for sale. AS 24 did not give any specific guidance regarding this aspect.