

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

Objective:

This heading may add-

The objective of this Exposure Draft (ED) is to propose improvements to the relevance, faithful representativeness and comparability of the information that a reporting entity provides in its financial statements about non-current assets that are held for sale and discontinued operations.

Where materially different, disclosures of the fair value of non-current assets classified as held for sale measured at a lower carrying amount would provide useful information to users of financial statements for accountability purposes.

Scope:

This heading may add the following Paras:

Non-current assets classified as held for sale are measured at the lower of carrying amount and fair value less costs to sell. When non-current assets held for sale are measured at carrying amount lower than fair value, the fair value of those assets is not disclosed anywhere in the financial statements. It is possible that an asset's carrying amount and fair value can be materially different and that in these circumstances, an entity should disclose, for accountability purposes, the fair value of the asset classified as held for sale.

An entity that prepares and presents financial statements under the accrual basis of accounting shall apply this Standard in accounting for non-current assets held for sale and discontinued operations.

Assets that are to be transferred to another public sector entity, or assets that are surplus to an entity's operations would not be within the scope. Additional disclosures on surplus assets or assets that are to be transferred to another public sector entity, not covered by the scope of ED 79, would provide useful information to users of the financial statements to indicate such assets are no longer expected to be used for the entity's objectives.

An entity shall classify non-current asset as held for sale if its carrying amount will be recovered principally through a sale transaction rather than through continuing use. An entity shall measure a non-current asset classified as held for sale at the lower of its carrying amount and fair value less costs to sell.

A discontinued operation is a component of an entity that either has been disposed of or is classified as held for sale, and represents either a separate major line of business or a geographical area of operations is part of a single coordinated plan to dispose of a separate major line of business or geographical area of operations, or is a subsidiary acquired exclusively with a view to resale and the disposal involves loss of control.

An entity shall also disclose in the notes to the financial statements the carrying amount of assets that are deemed surplus to the entity's operational requirements but that do not meet the criteria to be classified as held for sale.

Since one of the requirements for a non-current asset to be classified as held for sale is that it must be actively marketed at a price that is reasonable in relation to its fair value, then the entity understands what that asset is worth. If a fair value is impossible to obtain, such a sales transaction is outside the scope.

Para:5 may consider the following modifications:

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) and within the scope of the relevant international or national accounting standard dealing with 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.
- (e) non-current assets that are accounted for in accordance with the fair value model, Investment Property.
- (f) groups of contracts within the scope of Insurance Contracts in accordance with relevant international or national accounting standard dealing with insurance contracts.

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

Following modifications are suggested in the Para No. given below:

12. An entity that is committed to a sale plan involving loss of control of a subsidiary ~~/controlled~~ entity shall classify all the assets and liabilities of that subsidiary/~~controlled~~ entity as held for sale when the criteria set out in paragraphs9 -11 are met, regardless of whether the entity will retain a non-controlling interest in its former subsidiary controlled entity after the sale.

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'/owners' approval, if required, should be considered as part of the assessment of whether the distribution is highly probable.

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/surplus or deficit as a financing cost.

Presentation and disclosure

Following modifications are suggested in the para No. given below:

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/operations 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/controlled entity acquired exclusively with a view to resale.

39 An entity shall disclose:

(a) a single amount in the statement of profit and loss/financial performance 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/surplus or deficit 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/financial performance. If it is presented in the statement of profit and loss/financial performance, 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/**controlled entities** 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/**controlled entities** that meet the criteria to be classified as held for sale on acquisition (see paragraph 15).

43 An entity that is committed to a sale plan involving loss of control of a subsidiary/**controlled entity** shall disclose the information required in paragraphs 39-42 when the subsidiary/**controlled entity** 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/**surplus or deficit** on the re-measurement 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 any **cumulative revenue/income or expense recognised in the statement of net assets/equity relating to a non-current asset (or disposal group) classified as held for sale.**

45 If the disposal group is a newly acquired subsidiary/**controlled entity** 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.

Recognition of impairment losses and reversals

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 Non-Cash-Generating Assets and Impairment of Cash-Generating Assets.**

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 loss/**surplus or deficit** from continuing operations in the period in which the criteria in paragraphs 10-13 are no longer

met. Financial statements for the periods since 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/**Controlled entity**, 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/**financial performance** used to present a gain or loss, if any, recognised in accordance with paragraph

Presentation and disclosure

This para may add the following:

The financial statements shall disclose, for each class of property, plant, and equipment recognized in the financial statements a reconciliation of the carrying amount at the beginning and end of the period showing: (i) Additions; (ii) Disposals (iii) Assets classified as held for sale or included in a disposal group classified as held for sale; (iv) Assets allocated for transfer to another public sector entity in a transaction (v) Any other disposals; (vi) Acquisitions through entity combinations.

An entity shall also disclose in the notes to the financial statements the carrying amount of assets that are deemed surplus to the entity's operational requirements but that do not meet the criteria to be classified as held for sale.

In the public sector transparency and accountability are important when an entity decides to sell non-current assets. Therefore, when an asset is classified as held for sale and measured at a carrying amount lower than fair value, disclosure of the asset's fair value in the notes to the financial statements provides users with information that holds decision makers accountable.

Measurement of non-current assets (or disposal groups) classified as held for sale:

SIRC of ICAI generally agrees with the measurement principles of the model, however, the following comments are expressed:

(a) The measurement technique applied by the model seemed to be a mix between an amortised cost and a fair value measurement.

(b) Suggested that the model should not resort to the requirements in IAS 8 when accounting for changes in estimated cash flows but rather provide guidance in the model for defined rate regulation

To add: Transition & Effective date

General:

[Note: The heading: "Presentation of a non-current asset or disposal group classified as held for sale" carry same Para No: 45 for two Paras, hence either to be re-numbered continuously or Para: 45A may be inserted after Para: 45.]

Name: Sounder Rajan SP

M no 237299

Place: Chennai

Mail: sounderrajansubramanian2709@gmail.com

Mobile: 9940153273

Subject: Comments on Exposure draft on Accounting Standard (AS) 105 Non-current Assets Held for Sale and Discontinued Operations

- 1) I welcome the opportunity provided for sending comments on Exposure draft on Accounting Standard (AS) 105 Non-current Assets Held for Sale and Discontinued Operations
- 2) My view

Existing	Proposed change	Comments	Rational
Para 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,	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,	Shareholders' approval can change based on jurisdiction/legislation. Accordingly cannot be general	It is always better to include scope of legal requirements.

if required, should be considered as part of the assessment of whether the sale is highly probable.	if required in the jurisdiction, should be considered as part of the assessment of whether the sale is highly probable.		
<p>Para 17</p> <p>The probability of shareholders' approval, if required, should be considered as part of the assessment of whether the distribution is highly Probable.</p>	<p>The probability of shareholders' approval, if required by the jurisdiction, should be considered as part of the assessment of whether the distribution is highly Probable.</p>	<p>Shareholders' approval can change based on jurisdiction/legislation. Accordingly cannot be general</p>	<p>It is always better to include scope of legal requirements.</p>

I concur that views stated above are my individual opinion and not of any organization where I am working or not of any committee or organization I am connected with.

Regards
 Sounder Rajan
 M No 237299

Google



The Institute of Chartered Accountants of India
(Setup by an Act of Parliament)

[Comment Form](#)

Exposure Draft of Revised AS 102, Share-based Payments

Disclaimer

Thank you for your comments

[Click here to return to the home page](#)