



IFRS AT A GLANCE
IFRS 5 *Non-current Assets Held for Sale*
and Discontinued Operations



IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*

DEFINITIONS

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.

Discontinued operation - A component of an entity that either has been disposed of or is classified as held for sale and either:

- ▶ Represents a separate major line of business or geographical area
- ▶ Is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations
- ▶ Is a subsidiary acquired exclusively with a view to resale.

CLASSIFICATION OF NON-CURRENT ASSETS (OR DISPOSAL GROUPS) HELD FOR SALE OR DISTRIBUTION TO OWNERS

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. The following criteria must be met:

- ▶ The asset (or disposal group) is available for immediate sale
- ▶ The terms of asset sale must be usual and customary for sales of such assets
- ▶ The sale must be highly probable
- ▶ Management is committed to a plan to sell the asset
- ▶ Asset must be actively marketed for a sale at a reasonable price in relation to its current fair value
- ▶ Sale should be completed within one year from classification date
- ▶ Sale transactions include exchanges of non-current assets for other non-current assets when the exchange has commercial substance in accordance with IAS 16 *Property, Plant and Equipment*
- ▶ When an entity acquires a non-current asset exclusively with a view to its subsequent disposal, it shall classify the non-current asset as held for sale at the acquisition date only if the one year requirement is met
- ▶ There are special rules for subsidiaries acquired with a view for resale.

Note: The classification criteria also apply to non-current assets (or disposal groups) **held for distribution to owners**. A reclassification from held for sale to held for distribution to owners is not a change to a plan and therefore not a new plan.

DISCONTINUED OPERATIONS

- ▶ Classification as a discontinued operation depends on when the operation also meets the requirements to be classified as held for sale
- ▶ Results of discontinued operations are presented as a single amount in the statement of comprehensive income. An analysis of the single amount is presented in the notes or in the statement of comprehensive income
- ▶ Cash flow disclosure is required - either in the notes or statement of cash flows
- ▶ Comparatives are restated.

SCOPE

- ▶ Applies to all recognised non-current assets and disposal groups of an entity that are:
 - held for sale; or
 - held for distribution to owners.
- ▶ Assets classified as non-current in accordance with IAS 1 *Presentation of Financial Statements* shall not be reclassified as current assets until they meet the criteria of IFRS 5
- ▶ If an entity disposes of a group of assets, possibly with directly associated liabilities (i.e. an entire cash-generating unit), together in a single transaction, if a non-current asset in the group meets the measurement requirements in IFRS 5, then IFRS 5 applies to the group as a whole. The entire group is measured at the lower of its carrying amount and fair value less costs to sell
- ▶ Non-current assets to be abandoned cannot be classified as held for sale.

Exclusions to measurement requirements of IFRS 5. Disclosure requirements still to be complied with:

- ▶ Deferred tax assets (IAS 12 *Income Taxes*)
- ▶ Assets arising from employee benefits (IAS 19 *Employee Benefits*)
- ▶ Financial assets in the scope of IAS 39 *Financial Instruments: Recognition and Measurement* / IFRS 9 *Financial Instruments*
- ▶ Non-current assets that are accounted for in accordance with the fair value model (IAS 40 *Investment Property*)
- ▶ Non-current assets that are measured at fair value less estimated point of sale costs (IAS 41 *Biological Assets*)
- ▶ Contractual rights under insurance contracts (IFRS 4 *Insurance Contracts* / IFRS 17 *Insurance Contracts*).

MEASUREMENT

- ▶ Immediately prior to classification as held for sale, carrying amount of the asset is measured in accordance with applicable IFRSs
- ▶ After classification, it is measured at the lower of carrying amount and fair value less costs to sell. Assets covered under certain other IFRSs are scoped out of measurement requirements of IFRS 5 - see above
- ▶ Impairment must be considered at the time of classification as held for sale and subsequently
- ▶ Subsequent increases in fair value cannot be recognised in profit or loss in excess of the cumulative impairment losses that have been recognised with this IFRS or with IAS 36 *Impairment of Assets*
- ▶ Non-current assets (or disposal groups) classified as held for sale are not depreciated
- ▶ Adjustment of number of shares and/or vesting date amount for actual results.

DISCLOSURE












- ▶ Non-current assets (or a disposal group) held for sale are disclosed separately from other assets in the statement of financial position. If there are any liabilities, these are disclosed separately from other liabilities
- ▶ Description of the nature of assets (or disposal group) held for sale and facts and circumstances surrounding the sale
- ▶ A gain or loss resulting from the initial or subsequent fair value measurement of the disposable group or non-current asset held for sale if not presented separately in the statement of comprehensive income and the line item that includes that gain or loss
- ▶ Prior year balances in the statement of financial positions are not reclassified as held for sale
- ▶ If applicable, the reportable segment (IFRS 8) in which the non-current asset or disposable group is presented.

Contact

For further information about how BDO can assist you and your organisation, please get in touch with one of our key contacts listed below.

Alternatively, please visit www.bdo.global where you can find full lists of regional and country contacts.



EUROPE

Anne Catherine Farlay	 France	annecatherine.farlay@bdo.fr
Jens Freiberg	 Germany	jens.freiberg@bdo.de
Teresa Morahan	 Ireland	tmorahan@bdo.ie
Ehud Greenberg	 Israel	ehudg@bdo.co.il
Stefano Bianchi	 Italy	stefano.bianchi@bdo.it
Roald Beumer	 Netherlands	roald.beumer@bdo.nl
Reidar Jensen	 Norway	reidar.jensen@bdo.no
Leonid Sidelkovskiy	 Russia	L.Sidelkovskiy@bdo.ru
David Cabaleiro	 Spain	david.cabaleiro@bdo.es
René Füglistner	 Switzerland	rene.fueglistner@bdo.ch
Moses Serfaty	 United Kingdom	moses.serfaty@bdo.co.uk




SUB SAHARAN AFRICA



Theunis Schoeman	 South Africa	tschoeman@bdo.co.za
------------------	--	--

NORTH AMERICA & CARIBBEAN







Armand Capisciolto	 Canada	acapisciolto@bdo.ca
Wendy Hambleton	 USA	whambleton@bdo.com


LATIN AMERICA

Marcello Canetti	 Argentina	mcanetti@bdoargentina.com
Victor Ramirez	 Colombia	vramirez@bdo.com.co
Ernesto Bartesaghi	 Uruguay	ebartesaghi@bdo.com.uy

Arshad Gadit	 Bahrain	arshad.gadit@bdo.bh
Antoine Gholam	 Lebanon	agholam@bdo-lb.com

ASIA PACIFIC

Aletta Boshoff	 Australia	aletta.boshoff@bdo.com.au
Hu Jian Fei	 China	hu.jianfei@bdo.com.cn
Fanny Hsiang	 Hong Kong	fannyhsiang@bdo.com.hk
Pradeep Suresh	 India	pradeepsuresh@bdo.in
Khoon Yeow Tan	 Malaysia	tanky@bdo.my
Ng Kian Hui	 Singapore	kianhui@bdo.com.sg



This publication has been carefully prepared, but it has been written in general terms and should be seen as broad guidance only. The publication cannot be relied upon to cover specific situations and you should not act, or refrain from acting, upon the information contained therein without obtaining specific professional advice. Please contact your respective BDO member firm to discuss these matters in the context of your particular circumstances. Neither BDO IFR Advisory Limited, Brussels Worldwide Services BV, BDO International Limited and/or BDO member firms, nor their respective partners, employees and/or agents accept or assume any liability or duty of care for any loss arising from any action taken or not taken by anyone in reliance on the information in this publication or for any decision based on it.

Service provision within the international BDO network of independent member firms ('the BDO network') in connection with IFRS (comprising International Financial Reporting Standards, International Accounting Standards, and Interpretations developed by the IFRS Interpretations Committee and the former Standing Interpretations Committee), and other documents, as issued by the International Accounting Standards Board, is provided by BDO IFR Advisory Limited, a UK registered company limited by guarantee. Service provision within the BDO network is coordinated by Brussels Worldwide Services BV, a limited liability company incorporated in Belgium with its statutory seat in Zaventem.

Each of BDO International Limited (the governing entity of the BDO network), Brussels Worldwide Services BV, BDO IFR Advisory Limited and the member firms is a separate legal entity and has no liability for another such entity's acts or omissions. Nothing in the arrangements or rules of the BDO network shall constitute or imply an agency relationship or a partnership between BDO International Limited, Brussels Worldwide Services BV, BDO IFR Advisory Limited and/or the member firms of the BDO network.

BDO is the brand name for the BDO network and for each of the BDO member firms.

© 2021 BDO IFR Advisory Limited, a UK registered company limited by guarantee. All rights reserved.

www.bdo.global