

# IFRS 5 - NON-CURRENT ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS

**Disclaimer:**

This communication contains general information only, and none of M Al Ali Auditing, its member firms, or their related entities (collectively, the "M Al Ali Auditing network") is, by means of this communication, rendering professional advice or services. No entity in the M Al Ali Auditing network shall be responsible for any loss whatsoever sustained by any person who relies on this communication.

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

## Scope

### **Objective:**

- ❖ To specify the accounting for asset held for sale
- ❖ To set the presentation and disclosure of discontinued operations

### **Scope:**

IFRS 5 applies to all identifiable assets/ disposal groups (with measurement exceptions)

No not apply to

IAS 12 Deferred tax assets

IAS 19 Assets from employee benefits

IFRS 9 Financial Assets

IAS 40 Non-current assets at fair value model

IAS 41 Non current asset at fair value – cost to sell

IFRS 4 Contractual rights (Insurance contracts)

## Assets held for sale

Classification is based on followings facts and circumstances

- ❖ Management planned to sell an asset
- ❖ Asset is available for immediate sale.
- ❖ An active plan to locate a buyer is initiated
- ❖ Asset is expected to be sold out in 12 months
- ❖ Asset is sold actively in market at reasonable price
- ❖ Actions required to complete the plan indicate that it is unlikely that plan will be significantly changed or withdrawn

## Measurement

- ❖ Before the asset classified as held for sale, the 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.
- ❖ 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 earlier
- ❖ Non-current assets or disposal groups that are classified as held for sale are not depreciated.
- ❖ Adjustment of number of shares and/or vesting date amount for actual results.

## Presentation

Assets classified as held for sale, and the assets and liabilities included within a disposal group classified as held for sale, must be presented separately on the face of the statement of financial position .

## Disclosure

IFRS 5 requires following disclosures:

- description of facts and circumstances of the sale (disposal) and the expected timing
- impairment losses and reversals and treatment
- description of the non-current asset or disposal group

Disclosures in other IFRSs do not apply to assets held for sale (or discontinued operations, discussed below) unless those other IFRSs require specific disclosures in respect of such assets, or in respect of certain measurement disclosures where assets and liabilities are outside the scope of the measurement requirements of IFRS 5.

## Held for distribution to owners classification

Classification, presentation and disclosure requirements of IFRS 5 also applies to assets held for distribution to owners

- ❖ provided the entity must be committed to the distribution,
- ❖ the assets must be available for immediate distribution and
- ❖ the distribution must be highly probable.

## Disposal Group Concept

It a single set of asset along with some liabilities that an entity is intending to dispose off in a single transaction.