

# IFRS 5. Non-current assets held for sale and discontinued operations

IFRS 5 Non-current Assets Held for Sale and Discontinued Operations outlines how to account for non-current assets held for sale or for distribution to owners.

In general terms, assets or disposal groups, held for sale are not depreciated, are measured at the lower of carrying amount and fair value less costs to sell, and are presented separately in the statement of financial position. Specific disclosures are also required for discontinued operations and disposals of non-current assets.

IFRS 5 was issued in March 2004 and applies to annual periods beginning on or after 1 January 2005.

## Background

IFRS 5 achieves substantial convergence with the requirements of US SFAS 144 Accounting for the Impairment or Disposal of Long-Lived Assets with respect to the timing of the classification of operations as discontinued operations and the presentation of such operations.

With respect to long-lived assets that are not being disposed of, the impairment recognition and measurement standards in SFAS 144 are significantly different from those in IAS 36 Impairment of Assets. However those differences were not addressed in the short-term IASB-FASB convergence project.

## Held-for-sale classification

In general, the following conditions must be met for an asset or 'disposal group' to be classified as held for sale:

- Management is committed to a plan to sell
- The asset is available for immediate sale
- An active programme to locate a buyer is initiated
- The sale is highly probable, within 12 months of classification as held for sale, subject to limited exceptions

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- The asset is being actively marketed for sale at a sales price reasonable in relation to its fair value
- Actions required to complete the plan indicate that it is unlikely that plan will be significantly changed or withdrawn

The assets need to be disposed of through sale. Therefore, operations that are expected to be wound down or abandoned would not meet the definition, but may be classified as discontinued once abandoned.

## **Held for distribution to owners classification**

The classification, presentation and measurement requirements of IFRS 5 also apply to a non-current asset or disposal group that is classified as held for distribution to owners.

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**

A 'disposal group' is a group of assets, possibly with some associated liabilities, which an entity intends to dispose of in a single transaction.

The measurement basis required for non-current assets classified as held for sale is applied to the group as a whole, and any resulting impairment loss reduces the carrying amount of the non-current assets in the disposal group in the order of allocation required by IAS 36.

## **Cash flow information**

The net cash flows attributable to the operating, investing, and financing activities of a discontinued operation is separately presented on the face of the cash flow statement or disclosed in the notes.

### **REFERENCE:**

Deloitte. IAS Plus The #1 website for global accounting news.  
Staff Editor. January 1, 2022.

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<https://www.iasplus.com/en/standards/ifrs/ifrs5>