IFRS 5 – NON-CURRENT ASSETS HELD FOR SALE

DEFINITIONS

- A non-current asset (or a disposal group e.g. a subsidiary) can be classified as held for sale if:

  1. It is available for immediate sale in its present condition; and

  2. The PUMAS criteria are met:

     P rice is reasonable in relation to the fair value;
     U nlikely entity will change plan to sell;
     M anagement are committed to the sale;
     A actively seeking a buyer;
     S ale to be completed in less than one year

  In relation to the above, if a property was selling subject to planning permission, then it would not meet the IFRS 5 criteria as it is not for sale in its present condition. Also, the sale period can extend beyond one year if it's due to factors outside the entities control.

MEASUREMENT

- IFRS 5 assets are measured at the lower of their carrying amount and fair value less costs to sell.

- While recognised under IFRS 5, all impairments are recognised directly in profit or loss. Any revaluation surplus that existed prior to classification as IFRS 5 is effectively "frozen" until the sale is completed.

- IFRS 5 assets are not depreciated.

- IFRS 5 assets are recognised as current assets although they will be labelled "non-current asset held for sale".

- If a disposal group is held for sale, the assets and liabilities for sale are shown separately under current assets and current liabilities respectively.

OTHER POINTS

- Prior to recognising an asset under IFRS 5, entities must perform "one final measurement" under other applicable accounting standards.

  For example, if a property was accounted for using the revaluation model in IAS 16, then immediately prior to becoming an IFRS 5 asset it will be revalued to its market value under IAS 16. Following this, it will be assessed for impairment under IAS 36 before finally transferring to IFRS 5.

- Impairment reversals are allowed under IFRS 5. However, they are limited to the sum of all previous impairments recognised in profit or loss. Typically, this will be the sum of all previous IFRS 5 impairments <u>and</u> IAS 36 impairments.

- If IFRS 5 is discontinued for an asset, it must be recognised under it's new accounting standard (e.g. IAS 16) at the lower of it's recoverable amount and the carrying amount of the asset "if IFRS 5 had never been applied".

IFRS 5 – DISCONTINUED OPERATIONS

DEFINITIONS

- A discontinued operation is a component of an entity that has been disposed of, or is classified as held for sale, and:
    - Represents a separate major line of business or geographical area of operations;
    - Is part of a single co-ordinated 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.

- A component of an entity is a cash-generating unit of group or cash-generating units.

PRESENTATION

- Results of discontinued operations are presented as a single amount in the Statement of Financial Performance (and comparatives are re-stated).

- An analysis of the single amount is presented in the notes or in the Statement of Financial Performance.

ILLUSTRATIVE EXAMPLE

Statement of Profit or Loss		
	20X2	20X1
	€	€
Continuing Operations		
Revenue	X	X
Expenses	(X)	(X)
Profit from continuing operations	**X**	**X**
Discontinued Operations		
Profit for the year from discontinued operations	**X**	**X**
Profit for year	**X**	**X**

Note, if an asset has been classified as held for sale, the profit from discontinued operations note will include a separate line on any impairment losses under IFRS 5 and a separate line again for gains/(losses) on disposal.