

# TREASURY ANALYSIS – INTERNATIONAL ACCOUNTING STANDARDS

## AASB 5 “Non-Current Assets Held for Sale and Discontinued Operations” replaces AASB 1042 “Discontinuing Operations”

### Major impacts

- Creates *held for sale* assets as a new class of assets and specifies new measurement and disclosure requirements:
  - measured at the lower of carrying amount and fair value less costs to sell;
  - not depreciated;
  - re-classified from non-current to current;
  - separately presented in the balance sheet.
- Requires disclosure of *discontinued operations* at a later point in the disposal process than previously.

### Key features of the Standard

#### Scope

- Creates *held for sale assets* as a new class of assets and specifies classification, measurement and presentation requirements.
- Sets out amended requirements for the presentation and disclosure of *discontinued operations*.
- Previously, AASB 1042 only addressed presentation and disclosure of discontinued operations and there were no separate measurement requirements for the disposal of non-current assets.
- AASB 5 applies to all recognised non-current assets and all ‘disposal groups’ of an entity. However, the held for sale measurement requirements of AASB 5 do not apply to those assets already carried at fair value with changes in fair value recognised in profit or loss under another standard (e.g. investment property measured at fair value) or where there are difficulties in determining their fair value less costs to sell (para 5).
- Excludes the restructuring of administrative arrangements and administered activities of government departments (para Aus2.1).

#### Held for sale assets

- *Definition* - A non-current asset (or disposal group) must be classified as *held for sale* where it satisfies strict criteria (para 6-12):
  - The asset (or disposal group) is available for immediate sale;
  - Sale is highly probable, within one year from date of classification (subject to some exceptions);
  - The appropriate level of management must be committed to a plan to sell;
  - An active programme to locate a buyer and complete the plan must be initiated;
  - The asset (or disposal group) must be actively marketed for sale;
  - Actions required to complete the plan indicate that it is unlikely that significant changes to the plan will be made or that the plan will be withdrawn.
  - ‘*Disposal group*’ - is a group of assets to be disposed of, by sale or otherwise, together as a group in a single transaction, and liabilities directly associated with those assets that will be transferred in the transaction (Appendix A).
- *Measurement* –
  - *Initial and subsequent measurement* (para 15) – Held for sale assets must be measured at the lower of carrying amount and fair value less costs to sell.
  - *Impairment loss* (para 18 and 20) – An impairment loss is recognised in profit or loss for any initial and subsequent write down from the carrying amount measured immediately before reclassification or re-measurement to fair value less costs to sell.
  - *No depreciation* (para 25) – Held for sale assets must not be depreciated.

- *Disclosures* –
  - Must be reclassified as current assets and liabilities (para 3).
  - The assets and liabilities must each be shown separately from other assets and liabilities in the balance sheet (no offsetting) (para 38).
  - The major classes of assets and liabilities must be separately disclosed either on the face of the balance sheet or in the notes (para 38).

#### *Discontinued operations*

- *Definition* – The AASB 5 definition of a *discontinued operation* (Appendix A) is substantially the same as AASB 1042.
- *Disclosures* – AASB 5 requires disclosure of a discontinued operation when it has been disposed of or when the criteria for classification as held for sale is satisfied (para 32). AASB 5 requires the following disclosures (para 33):
  - A *single amount* on the face of the income statement comprising the total of: the post-tax profit or loss of discontinued operations; and post-tax gain or loss on measurement to fair value less selling costs or on disposal.
  - Additional analysis of the single amount and the net cash flows attributable to the discontinued operation, either in the notes or on the face of the financial statements.

#### **Main differences compared to current Australian requirements**

- AASB 5 creates *held for sale* assets as a new class of assets and specifies classification, measurement and presentation requirements. Previously, AASB 1042 only addressed presentation and disclosure of discontinued operations and there were no separate measurement requirements for the disposal of non-current assets.
- A *discontinued operation* is required to be disclosed under AASB 5 when the operation has been disposed of or when the criteria for classification as held for sale are satisfied (para 32). AASB 1042 recognised a discontinued operation when an entity had entered into a binding sale agreement or management had approved and announced a plan for the discontinuance (para 7.1.2). The disclosure under AASB 5 may therefore occur at a later date than would have been the case under AASB 1042.
- AASB 5 contains greater disclosure requirements (per “key features of the standard” above).

#### **Impact on the public sector**

- Classification as *held for sale* is unlikely to have a material effect on the existing measurement of property, plant and equipment assets in the NSW public sector. This is because agencies are already required to recognise these assets based on fair value. Therefore, the only difference will arise where selling costs are material.
- AASB 5 carries forward the AASB 1042 scope exclusion for administrative restructures (equity transfers) between government departments subject to AAS 29 (para Aus2.1). Treasury’s view is that other equity transfers, not subject to AAS 29 (e.g. between a department and statutory body or between two statutory bodies) do not satisfy the held for sale definition. However, the discontinued operation requirements may apply where there are restructures involving other NSW public sector agencies not subject to AAS 29.

#### **Policy and Implementation issues**

- At the date of transition and subsequent reporting periods, agencies will need to ascertain whether there are any non-current assets (or disposal groups) that satisfy the definition of:
  - held for sale;
  - discontinued operations.

This summary has been written in general terms and is intended for reference only. Agencies are strongly recommended to review the contents of the Standard to determine its application in particular circumstances.

**SUMMARY OF POLICY, IMPLEMENTATION & SYSTEM ISSUES  
AASB 5 “NON-CURRENT ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS”  
TREASURY & AGENCIES**

	Issue	Treasury Policy		System/ Implementation Issue	GFS Issues	Total State Sector Issues
		Mandate Option	Additional guidance			
1	Identifying and recognition / disclosure of assets or disposal groups that meet the definition of ‘held for sale’ or ‘discontinued operations’.			√		√
2	First time adoption – preparing comparative data (AASB 1, para Aus34B.1).			√		√