



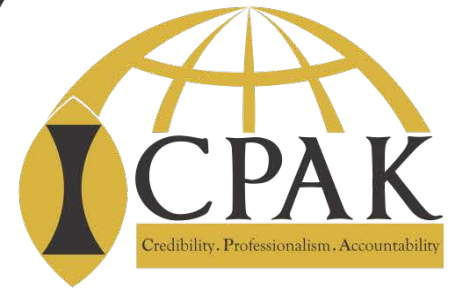
IFRS 5

Non-current Assets Held for Sale and Discontinued Operations

CPA Stephen Obock

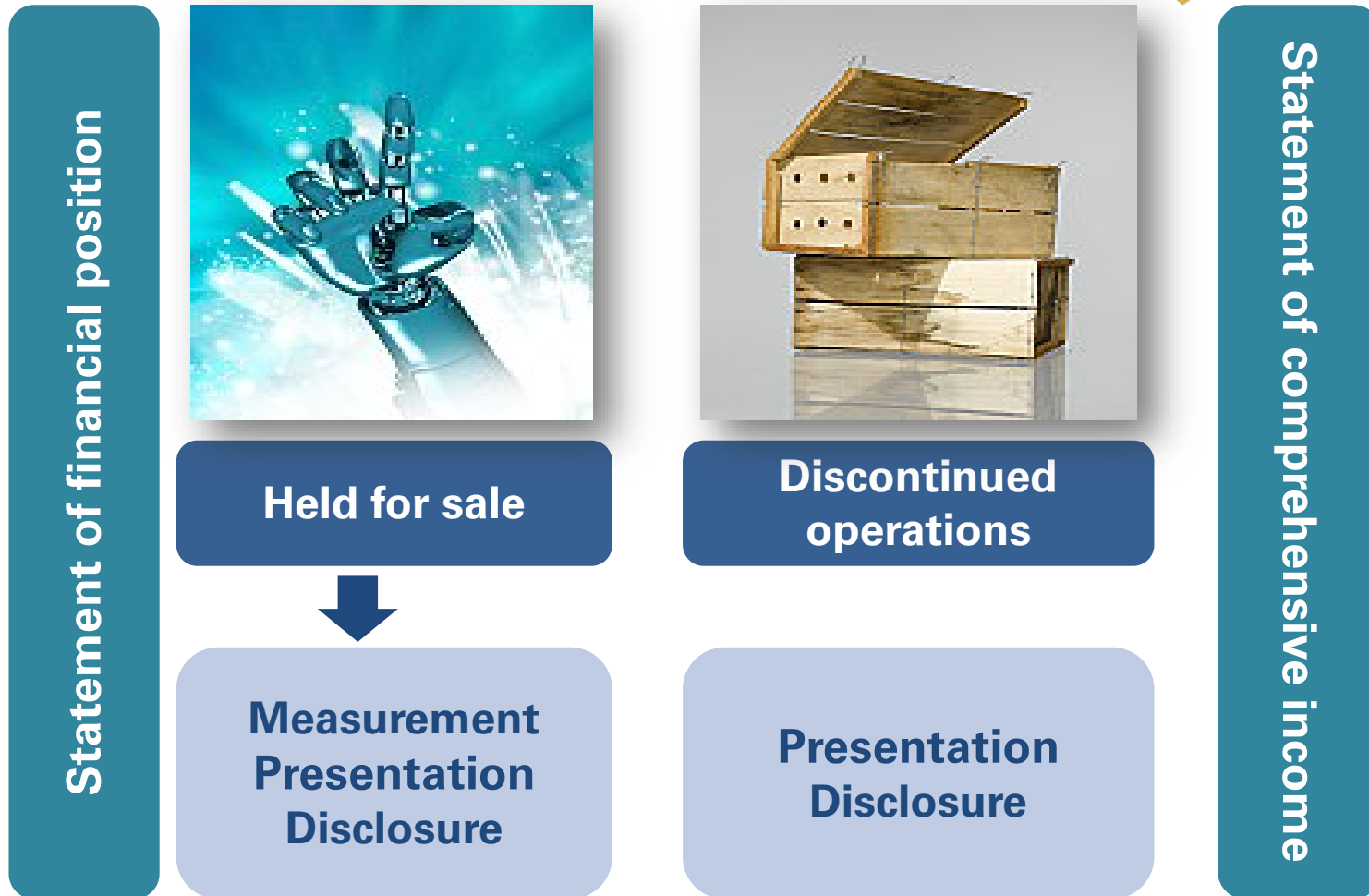
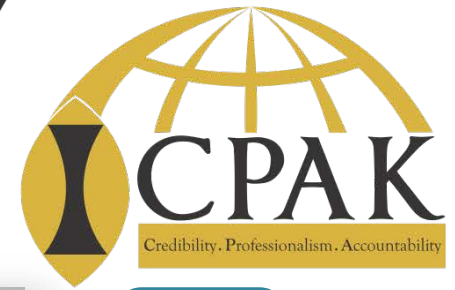
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You will learn to:

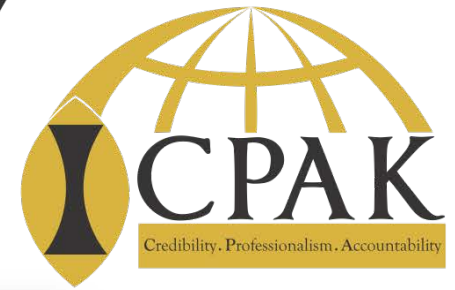


- 1) Explain the criteria for classifying non-current assets as held for sale
- 2) Describe the measurement and presentation requirements for non-current assets held for sale
- 3) Explain the criteria for classifying operations as discontinued
- 4) Describe the presentation requirements for discontinued operations

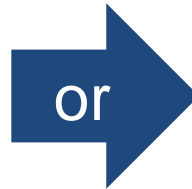
Scope of IFRS 5



Scope of IFRS 5 Cont'd



Non-current asset

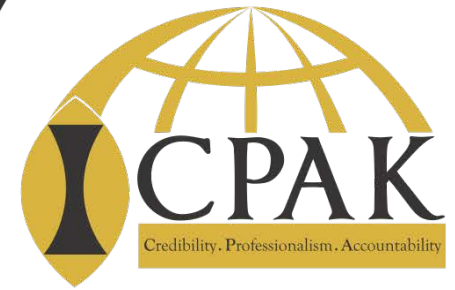


Disposal group



Dispose of together in a single transaction

Scope exclusions



Deferred tax assets	IAS 12
Employee benefit assets	IAS 19
Financial assets	IFRS 9
Investment property at fair value	IAS 40
Biological assets at fair value less costs to sell	IAS 41
Contractual rights under insurance contracts	IFRS 4 IFRS 17

Held for sale classification



Carrying amount to be recovered principally through sale



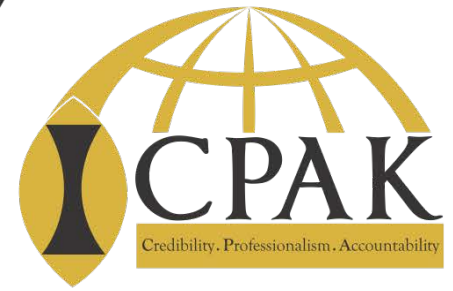
Available for immediate sale in current condition



Sale is highly probable:

- ◆ Management committed to plan to sell
- ◆ Actively marketing at reasonable price
- ◆ Significant changes to plan unlikely
- ◆ Sale expected within 1 year of date of classification

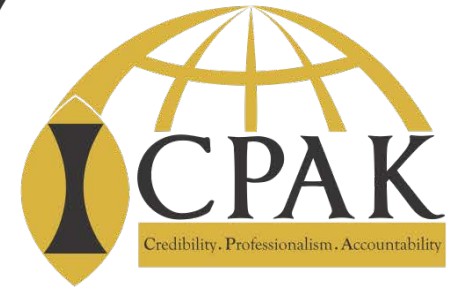
Knowledge check



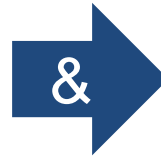
- A buyer is identified for robotics Factory Gamma and a formula for the price is agreed
- However, financial information emerges that leads Lila-Tech to suspect that the final agreed price will be significantly below the price at which it is willing to sell Factory Gamma
- Therefore, Lila-Tech begins to consider alternatives to selling Factory Gamma

Can Lila-Tech classify Factory Gamma as held for sale?

1 year deadline extension



Delay caused by events
and circumstances
beyond Company's
control



Sufficient evidence exists
that Company remains
committed to its plan to sell

Initial measurement



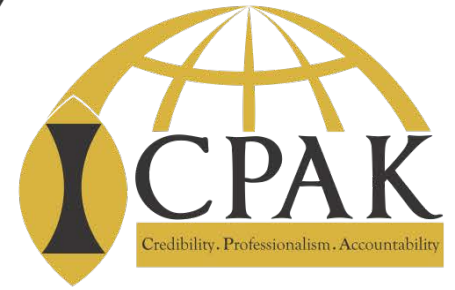
Immediately before classification as held for sale, measure in accordance with relevant IFRSs

On classification, measure at lower of carrying amount and fair value less costs to sell

Assets not depreciated / amortised

Losses allocated to (1) goodwill then (2) non-current assets in measurement scope pro rata

Subsequent measurement

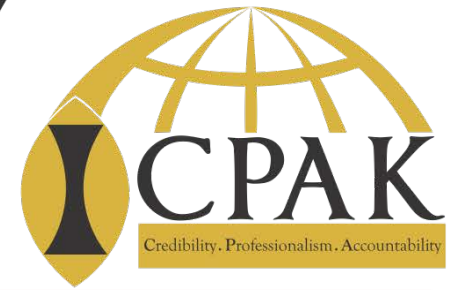


Reassess fair value less costs to sell

Further losses allocated to (1) goodwill then (2) non-current assets in measurement scope pro rata

Gains limited to previous impairment losses

Discontinued Operations



Component: operations and cash flows distinguishable operationally and for financial reporting

Disposed of

or

Classified as held for sale

Separate major line of business or geographical area

or

Part of a single plan to dispose of a major line of business or geographical area

or

Subsidiary acquired exclusively with view to resale

Discontinued Operations



Key dates

--	Lila-Packaging is an operating segment
1 Nov 2020	Lila-Tech decides to sell Lila-Packaging and focus on its core operations
1 Dec 2020	Agent appointed and price set at appraised fair value Sale is expected within 1 year
31 Dec 2020	Lila-Packaging not sold at the end of the reporting period
15 April 2021	Financial statements authorised for issue

Should Lila-Packaging be classified as a discontinued operation in the 31 December financial statements?

Reclassification



Held for use



Measure as if never classified as held for sale, including goodwill

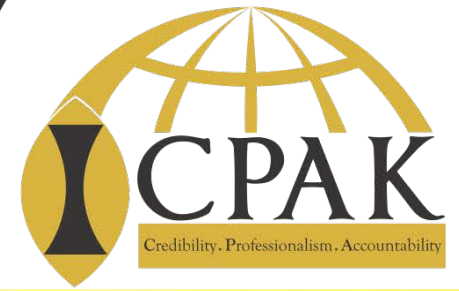


Continuing operations



Re-present comparatives

Closing



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Which statement is true?



A non-current asset held for sale is depreciated

A non-current asset cannot be classified as held for sale if its carrying amount will be recovered principally through use

All investment property is excluded from the measurement scope of IFRS 5

Which statement is true?

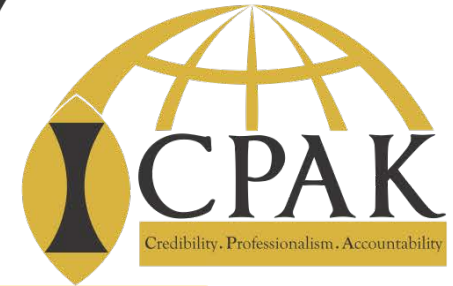


Assets and liabilities held for sale are offset in the statement of financial position

Assets and liabilities held for sale are presented as current in the statement of financial position

Gains and losses on the remeasurement of a disposal group are included in other comprehensive income

Which statement is true?



If non-current assets are classified as held for sale, the corresponding prior period amounts are reclassified

If non-current assets are classified as held for sale, the corresponding prior period amounts are not reclassified

If an entity has a discontinued operation in the current period, corresponding prior period amounts are reclassified

