

Education session
Proposed IPSAS on *Non-current Assets Held for Sale and Discontinued Operations* (ED 79)





Local exposure process

- Board policy to develop Standards of GRAP based on IPSAS (considering mandate and strategy)
- IPSASB EDs are exposed locally for comment to influence development of IPSAS
- Once finalised, Board considers local project during work programme consultation



Local exposure process

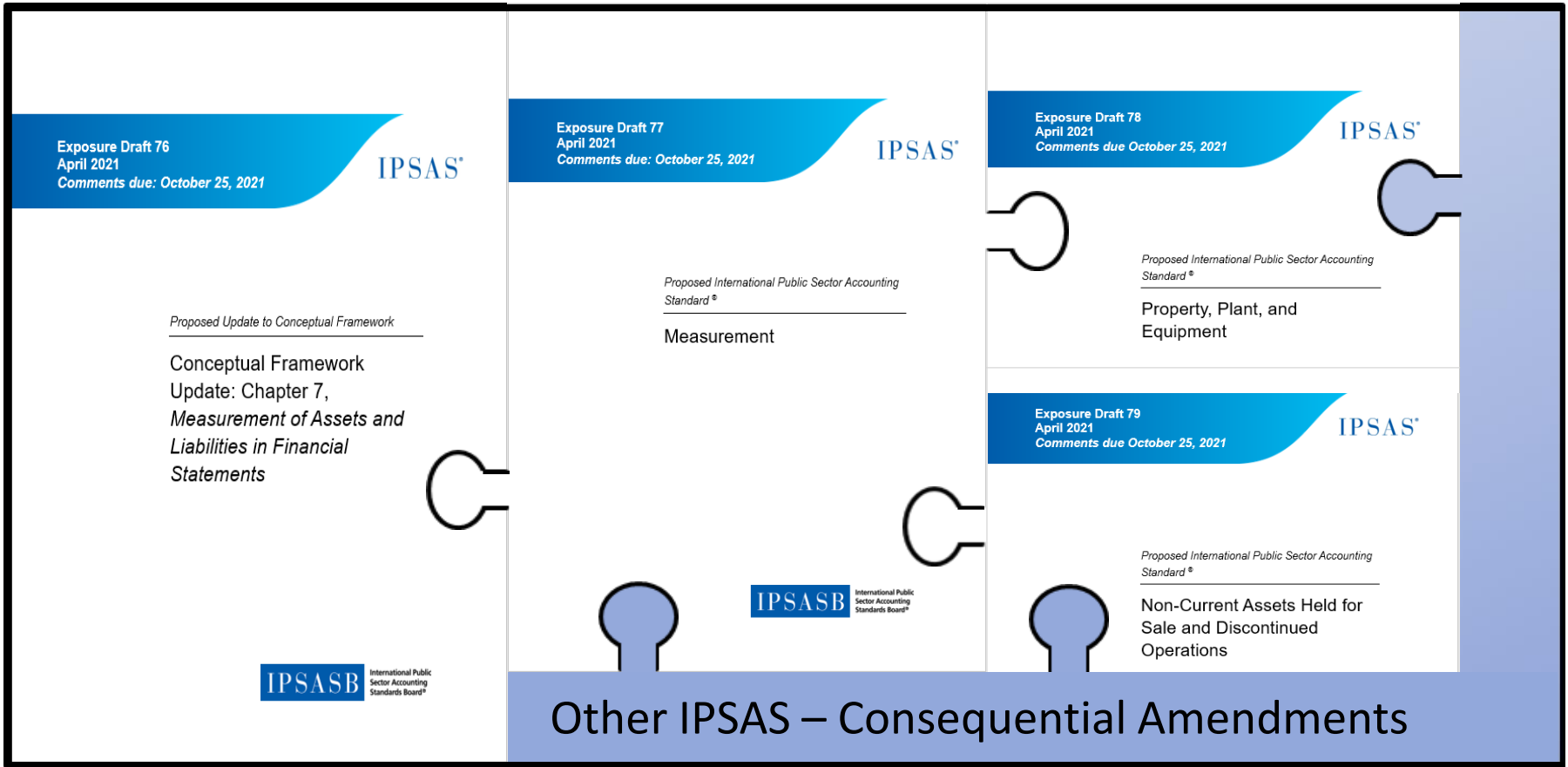
- Published IPSASB ED 76 –79 concurrently as ED 188 - 191 on ASB website:
<https://www.asb.co.za/comment-on-proposals/>
- Resources on IPSASB website:
<https://www.ipsasb.org/publications/exposure-draft-ed-78-property-plant-and-equipment>
- Education sessions and roundtable discussions
- Local comment deadline 1 October 2021



Project background



Measurement and connected projects



Source: IPSASB



Classification of assets held for sale

Key principle to apply this ED: carrying amount recovered through sale – no transfer of assets

Criteria to be classified as held for sale:

- must be available for immediate sale in its present condition and
- sale must be highly probable

Thus entity should have intention to sell





Classification of assets held for sale

For the sale to be **highly probable**:

- Management must be committed to sell
- Active program to locate buyer
- Marketed at price reasonable to fair value
- Sale expected to be completed in 12 months





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Classification of assets held for sale

Events and circumstances outside the entity's control could result in the sale being extended beyond one year

- Reasonable expectation that others (not buyer) will impose conditions on the transfer
- After offer to purchase the buyer or others unexpectedly impose conditions on the transfer
- Circumstances arise that were previously considered unlikely resulting in asset not being sold by end of period





Scope exclusions

Assets and/or disposals that are excluded from the scope:

- Surplus assets
- Temporarily idle assets
- Assets to be transferred rather than to be sold to another entity
- Abandoned assets





Measurement

Before classification as held for sale

- Apply applicable IPSAS
- Depreciate, impair and revalue (if applicable)

After classification as held for sale

- Measure at lower of carrying amount and fair value less costs to sell
- Stop depreciation
- Impairment loss recognition





Exemptions from measurement provisions

- Deferred tax assets – relevant international or national accounting standard on income taxes
- Assets arising from employee benefits – IPSAS 39
- Financial assets within scope of IPSAS 41
- Non-current assets accounted for in accordance with fair value model in IPSAS 16





Exemptions from measurement provisions

- Non-current assets measured at fair value less costs to sell in accordance with IPSAS 27
- Groups of contracts within scope of international and national accounting standard on insurance contracts





Changes to the plan to sell or distribute to owners

When held for sale criteria no longer met, measure asset of disposal group at lower of:

- a) carrying value before classification, adjusted for depreciation, amortisation or impairment; or
- b) its recoverable amount at date of the subsequent decision not to sell or distribute

Continue to account for a disposal group as held for sale if only individual asset or liability declassified





Presentation & disclosure

Non-current assets or disposal groups:

- Present assets and liabilities separately from other assets/liabilities in statement of financial position
- Assets and liabilities are not offset
- Present separately accumulated revenue or expenses recognised in statement changes in net assets/equity
- Additional disclosures – nature of assets, circumstances surrounding sale, segment information





Presentation & disclosure

Non-current assets or disposal groups:

Additional disclosure to that in IFRS 5:

- For assets measured at carrying amount, the fair value shall be disclosed if materially different





Presentation & disclosure

Discontinued operations:

- Results of discontinued operations to be presented as a single amount
- Cash flows attributable to operating, investing and financing activities of discontinued operations
- Amount of revenue from continuing operations and from discontinued operations attributable to owners of controlling entity





Potential implications

- GRAP 100 only includes presentation and disclosure of discontinued operations – no measurement, presentation and disclosure for non-current assets held for sale and discontinued operations
- No disclosure for assets measured at carrying amount, the fair value shall be disclosed if materially different (additional proposal in IPSAS ED)





Potential implications

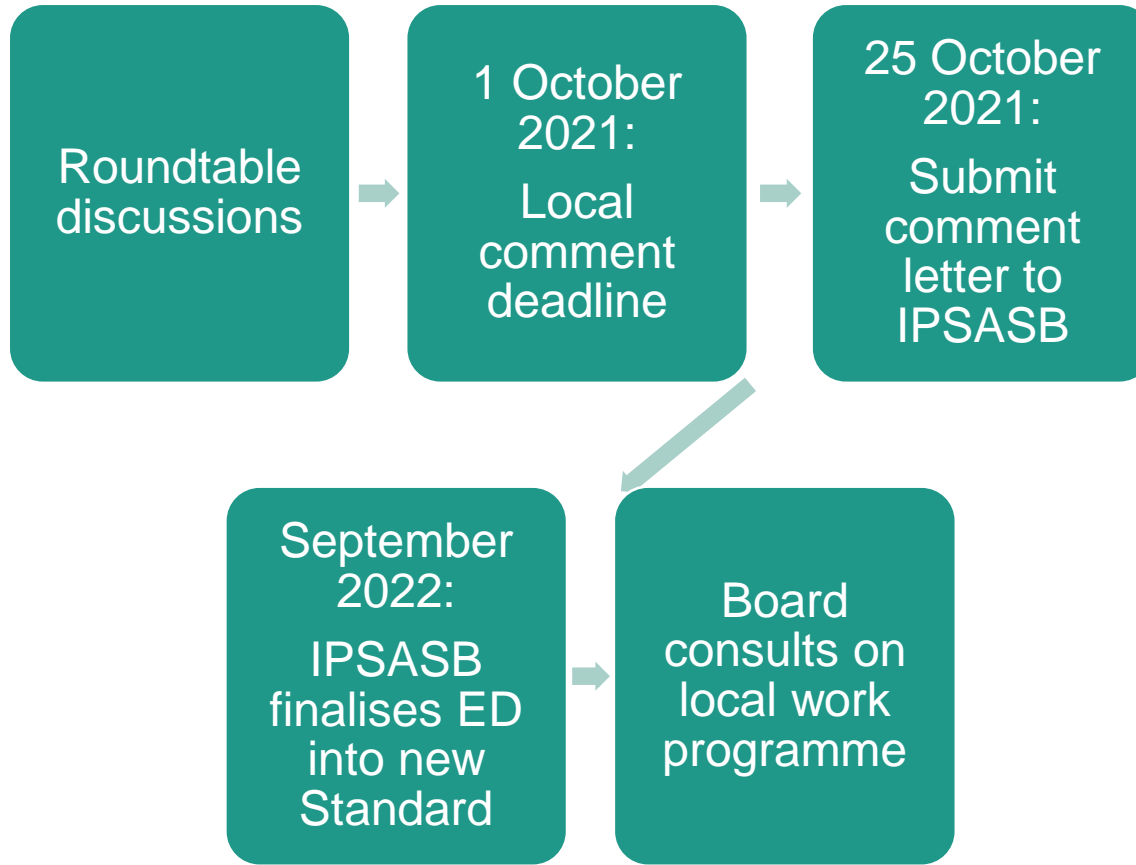
- Some additional definitions and different terminology
- No requirement to disclose the amount of revenue from continuing operations attributable to owners of the controlling entity





Next steps

Next steps



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