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The International Public Sector Accounting Standards Board

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[Submission via website](#)

25 October 2021

Dear Ross

COMMENTS ON EXPOSURE DRAFT ON *NON-CURRENT ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS* (ED 79)

We thank you for the opportunity to comment on ED 79. The ASB has a policy of converging with IPSAS when convergence is consistent with the ASB's mandate and strategy. We are pleased to note that the IPSASB decided to develop a Standard on non-current assets held for sale and discontinued operations to fill the gap in existing IPSAS literature.

The comments outlined in this letter are those of the Secretariat of the ASB and not the Board. The comments have been formulated after undertaking consultations with our stakeholders which included preparers, auditors, technical experts, consultants, professional bodies (including members from the Pan African Federation of Accountants) and users.

Locally, the ASB developed an equivalent of IFRS 5 on *Non-current Assets Held for Sale and Discontinued Operations*. Our stakeholders had concerns with the appropriateness of certain principles in IFRS 5 for the public sector. The ASB agreed that the requirements for non-current assets held for sale were inappropriate and were repealed based on the following concerns:

- (a) Sales of assets in the public sector are frequently not completed within one year because of the various levels of legislative approval required. This means that the classification on the statement of financial position as assets "held for sale" was often retained for a number of reporting periods that raised questions about the relevance of this information.
- (b) While certain assets are sold in an exchange transaction in the public sector environment, many assets are disposed of through a transfer or distribution where no or only nominal consideration is received. As IFRS 5 only deals with sales at fair value, there were many disposals of assets for which no specific requirements existed.

The ASB agreed that users' needs could be better met by disclosing information about disposals of assets in the notes to the financial statements. As a result, disclosure

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requirements have been included in the local Standard on *Presentation of Financial Statements*. These disclosures require an entity to disclose information about significant assets and groups of assets and liabilities (or components) that will be disposed of in future reporting periods. These disclosures are provided once management has made a decision to dispose of certain assets, groups of assets and liabilities (or components).

Despite the local departure from IFRS 5, we are generally in support of the principles outlined in ED 79 as they may be useful to entities in other jurisdictions. Our comment to the specific matter for comment in ED 79 is outlined in Annexure A, with other comment included in Annexure B.

Should you have any questions regarding the comments outlined in our letter, please feel free to contact me.

Your sincerely

A handwritten signature in black ink, appearing to read 'Poggiolini', written in a cursive style.

Jeanine Poggiolini
Technical Director

Annexure A

Specific Matter for Comment 1:

The IPSASB decided that there was no public sector specific reason to depart from the measurement requirements of IFRS 5 Non-current Assets Held for Sale and Discontinued Operations. However, the IPSASB considers that, where materially different, disclosures of the fair value of non-current assets classified as held for sale measured at a lower carrying amount would provide useful information to users of financial statements for accountability purposes.

The additional proposed disclosures is show at paragraph 52 of this ED.

Do you agree with this disclosure proposal? If not, why not?

We support the proposed disclosure requirement as it will provide useful information to uses of financial statements for accountability purposes.

Annexure B – Other Comment

Additional scope exclusion

IPSAS ED 78.67 explains that an entity should transfer items of property, plant and equipment to inventory, at their carrying amount, when in the course of its activities, the entity routinely holds these for rental to others, and they cease to be rented and become held for sale. This paragraph also clarifies that ED 79 does not apply when assets are held and transferred in this manner.

We propose that an additional scope exclusion be included in ED 79.06 to emphasise this scope exclusion in this Standard. Our proposal is as follows:

- .06(g) Assets within the scope of IPSAS 17, *Property, Plant and Equipment* that are transferred to inventory when, in the course of an entity's activities, the entity routinely holds these for rental to others and they cease to be rented and become held for sale.

Disposal group definition

The definition of a disposal group is “a group of assets to be disposed of, by sale or otherwise, together as a group.....”.

ED 79.11 explains that an entity should classify a non-current asset (or disposal group) as held for sale if its carrying amount will principally be recovered through a sales transaction. As a disposal group can only be disposed of by sale for it to be within the scope of this ED, we propose that the reference to “or otherwise” in the definition of a disposal group be deleted to avoid confusion.

Public sector combinations

A public sector combination can either be classified as an amalgamation or an acquisition. A combination in which one party gains control of one or more operations, is classified as an acquisition, unless it has the economic substance of an amalgamation.

When the combination comprises an amalgamation, the identifiable assets and liabilities of the combining operations are recognised at their carrying amounts at the amalgamation date. If the combination is an acquisition, the acquirer measures the identifiable assets acquired, and the liabilities assumed at their acquisition-date fair values.

The last sentence in ED 79.24 only explains the measurement of an asset or disposal group acquired in an acquisition. We propose that this paragraph should be expanded to also include the requirements for amalgamations.

Furthermore, we propose that a reference to IPSAS 40 be included in the definition of a disposal group.

....The group includes goodwill acquired in a public sector combination (as defined in IPSAS 40, *Public Sector Combinations*) if the group....”

Presentation and disclosure: Discontinued operations

The second sentence in ED 79.40 explains that a component of an entity may have been a cash-generating unit, or a group of cash-generating units while being held for sale. A component can, however, also comprise a group of assets that are non-cash-generating in

nature. We propose that this sentence should be amended to also refer to a group of non-cash-generating assets.

Presentation and disclosure: Non-current asset or disposal group classified as held for sale

ED 79.48 explains that any cumulative revenue and expenses are separately recognised in the statement of changes in net assets/equity when it relates to a non-current asset (or disposal group) held for sale.

We are of the view that any gain or loss on initial classification of a non-current asset or disposal group should be reflected in the statement of financial performance, and not the statement of changes in net assets/equity. We therefore propose that the IPSASB reconsiders the principle in paragraph .48 on the presentation of the gain or loss on initial classification.

Presentation and disclosure: Fair value disclosures

We note that disclosure requirements from ED 77 on current value measurement have been included in ED79.54 to .56. Our stakeholders were not opposed to these requirements, but noted that the IPSASB should consider the balance of these disclosures.

Implementation Guidance

The examples included in this section make reference to “an entity” and “a government entity” interchangeably. We propose that the guidance should only refer to “entity”.