



UPSA
UNIVERSITY OF PROFESSIONAL STUDIES, ACCRA
ACCOUNTING AND FINANCE

FINANCIAL REPORTING 1

BACT 303

**IFRS 5 – Non-current Assets Held-for-Sale and
Discontinued Operations**

Learning Outcomes

Upon completion of this topic, students will be able to:

- Explain non-current assets held for sale and discontinued operations
- Provide the measurement and disclosure requirements of IFRS 5
- Account for non-current assets held for sale and discontinued operations in accordance with IFRS 5



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IFRS 5

Objectives

- To require entities to disclose information about operations which have been discontinued during the accounting period
- Improves the reader's ability to interpret the results and to make meaningful projections

NON-CURRENT ASSETS HELD-FOR-SALE

Definitions

- A non-current asset held for sale is one where the carrying amount will be recovered principally through sale rather than through continuing use
- A disposal group is a group of (net) assets to be disposed of in a single sale transaction



NON-CURRENT ASSETS HELD-FOR-SALE

Criteria

For an asset to be classified as 'held for sale' it must be:

1. Available for immediate sale in its present condition and,
2. Its sale must be highly probable



NON-CURRENT ASSETS HELD-FOR-SALE

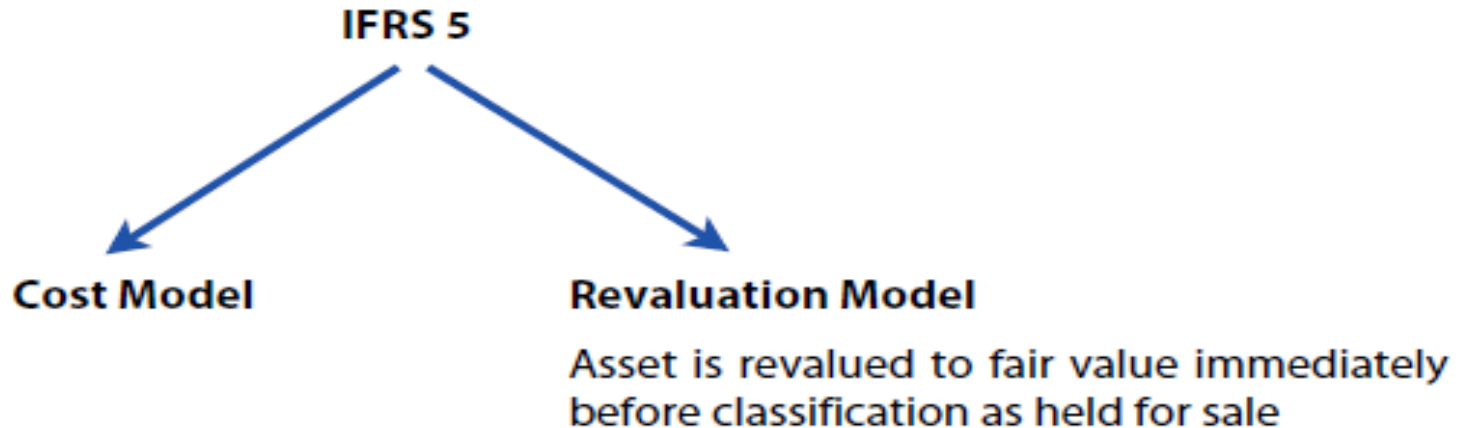
Criteria

- **For a sale to be highly probable:**
 1. Management must be committed to a plan to sell the asset
 2. An active programme to locate a buyer and complete the plan must have been started
 3. The asset must be being actively marketed at a price that is reasonable in relation to its current fair value
 4. The sale should be expected to take place within twelve months from the date of classification as 'held for sale '
 5. It should be unlikely that significant changes to the plan will be made or that the plan will be withdrawn

Non-current asset held for sale is valued at the lower of the carrying value and fair value less costs to sell. Any reduction in value is recorded as an impairment through profit or loss.

NON-CURRENT ASSETS HELD-FOR-SALE

Measurement



- Once classified as a non-current asset held for sale it is no longer depreciated.
- The subsequent sale of the asset will give rise to a profit/loss on disposal.



NON-CURRENT ASSETS HELD-FOR-SALE

Example

Example 1 – NCA-HFS

KARA bought an asset at a cost of GHC 120,000 on 1 January 2017 and depreciated it straight line over 10 years. The asset's residual value is nil and depreciation is charged pro-rate on a monthly basis. On 30 November 2020, KARA classified the asset as a non-current asset held for sale in accordance with the rules of IFRS 5 Discontinued operations and non-current assets held for sale. At that date the fair value of the asset was GHC 70,000 and the costs to sell were GHC 2,000.

The asset had not been sold by the 31 December 2020 reporting date.

Prepare extracts from the financial statements for the year-ended 31 December 2020.

NON-CURRENT ASSETS HELD-FOR-SALE

Example

Example 2 – NCA-HFS

Bee Ltd purchased a building on 01 January 20X1, to be used as office space, at GHC 1million. The building had a useful life of 50years. Bee Ltd employs the revaluation model to account for its buildings.

On 31 December 20X2, the building was revalued to GHC 1.2million

On 31 December 20X3, the building met the criteria under IFRS 5 to be classified as held for sale. The value of the building was estimated to be GHC 1.1million and the costs necessary to sell the building was estimated at GHC 50,000.

Bee Ltd does not make reserve transfers in respect of excess depreciation.

Required: Discuss the accounting treatment of the above.

DISCONTINUED OPERATIONS

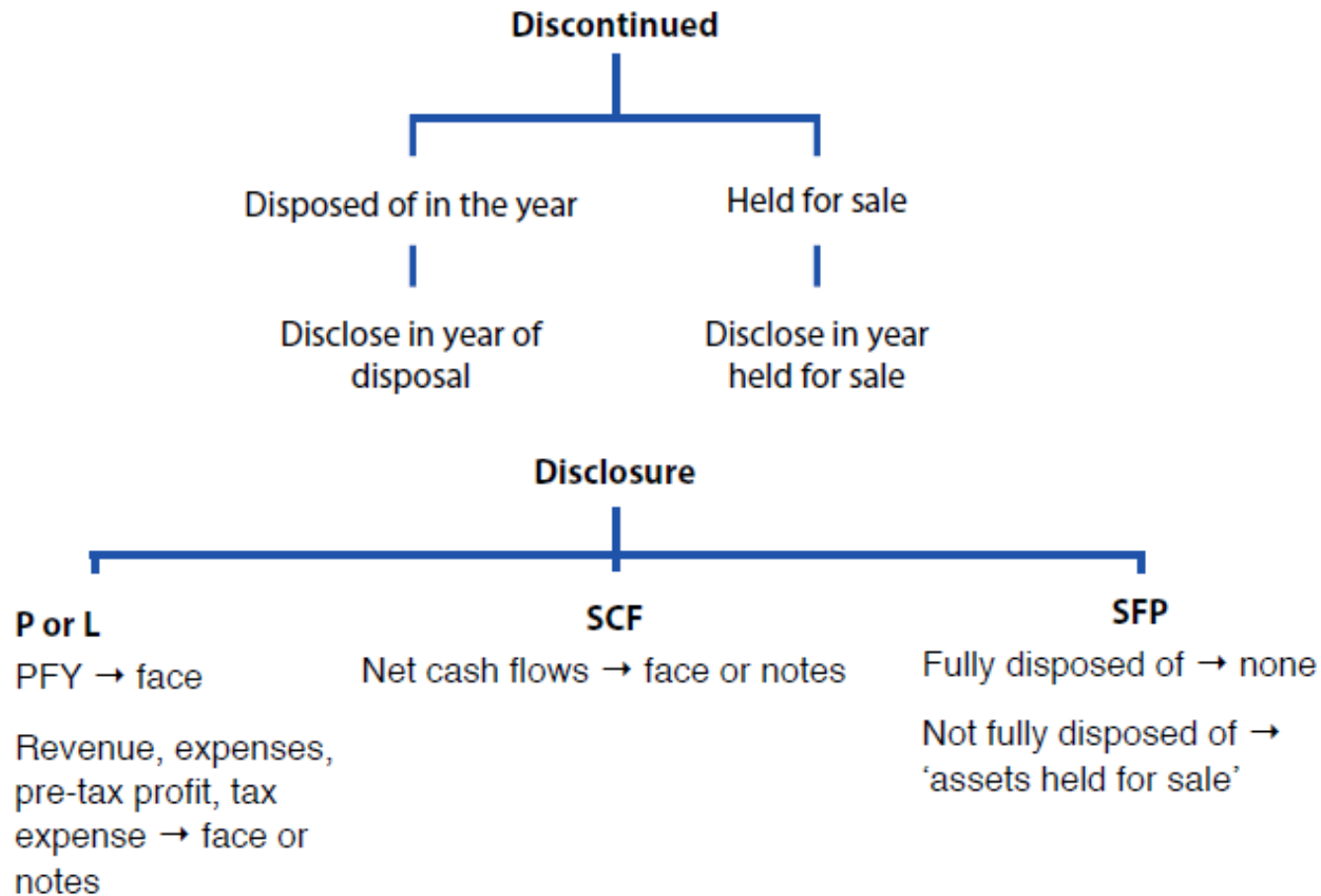
Definitions

Discontinued operation refers to a component of an entity that either has been disposed of or is classified as held for sale and either:

- Represents a separate major line of business or geographical area
- Is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations
- Is a subsidiary acquired exclusively with a view to resale.

DISCONTINUED OPERATIONS

Disclosure



DISCONTINUED OPERATIONS

Example

Example 1 – Discontinued Operations

GKK's car manufacturing operation has been making substantial losses. Following a meeting of the board of directors, it was decided to close down the car manufacturing operation on 31 March 20X6. The company's reporting date is 31 December and the car manufacturing operation is treated as a separate operating segment.

Explain how the decision to close the car manufacturing operation should be treated in GKK's financial statements for the years ending 31 December 20X5 and 20X6.

DISCONTINUED OPERATIONS

Example

Example 2 – Discontinued Operations

SS Co Statement of Profit or Loss and Other Comprehensive Income for the year ended 31 December 2022

	2022	2021
	GHC'000	GH'000
Revenue	700	550
Cost of sale	300	260
Gross Profit	400	290
Distribution cost	100	70
Administrative expenses	70	60
Profit from operations	230	160

During the year the entity ran down a material business operation with all activities ceasing on 30 March 2022



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DISCONTINUED OPERATIONS

Example

The results of the operation for 2022 and 2021 were as follows:

	2022	2021
	GHC'000	GH'000
Revenue	60	70
Cost of sale	40	45
Distribution cost	13	14
Administrative expenses	10	12
Loss on operations	3	1

The entity made gains of GHC 7,000 on the disposal of non-current assets of the discontinued operation. These have been netted off against administrative expenses.

Prepare the SPOLCI for the year ended 31 December, 2022 for SS Co, complying with the provisions of IFRS 5, disclosing the information on the face of the SPLOCI. Ignore taxation.



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**THANK
YOU!**