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# **SUPPLEMENTARY**

**IND AS 105**

**PAPER - 17**



# INDIAN ACCOUNTING STANDARD (Ind AS)

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## Ind AS 105: Non-current Assets Held for Sale and Discontinued Operations

### 1. Objectives:

- (a) **To measure:** assets that meet the criteria to be classified as **held for sale** ( or held for distribution to owners) to be measured **at the lower of carrying amount and fair value less costs to sell** (less cost to distribute), and depreciation on such assets to cease; and
- (b) **To present:** assets that meet the criteria to be classified as held for sale to be presented separately in the balance sheet and the results of discontinued operations to be presented separately in the statement of profit and loss.

### 2. Scope:

The classification and presentation and measurement requirements of this Standard apply to all recognised **non-current assets** and to all **disposal groups** of an entity (with exception to measurement requirements for assets covered under listed Ind ASs).

### 3. Meaning of the terms:

- (a) **Non-current assets:** Non-current assets are assets that include amounts expected to be recovered more than twelve months after the reporting period.
- (b) **Disposal groups:** Sometimes an entity disposes of a group of assets, possibly with some directly associated liabilities, together in a single transaction. Such a **disposal group** may be a group of cash-generating units, a single cash-generating unit, or part of a cash-generating unit. The measurement requirements of this Ind AS apply to this disposal group as a whole, so that the group is measured at the lower of its carrying amount and fair value less costs to sell.
- (c) An entity shall classify a non-current asset (or disposal group) **as held for sale** if its carrying amount will be recovered principally through a sale transaction rather than through continuing use.

#### Note 1:

To qualify for classification as held for sale, a non-current asset (or disposal group) must be available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such assets (or disposal groups). A non-current asset (or disposal group) is available for immediate sale if an entity currently has the intention and ability to transfer the asset (or disposal group) to a buyer in its present condition.

- (d) A non-current asset (or disposal group) is classified **as held for distribution to owners** when the entity is committed to distribute the asset (or disposal group) to the owners.

### 4. Changes to a plan of sale:

The entity shall measure a non-current asset that ceases to be classified as held for sale (or ceases to be included in a disposal group classified as held for sale) at the lower of:

- (a) its carrying amount before the asset (or disposal group) was classified as held for sale, adjusted for any depreciation, amortisation or revaluations that would have been recognised had the asset (or disposal group) not been classified as held for sale, and
- (b) its recoverable amount at the date of the subsequent decision not to sell.

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5. **(A) Presentation and disclosure:** An entity shall present and disclose information that enables users of the financial statements to evaluate the financial effects of discontinued operations and disposals of non-current assets (or disposal groups).

**An entity shall disclose:**

- (a) a single amount in the statement of profit and loss comprising the total of:
  - (i) the post-tax profit or loss of discontinued operations and
  - (ii) the post-tax gain or loss recognised on the measurement to fair value less costs to sell or on the disposal of the assets or disposal group(s) constituting the discontinued operation.
- (b) an analysis of the single amount into before tax profit/loss/gains and related income tax expenses.

- (B)** An entity shall present non-current assets/assets of a disposal group classified as held for sale separately from other assets in the balance sheet. The liabilities of a disposal group classified as held for sale shall be presented separately from other liabilities in the balance sheet. Those assets and liabilities shall not be offset and presented as a single amount. An entity shall present separately any cumulative income or expense recognised in other comprehensive income relating to a non-current asset (or disposal group) classified as held for sale.

6. **Abandoned Assets:** This standard prohibits assets that will be abandoned from being classified as held for sale. However, if the assets to be abandoned are a major line of business or geographical area of operations, they are reported in discontinued operations at the date at which they are abandoned.

**Illustration 1:** (Ref. Note 1 to para 3c)

- (a) X Company commits a plan on 1<sup>st</sup> July, 2018 to sell its head office building to a buyer after it vacates the building. For vacating ordinarily one month time is required. Should the building be classified as asset held for sale on 1<sup>st</sup> July or one month later?**

**Answer:**

It should be classified as held for sale on 1<sup>st</sup> July as it is available for immediate sale in its present condition since the time necessary to vacate the building is usual and customary for sales of such assets.

- (b) X Company commits a plan on 1<sup>st</sup> July, 2018 to sell its head office building to a buyer after it constructs a new building. Should the building be classified as asset held for sale on 1<sup>st</sup> July?**

**Answer:**

No. It is not classified as held for sale on July 1<sup>st</sup> as it is not available for sale immediately on 1<sup>st</sup> July and it remains not available for sale until the new construction is completed.

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## Illustration 2:

A company is committed to a plan to sell a factory to a buyer on 30th September with back log of uncompleted customer order with a condition that (a) the factory will be transferred immediately along with the back log orders to the buyer. (b) the factory will be transferred after finishing the back log orders. Should the factory be classified as available for sale on 30<sup>th</sup> in case of (a) and (b)?

## Answer:

In case of (a) it is available for immediate sale at its present condition on 30<sup>th</sup> and hence on that date it should be classified as available for sale. In case of (b) it is not available for immediate sale on 30<sup>th</sup> rather it is not available for sale until the back log customer orders are completed.