Roll Number 16091
Subject : Financial Accounting
Sir :. Naveed Azeem
ASSETS:
IAS 41 Agriculture
Overview Prescribes the accounting for agricultural activity.
Agricultural activity:
Agricultural activity is the management of the biological transformation and harvest of biological assets for sale or for conversion into agricultural produce or into additional biological assets. Bearer plants that are used in the production or supply of agricultural produce and which will not be sold as agricultural produce are accounted for as PP&E, applying IAS 16. These include fruit trees and grape vines.
Measurement All biological assets are measured at fair value less costs to sell, unless fair value cannot be measured reliably. Agricultural produce is measured at fair value less costs to sell at the point of harvest. Because harvested produce is a marketable commodity, there is no 'measurement reliability' exception for produce. Fair value measurement stops at harvest, after which IAS 2 applies. Any change in the fair value of biological assets during a period is reported in profit or loss.
Interpretations: None
Changes effective this year: NONE
Pending changes:
A proposal to remove the requirement to exclude cash flows from taxation when measuring fair value is planned for inclusion in the next Annual Improvements ED.
History Originally issued for periods beginning on or after 1 January 2003, it was adopted by the IASB and included in the original set of Standards effective for annual periods beginning on or after 1 January 2005. Amendments requiring bearer plants to be accounted for as PP&E became effective on 1 January 2016
IAS 38 INTANGIBLE ASSETS:
Overview Prescribes the accounting treatment for recognizing, measuring and disclosing intangible assets that are not dealt with in another IFRS Standard.
Definition An intangible asset is an identifiable non-monetary asset without physical substance.
Examples include software, brands, music and film rights and development assets
Recognition Intangible assets are recognized if it is probable that the future economic benefits that are attributable to the asset will flow to the entity and the cost of the asset can be measured reliably. There are specific recognition criteria for internally generated intangible assets. All research costs are charged

to expense when incurred. Development costs are capitalized only after technical and commercial feasibility of the resulting product or service have been established. Internally-generated goodwill, brands, mastheads, publishing titles, customer lists, start-up costs, training costs, advertising costs and relocation costs are never recognized as assets. If an intangible item does not meet the definition and the recognition criteria, the costs are recognized as an expense when incurred. If an entity recognises a prepayment asset for advertising or promotional expenditure, it is only able to do so up to the point at which it has the right to access the goods purchased or up to the point of receipt of services. Mail order catalogues are specifically identified as a form of advertising and promotional activities, and are expensed when they are received.

Subsequent measurement

Intangible assets are classified as having either a finite or indefinite life. Indefinite means that there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows, not infinite. Intangible assets may be accounted for using a cost model or, in limited cases, a revaluation model.

Cost model Assets are carried at cost less any accumulated amortization and any accumulated impairment losses. Normally, subsequent expenditure on an intangible asset after its purchase or completion is recognized as an expense. The cost of an intangible asset with a finite useful life is amortized over that life, normally to a nil residual value. Impairment testing under IAS 36 is required whenever there is an indication that the carrying amount exceeds the recoverable amount of the intangible asset. Intangible assets with indefinite useful lives are not amortized but are tested for impairment on an annual basis. If the recoverable amount is lower than the carrying amount, an impairment loss is recognized. The entity also considers whether the intangible continues to have an indefinite life.

Revaluation model

If an intangible asset has a quoted market price in an active market, a revaluation model can be used. The asset is carried at fair value at revaluation date less any subsequent amortization or impairment. Revaluations must be carried out regularly. When the revaluation model is used, all items of a given class must be revalued. However, if there is no active market for a particular asset within that class that asset is measured using the cost model. Revaluation increases are recognized in other comprehensive income and accumulated in equity. Revaluation decreases are charged first against the revaluation surplus in equity related to the specific asset, and any excess against profit or loss. When the revalued asset is disposed of, the revaluation surplus remains in equity and is not reclassified to profit or loss.

Interpretations SIC-32 Intangible Assets – Web Site Costs clarifies which initial infrastructure development and graphic design costs incurred in web site development are capitalized.

Changes effective this year

None

Pending changes

None

History Originally issued to apply to intangible assets acquired in business combinations for which the agreement date is on or after 31 March 2004, and to all other intangible assets prospectively for periods beginning on or after 31 March 2004. It was adopted by the IASB and included in the original set of Standards effective for annual periods beginning on or after 1jan 2005

IAS 16 Property, Plant and Equipment:

Overview Sets out the principles for accounting for property, plant and equipment (PP&E).

Initial recognition and measurement

PP&E is recognized as an asset when it is probable that its future economic benefits will flow to the entity, and its cost can be measured reliably. This includes bearer plants used in the production or supply of agricultural produce. Initial recognition is at cost, which includes all costs necessary to get the asset ready for its intended use. Interest on amounts borrowed for the purposes of constructing an asset are included in its cost – see IAS 23. Exchanges of PP&E are measured at fair value, including exchanges of similar items, unless the exchange transaction lacks commercial substance or the fair value of neither the asset received nor the asset given up can be measured reliably.

Subsequent measurement

After initial recognition PP&E is either carried at cost less accumulated depreciation and impairment (the cost model) or measured at fair value less accumulated depreciation and impairment between revaluations (the revaluation model). Any revaluation surplus on disposal of an asset remains in equity and is not reclassified to profit or loss. Impairment of PP&E is assessed under IAS 36.

Depreciation Depreciation is charged systematically over the useful life of the asset, using a method that reflects the pattern of benefit consumption, to its residual value. Different depreciation methods are acceptable (including straight-line, diminishing balance and units of production), but not a method that is based on the revenue the asset generates. Components of an asset with differing patterns of benefits are depreciated separately. The residual value is the amount the entity would receive currently if the asset were already of the age and condition expected at the end of its useful life. Useful life and the residual value are reviewed annually Major inspections

If operation of an item of PP&E (e.g. an aircraft) requires regular major inspections, the cost of each major inspection is recognized in the carrying amount of the asset, if the recognition criteria are satisfied.

Previously rented PP&E

Entities that routinely sell items of PP&E that they have previously held to rent must transfer the PP&E to inventory, at its carrying amount, when it becomes held for sale. The proceeds from the sale of such assets are recognized in accordance with IFRS 15.

Interpretations IFRIC 1 Changes in Existing Decommissioning, Restoration and Similar Liabilities clarifies that the carrying amount of an asset is adjusted when there is a change in the estimated

decommissioning or restoration liability related to that asset. IFRIC 20 Stripping Costs in the Production Phase of a Surface Mine addresses recognition of production stripping costs and measurement (initial and subsequent) of that stripping activity asset.
Changes effective this year
None
Pending changes
An ED proposing that costs of testing an asset be recognized as revenue and not a reduction of the cost of the asset was issued in 2017.
History Issued in the set of improved Standards effective for annual periods beginning on or after 1 January 2005.
liability :liability:
IAS 37 Provisions, Contingent Liabilities and Contingent Assets:
Overview Sets out recognition criteria and measurement bases for provisions, contingent liabilities and assets and the related disclosure requirements.
Provisions A provision is recognized when a past event (the obligation event) has created a legal or constructive obligation, an outflow of resources is probable and the amount of the obligation can be estimated reliably. The amount recognized is the best estimate of the settlement amount at the end of the reporting period. If the effect of the time value of money is material, such as might be the case for restoration or decommissioning costs that must be settled well into the future, the provision is measured at the present value of the expenditures expected to be required to settle the obligation. The unwinding of the discount is recognized in profit or loss as a finance cost. Provisions are reviewed at the end of each reporting period to adjust for changes in the estimate, for other than the time-value of money. Planned future expenditure, even when authorized by the board of directors or equivalent governing body, is excluded from recognition, as are accruals for self insured losses, general uncertainties and other events that have not yet taken place. On a similar basis, future operating losses cannot be recognized as a provision, because there is no obligation at the end of the reporting period. The expectation of future operating losses will trigger the need for an impairment review (see IAS 36).
Onerous contracts
An executory contract is a contract (or a portion of a contract) that is equally unperformed – neither party has fulfilled any of its obligations, or both parties have partially fulfilled their obligations to an equal extent. Examples include maintenance or service contracts and employee contracts. The asset and liability are combined so that no asset or liability is recognized in the statement of financial position.
An executory contract becomes onerous when the unavoidable costs of meeting the obligations exceed the expected economic benefits from it. This would be the case, for example, when an entity cannot cancel, and must continue to pay for, a cleaning contract even though it has vacated the premises to

which the contract relates. An onerous contract gives rise to a provision. Care must be taken, however, not to include in the provision future operating losses.

Contingent liabilities

Contingent liabilities are not recognized, but are disclosed, unless the possibility of outflow is remote. They are not recognized because either it is only a possible obligation that is contingent on a future event that is outside the control of the entity or there is a present obligation, but it is not probable that an outflow of resources will be required or the amount cannot be measured with sufficient reliability (which will be rare).

Contingent assets

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by future events not wholly within the control of the entity. Contingent assets require disclosure only. If the realization of income is virtually certain, the related asset is not a contingent asset and recognition is required.

Interpretations IFRIC 1 Changes in Existing Decommissioning, Restoration and Similar Liabilities clarifies that provisions are adjusted for changes in the amount or timing of future costs and for changes in the market-based discount rate. IFRIC 5 Rights to Interests Arising from Decommissioning, Restoration and Environmental Funds deals with the accounting, in the financial statements of the contributor, for interests in decommissioning, restoration and environmental rehabilitation funds established to fund some or all of the costs of decommissioning assets or to undertake environmental rehabilitation. IFRIC 6 Liabilities arising from Participating in a Specific Market – Waste Electrical and Electronic Equipment provides guidance on the accounting for liabilities for waste management costs. The event that triggers liability recognition is participation in the market during a measurement period.

IFRIC 21 Levies provides guidance on when to recognize a liability for a levy imposed by a government. The obligating event is the activity that triggers the payment of the levy. If that event occurs over a period of time the liability is recognized progressively. If the levy is triggered on reaching a minimum threshold, the liability is recognized when that minimum is reached.

Changes effective this year

One of the more common contracts that can become onerous is an operating lease. With the effective date of IFRS 16 for annual periods beginning on or after 1 January 2019, most leases will require the recognition of a right-of-use asset, which would be subject to the impairment requirements in IAS 36.

Pending changes

The IASB proposed to clarify the onerous contract requirements in an ED issued in 2018. In 2018 the IASB decided to start a project in 2019 or 2020 to review the accounting for pollutant pricing mechanisms (emission rights). The IASB is undertaking a research project to gather evidence around provisions. Based on the findings, the IASB will decide whether to add a standard-setting or maintenance project on provisions.

History Originally issued for periods beginning on or after 1 July 1999, it was adopted by the IASB and included in the original set of Standards effective for annual periods beginning on or after 1 January 2005.

IAS 32 Financial Instruments: Presentation

Overview Prescribes the accounting for classifying and presenting financial instruments as liabilities or equity and for offsetting financial assets and liabilities.

Classification of an instrument is based on its substance rather than its form and the assessment is made at the time of issue and is not altered subsequently. An equity instrument is an instrument that evidences a residual interest in the assets of the entity after deducting all of its liabilities. A financial liability is an instrument that obligates an entity to deliver cash or another financial asset, or the holder has a right to demand cash or another financial asset. Examples are bank loans and trade payables, but also mandatorily redeemable preference shares. Puttable instruments and instruments that impose on the entity an obligation to deliver a pro-rata share of net assets only on liquidation that are subordinate to all other classes of instruments and meet additional criteria, are classified as equity instruments even though they would otherwise meet the definition of a liability. An issuer classifies separately the debt and equity components of a single compound instrument such as convertible debt, at the time of issue. The cost of treasury shares is deducted from equity. Resale of treasury shares are accounted for as equity issuances.

Cost Costs of issuing or reacquiring equity instruments are accounted for as a deduction from equity.

Offsetting Financial assets and liabilities can only be offset, and the net amount reported, when an entity has a legally enforceable right to set off the amounts and intends either to settle on a net basis or simultaneously.

Statement of financial performance

Interest, dividends, gains and losses relating to an instrument classified as a liability are reported as income or expense.

Interpretations IFRIC 2 Members’ Shares in Co-operative Entities and Similar Instruments clarifies that these are liabilities unless the co-op has the legal right not to redeem on demand.

Changes effective this year

None

Pending changes

The IASB is exploring whether it can improve the requirements in IAS 32 for classifying financial instruments into equity and liabilities and issued a DP in 2018.

History Issued in the set of improved Standards effective for annual periods beginning on or after 1 January 2005. In December 2005 all of the disclosure requirements were moved to IFRS 7. The IASB also amended IAS 32 for puttable financial instruments in October 2009.

IAS 1:IAS 1 Presentation of Financial Statements:

Overview Sets out the overall framework for presenting general purpose financial statements, including guidelines for their structure and the minimum content.

Complete set of financial statements

A complete set of financial statements comprises: • A statement of financial position • A statement of profit or loss and other comprehensive income • A statement of changes in equity • A statement of cash flows • Notes Entities may use titles for the individual financial statements other than those used above. Comparative information for the prior period is required for amounts shown in the financial statements and the notes. Financial statements are generally prepared annually. If the end of the reporting period changes, and financial statements are presented for a period other than one year, additional disclosures are required. A third statement of financial position is required when an accounting policy has been applied retrospectively or items in the financial statements have been restated or reclassified. Materiality IAS 1 defines what makes information material to the primary users of the financial statements. It also sets out the line items to be presented in each of the statements (with the exception of the statement of cash flows, for which IAS 7 sets out the requirements) and has guidance for when an entity presents additional line items or subtotals. The IASB issued a Practice Statement in 2017 that provides guidance on making materiality judgements when preparing general purpose financial statements in accordance with IFRS Standards.

Statement of Financial Position

In the statement of financial position, assets and liabilities are required to be classified as current or non-current, unless presenting them in order of liquidity provides reliable and more relevant information. Assets and liabilities may not be offset unless offsetting is permitted or required by another IFRS Standard.

Statement of profit or loss and other comprehensive income

The statement of profit or loss and other comprehensive income includes all items of income and expense. It can be presented as either a single statement, with a sub-total for profit or loss, or as separate statements of profit or loss and other comprehensive income. Within the profit or loss section expenses are presented either by their nature (e.g. depreciation) or by function (e.g. cost of sales). If they are presented by function, additional disclosures about their nature are required to be presented in the notes. Items can only be presented in other comprehensive income if permitted by an IFRS Standard, and are grouped based on whether or not they are potentially reclassifiable to profit or loss at a later date. Income and expenses may not be offset unless offsetting is permitted or required by another IFRS Standard. There are special presentation requirements for discontinued activities and assets held for sale – see IFRS 5.

Statement of changes in equity

The statement of changes in equity is required to show the total comprehensive income for the period; the effects on each component of equity of retrospective application or retrospective restatement in

accordance with IAS 8; and for each component of equity, a reconciliation between the opening and closing balances, disclosing each change separately.
Notes The notes must include information about the accounting policies followed; the judgements that management has made in the process of applying the entity's accounting policies that have the most significant effect on the amounts recognized in the financial statements; sources of estimation uncertainty; and management of capital and compliance with capital requirements.
Fundamental principles
IAS 1 also sets out the fundamental principles for the preparation of financial statements, including the going concern assumption, consistency in presentation and classification and the accrual basis of accounting.
Interpretations None
Changes effective this year
None
Pending changes
The IASB has amended the definition of material. This amendment is effective for annual periods beginning on or after 1 January 2020, with earlier application permitted. References to the Conceptual Framework have been amended to refer to the new Framework. The amendment is effective for annual periods beginning on or after 1 January 2020, with earlier application permitted. IAS 1 is also being reviewed by the IASB as part of the Disclosure Initiative and Primary Financial Statement projects.
History Issued in the set of improved Standards effective for annual periods beginning on or after 1 January 2005. It was revised in 2007 to improve owner equity disclosures and in 2011 to improve OCI disclosure. It was revised in 2014 as part of the Disclosure Initiative. IFRS 1

IFRS 1 First-time Adoption of International Financial Reporting Standards

Overview Sets out the procedures when an entity adopts IFRS Standards for the first time as the basis for preparing its general purpose financial statements.

Selection of accounting policies

An entity that adopts IFRS Standards for the first time (by an explicit and unreserved statement of compliance with IFRS Standards) in its annual financial statements for the year ended 31 December 2019 would be required to select accounting policies based on IFRS Standards effective at 31 December 2019 (with the early application of any new IFRS Standard not yet mandatory being permitted).

Presentation of financial statements

The entity presents an opening statement of financial position that is prepared on 1 January 2018. That opening statement of financial position is the entity's first IFRS financial statements. Therefore, at least, three statements of financial position are presented. A first-time adopter can report selected financial data on an IFRS basis for periods before 2018. As long as they do not purport to be full financial statements, the opening IFRS statement of financial position would still be 1 January 2018. The opening statement of financial position, the financial statements for the 2019 financial year, and the comparative information for 2018 are prepared as if the entity had always used the IFRS accounting policies it has selected. However, IFRS 1 contains some exceptions and relief from the full retrospective application that an entity can elect to apply.

Interpretations None

Changes effective this year

None

Pending changes

A proposal to simplify the first-time application of IFRS Standards by a subsidiary will be included in the next Annual Improvements ED.

History The original IFRS 1 was issued in 2003. It was restructured and this version was issued in 2008, effective for first IFRS financial statements for periods beginning on or after 1 July 2009.

IFRS 2 Share-based Payment

Overview Sets out the accounting for transactions in which an entity receives or acquires goods or services either as consideration for its equity instruments or by incurring liabilities for amounts based on the price of its shares or other equity instruments.

Share-based payments

All share-based payment transactions are recognized in the financial statements, using a fair value measurement basis. An expense is recognized when the goods or services received are consumed (including transactions for which the entity cannot specifically identify some or all of the goods or services received).

Fair value Transactions in which goods or services are received are measured at the fair value of the goods or services received. However, if the fair value of the goods or services cannot be measured reliably, the fair value of the equity instruments is used. Transactions with employees and others providing similar services are measured at the fair value of the equity instruments granted because it is typically not possible to estimate reliably the fair value of employee services received. Fair value is defined as the "amount for which an asset could be exchanged, a liability settled, or an equity instrument granted could be exchanged, between knowledgeable, willing parties in an arm's length transaction." Because this definition differs from that in IFRS 13, the specific guidance in IFRS 2 is followed.

Measurement date

The fair value of the equity instruments granted (such as transactions with employees) is estimated at the grant date, is when the entity and the counterparty have a shared understanding of the terms and conditions of the arrangement. The fair value of the goods or services received is estimated at the date of receipt of those goods or services.

Equity-settled share-based payments

Equity-settled share-based payment transactions are recorded by recognizing an increase in equity and the corresponding goods or services received at the measurement date.

Cash-settled share-based payments

A cash-settled share-based payment transaction is a share-based payment transaction in which the entity acquires goods or services by incurring liability to transfer cash or other assets to the supplier of

those goods or services for amounts that are based on the price (or value) of equity instruments (including shares or share options) of the entity or another group entity. Cash-settled share-based payment transactions are recorded by recognizing a liability and the corresponding goods or services received at fair value at the measurement date. Until the liability is settled, it is measured at the fair value at the end of each reporting period and the date of settlement, with any changes in fair value recognized in profit or loss for the period.

Vesting conditions

IFRS 2 uses the notion of vesting conditions for service conditions and performance conditions only. If a condition does not meet the definition of these two types of conditions but needs to be satisfied for the counterparty to become entitled to the equity instruments granted, this condition is called a non-vesting condition. A service condition requires the counterparty to complete a specified period of service to the entity. Performance conditions require the completion of a specified period of service and specified performance targets to be met that are defined by reference to the entity's operations or activities (non-market conditions) or the price of the entity's equity instruments (market conditions). The period for achieving the performance target must not extend beyond the end of the service period. When determining the grant date fair value of the equity instruments granted, the vesting conditions (other than market conditions) are not taken into account. However, they are taken into account subsequently by adjusting the number of equity instruments included in the measurement of the transaction. Market-based vesting conditions and non-vesting conditions are taken into account when estimating the fair value of the shares or options at the relevant measurement date, with no subsequent adjustments made in respect of such conditions

Group transactions

IFRS 2 includes specific guidance on accounting for share-based payment transactions among group entities.

Interpretations None

Changes effective this year

None

Pending changes None

History IFRS 2 was issued in 2004, effective for annual periods beginning on or after 1 January 2005. It was amended to incorporate the guidance contained in two related Interpretations (IFRIC 8 Scope of IFRS 2 and IFRIC 11 IFRS 2 – Group and Treasury Share Transactions). The amendments applied for annual periods beginning on or after 1 January 2010

IFRS 3 Business Combinations

Overview An acquirer of a business recognizes the assets acquired and liabilities assumed at their acquisition-date fair values and discloses information that enables users to evaluate the nature and financial effects of the acquisition.

Business combination

A business combination is a transaction or event in which an acquirer obtains control of one or more businesses. A business is defined as an integrated set of activities and assets that is capable of being conducted and managed to provide a return directly to investors or other owners, members, or participants. Recognition of assets and liabilities

The acquisition method is used for all business combinations. The acquirer recognizes the identifiable assets acquired, the liabilities assumed and any noncontrolling interest (NCI) in the acquiree. Intangible assets, including in-process research and development, acquired in a business combination are recognized separately from goodwill if they arise as a result of contractual or legal rights, or if they are separable from the business. In these circumstances, the recognition criteria are always considered to be satisfied (see also IAS 38).

Measurement Assets and liabilities are measured at their fair values (with a limited number of specified exceptions) at the date the entity obtains control of the acquiree. If the initial accounting for a business combination can be determined only provisionally by the end of the first reporting period, the combination is accounted for using provisional values. Adjustments to provisional values relating to facts and circumstances that existed at the acquisition date are permitted within one year. The acquirer can elect to measure the components of NCI in the acquiree that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in liquidation either at fair value or at the NCI's proportionate share of the net assets.

Contingent consideration

Among the items recognized will be the acquisition-date fair value of contingent consideration. Changes to contingent consideration resulting from events after the acquisition date are recognized in profit or loss.

Goodwill and bargain purchases

If the consideration transferred exceeds the net of the assets, liabilities, and NCI, that excess is recognized as goodwill. If the consideration is lower than the net assets acquired, a bargain purchase is recognized in profit or loss.

Acquisition costs

All acquisition-related costs (e.g. finder's fees, professional or consulting fees, costs of internal acquisition department) are recognized in profit or loss except for costs to issue debt or equity, which are recognized following IFRS 9 and IAS 32. Business combinations achieved in stages

If the acquirer increases an existing equity interest to achieve control of the acquiree, the previously held equity interest is remeasured at acquisition-date fair value and any resulting gain or loss is recognized in profit or loss.

Other guidance IFRS 3 includes guidance on business combinations achieved without the transfer of consideration, reverse acquisitions, identifying intangible assets acquired, un-replaced and voluntarily replaced share-based payment awards, pre-existing relationships between the acquirer and the acquiree (e.g. reacquired rights); and the reassessment of the acquiree's contractual arrangements at the acquisition date.

Interpretations None

Changes effective this year

Amendments to clarify that, when an entity gets control of a joint operation that is a business, any previously held interest is remeasured. Those amendments are effective for annual periods beginning on or after 1 January 2019.

Pending changes

As a result of the PIR of IFRS 3, the Standard has been amended for a revised definition of a business. This amendment will be effective for annual periods beginning on or after 1 January 2020, with earlier application permitted. Also, the IASB currently has a project on business combinations under common control.

History The IASB issued the original version of IFRS 3 in 2004, effective for periods beginning on or after 1 January 2005. That version of IFRS 3 was replaced in 2008 by a version developed jointly with the FASB and applies to business combinations in periods beginning on or after 1 July 2009.

IFRS 4 Insurance Contracts

Overview Prescribes the financial reporting for insurance contracts put in place pending the application of IFRS 17Recognition and measurement

This Standard applies to insurance contracts that an entity issues. Insurers are exempted from applying the IASB Framework and some Standards. Catastrophe reserves and equalization provisions are prohibited. The Standard requires a test for the adequacy of recognized insurance liabilities and an impairment test for reinsurance assets. Insurance liabilities may not be offset against related reinsurance assets. Accounting policy changes are restricted. Some disclosures are required.

Financial guarantees

Financial guarantee contracts are outside the scope of IFRS 4 unless the issuer had previously (before initial adoption of IFRS 4) asserted explicitly that it regards such contracts as insurance contracts and has used accounting applicable to insurance contracts. In such circumstances, the issuer may elect to apply either IAS 32, IFRS 7 and IFRS 9 or IFRS 4, on a contract-by-contract basis. The election is irrevocable.

Interpretations None

Changes effective this year

None

Pending changes

IFRS 4 will be superseded upon application of IFRS 17, which is effective for annual periods beginning on or after 1 January 20212. Until IFRS 17 comes into effect, IFRS 4 provides special concessions about the application of IFRS 9.

History The IASB issued IFRS 4 in 2004 for inclusion in the original set of Standards effective for annual periods beginning on or after 1 January 2005.

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

Overview Sets out the accounting for non-current assets held for sale and the presentation and disclosure of discontinued operations.

Non-current assets held for sale

Non-current assets are ‘held for sale’ either individually or as part of a disposal group when the entity has the intention to sell them, they are available for immediate sale and disposal within 12 months is highly probable. A disposal group is a group of assets to be disposed of in a single transaction, including any related liabilities that will also be transferred. Assets and liabilities of a subsidiary are classified as held for sale if the parent is committed to a plan involving loss of control of the subsidiary, regardless of whether the entity will retain a non-controlling interest after the sale. IFRS 5 applies to a non-current asset (or disposal group) that is classified as held for distribution to owners.

Discontinued operations

A discontinued operation is a component of an entity that has either been disposed of or is classified as held for sale. It must represent a separate major line of business or major geographical area of operations, be part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations.

Measurement Non-current assets ‘held for sale’ are measured at the lower of the carrying amount and fair value fewer costs to selling (or costs to distribute). The non-current assets are no longer depreciated. Immediately before the initial classification of the asset (or disposal group) as held for sale, the carrying amounts of the assets (or all the assets and liabilities in the group) are measured by applicable IFRS Standards. Statement of comprehensive income

When there are discontinued operations, the statement of comprehensive income is divided into continuing and discontinued operations. The sum of the post-tax profit or loss from discontinued operations for the period and the posttax gain or loss arising on the disposal of discontinued operations (or on their reclassification as held for sale) is presented as a single amount.

Statement of financial position

Non-current assets, and the assets and liabilities in a disposal group, are presented separately in the statement of financial position.

Relationship with other Standards

IFRS 5 has its disclosure requirements. Consequently, disclosures in other Standards do not apply to such assets (or disposal groups) unless those Standards specifically require disclosures or the disclosures relate to the measurement of assets or liabilities within a disposal group that is outside the scope of the measurement requirements of IFRS 5.

Interpretations None

Changes effective this year

None

Pending changes

The IASB has announced that it plans to undertake a PIR of IFRS 5.

History The IASB adopted the 1998 version of IAS 35 Discontinuing Operations as part of its original set of Standards. The IASB replaced IAS 35 with IFRS 5 in 2004, for annual periods beginning on or after 1 January 2005.