

Discontinued Operations: Proposed Amendments to AASB 5

Draft ED XXX *Discontinued Operations: Proposed Amendments to AASB 5* will be considered by the Board at its meeting on 10 October 2008. Please note that the Draft ED does not reflect settled positions by the AASB and may change or be modified by the AASB. This draft is not an authoritative pronouncement of the AASB. Decisions become final only after completion of the formal processes required to issue an Exposure Draft. No responsibility is taken for the results of actions or omission to act taken on the basis of any information in this draft or for any errors or omissions.

Prepared by the
Australian Accounting Standards Board



Australian Government

**Australian Accounting
Standards Board**

Commenting on this Exposure Draft

Constituents are strongly encouraged to respond to the AASB and the IASB. The AASB is seeking comment by 5 December 2008. This will enable the AASB to consider Australian constituents' comments in the process of formulating its own comments to the IASB, which are due by 23 January 2009. Comments should be addressed to:

The Chairman
Australian Accounting Standards Board
PO Box 204
Collins Street West Victoria 8007
AUSTRALIA
E-mail: standard@asb.gov.au

Respondents to the IASB are asked to send their comments electronically through the 'Open to Comment' page on the IASB website (www.iasb.org)

All non-confidential submissions to the AASB will be made available to the public on the AASB website: www.asb.gov.au.

Obtaining a Copy of this Exposure Draft

This Exposure Draft is available on the AASB website: www.asb.gov.au.
Alternatively, printed copies of this Exposure Draft are available by contacting:

The Customer Service Officer
Australian Accounting Standards Board
Level 7
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Melbourne Victoria
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Fax: (03) 9617 7608
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CONTENTS

PREFACE

IASB Exposure Draft *Discontinued Operations: Proposed Amendments to IFRS 5*

PREFACE

Background

Australian Accounting Standards

The Australian Accounting Standards Board (AASB) makes Australian Accounting Standards, including Interpretations, to be applied by:

entities required by the *Corporations Act 2001* to prepare financial reports;

governments in preparing financial statements for the whole of government and the General Government Sector (GGS); and

entities in the private or public for-profit or not-for-profit sectors that are reporting entities or that prepare general purpose financial statements.

Australian Accounting Standards incorporate International Financial Reporting Standards (IFRSs), including Interpretations, issued by the International Accounting Standards Board (IASB), with the addition of paragraphs on the applicability of the Standard in the Australian environment.

Australian Accounting Standards also include requirements that are specific to Australian entities. These requirements may be located in Australian Accounting Standards that incorporate IFRSs or in other Australian Accounting Standards. In most instances, these requirements are either restricted to the not-for-profit or public sectors or include additional disclosures that address domestic, regulatory or other issues. In developing requirements for public sector entities, the AASB considers the requirements of International Public Sector Accounting Standards (IPSASs), as issued by the International Public Sector Accounting Standards Board (IPSASB) of the International Federation of Accountants.

Private sector for-profit entities complying with Australian Accounting Standards will simultaneously comply with IFRSs. Many other entities complying with Australian Accounting Standards will also simultaneously comply with IFRSs.

Exposure Drafts

The publication of an Exposure Draft is an essential part of the due process that the AASB follows before making a new or amending an existing Australian Accounting Standard. Exposure Drafts are designed to seek public comment on the AASB's proposals for new Australian Accounting Standards or amendments to existing Australian Accounting Standards.

Reasons for Issuing this Exposure Draft

The purpose of this Exposure Draft is to invite comments from Australian constituents on proposed amendments to AASB 5 *Non-current Assets Held for Sale and Discontinued Operations*, which is the Australian equivalent to IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*.

In their joint project on financial statement presentation, the IASB and the US Financial Accounting Standards Board (FASB) decided to develop a common definition of discontinued operations and require common disclosures about components of an entity that have been (or will be) disposed of. In order to avoid delay, the boards are addressing these issues separately from the financial statement presentation project.

These proposed amendments are contained in the Exposure Draft *Discontinued Operations: Proposed Amendments to IFRS 5* that was issued by the IASB in September 2008. If these

amendments are approved by the IASB, and subsequently by the AASB, they are expected to be applicable from the time that the IASB makes the IFRS standard applicable.

Structure of this Exposure Draft

The AASB has decided to:

- (a) reproduce the IASB Exposure Draft *Discontinued Operations: Proposed Amendments to IFRS 5* without amendment as part of this Exposure Draft;
- (b) identify the main changes in this Preface; and
- (c) seek constituents' views on the proposals.

Main Features of this Exposure Draft

The IASB and FASB propose that a disposal activity should be presented as a discontinued operation only when an entity has made a strategic shift in its operations. Moreover, the boards decided that a definition of discontinued operations based on operating segments, as defined in IFRS 8 *Operating Segments*, best captures the scale of discontinuation that would be a strategic shift in the entity's operations because the determination of operating segments is based on how the chief operating decision maker makes decisions about allocating resources and assessing performance.

The boards also propose disclosures for all components of an entity that have been disposed of or are classified as held for sale, except for businesses that meet the criteria to be classified as held for sale on acquisition.

Request for Comments

Comments are invited on any of the proposals in the Exposure Draft, including the questions on the proposed amendments to IFRS 5 as listed in the Invitation to Comment section of the IASB Exposure Draft.

Constituents are strongly encouraged to respond to the AASB and the IASB. The AASB is seeking comment by 5 December 2008. This will enable the AASB to consider Australian constituents' comments in the process of formulating its own comments to the IASB, which are due by 23 January 2009. The AASB would prefer that respondents supplement their opinions with detailed comments, whether supportive or critical, on the major issues. The AASB regards both critical and supportive comments as essential to a balanced review and will consider all submissions, whether they address all specific matters, additional issues or only one issue.

Specific Matters for Comment

The AASB would particularly value comments on whether:

- (a) there any regulatory issues or other issues arising in the Australian environment that may affect the implementation of the proposals, particularly any issues relating to:
 - not-for-profit entities;
 - public sector entities;
- (b) overall, the proposals would result in financial statements that would be useful to users; and
- (c) the proposals are in the best interests of the Australian economy.

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