



International Accounting Standards Board®

Press Release

For immediate release

31 March 2004

IASB MOVES TOWARDS US GAAP ON ASSET DISPOSALS AND DISCONTINUED OPERATIONS

The International Accounting Standards Board (IASB) today issued requirements relating to asset disposals and discontinued operations. The requirements, which are set out in International Financial Reporting Standard (IFRS) 5 *Non-current Assets Held for Sale and Discontinued Operations*, mark another step towards the convergence of international and national standards.

Convergence of accounting standards around the world is one of the IASB's prime objectives. To that end, the IASB and the Financial Accounting Standards Board (FASB) in the United States initiated a joint short-term project aimed at reducing the differences between IFRSs and US GAAP.

IFRS 5 is the first standard to arise from the IASB's joint project with the FASB. The project focuses on differences that are not the subject of major current or planned projects by either board and are thought capable of quick resolution. The first phase of the project involves each board reviewing the other's recent pronouncements, with an expectation that recent work on an accounting problem will have produced a good solution. IFRS 5 results from the IASB's review of the FASB standard SFAS 144 *Accounting for the Impairment or Disposal of Long-Lived Assets*, which was issued in 2001.

IFRS 5 requires assets that are expected to be sold and meet specific criteria to be measured at the lower of carrying amount and fair value less costs to sell. Such assets should not be depreciated and should be presented separately in the balance sheet. It also requires operations that form a major line of business or area of geographical operations to be classified as discontinued when the assets in the operations are classified as held for sale. These requirements relating to assets held for sale and the timing of the classification of discontinued operations are substantially the same as the equivalent requirements in

US GAAP. The type of operation that can be classified as discontinued is narrower than under US GAAP but the IASB intends to continue to work with the FASB in this area to achieve convergence soon.

A further very important step towards convergence between IFRSs and US GAAP has been achieved today by the publication of IFRS 3 *Business Combinations* which makes the treatment of the acquisition of businesses substantially the same under IFRSs and US GAAP.

Introducing IFRS 3 and IFRS 5, Sir David Tweedie, IASB Chairman, said:

The publication of IFRS 3 and IFRS 5 eliminates major differences between IFRSs and US GAAP. I am delighted that, together with the FASB, we are making progress in the crucial process of convergence. This project will eliminate barriers to cross-border capital flows, providing significant benefits to investors and companies alike.

The joint project is expected to result in several more standards. The FASB has recently published exposure drafts on four subjects: the measurement of asset exchanges, the treatment of changes in accounting policies and estimates, the measurement of inventories and the calculation of earnings per share. On each of these subjects the FASB is proposing to converge with improvements made to IFRSs by the IASB last year. Further exposure drafts from both boards are expected over the next year, covering restructuring provisions, income taxes, research and development and interim reporting. More information on the short-term convergence project is given on the IASB's Website (www.iasb.org) and the FASB's Website (www.fasb.org).

The primary means of publishing International Financial Reporting Standards is by electronic format through the IASB's subscriber Website. Subscribers are able to access the standards published today through "online services". Those wishing to subscribe should contact:

IASCF Publications Department, 30 Cannon Street, London EC4M 6XH,
United Kingdom. Tel: +44 (0)20 7332 2730, Fax: +44 (0)20 7332 2749,
email: publications@iasb.org Web: www.iasb.org.

Printed copies of IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* (ISBN 1-904230-54-7) will be available shortly, at £15 each including postage, from IASCF Publications Department.

END

Press enquiries:

Sir David Tweedie, Chairman, IASB,

telephone: +44 (0)20 7246 6420, email: dtweedie@iasb.org

Kevin Stevenson, Director of Technical Activities, IASB,

telephone: +44 (0)20 7246 6460, email: kstevenson@iasb.org

Wayne Upton, Director of Research, IASB,

telephone: +44 (0)20 7246 6449, email: wupton@iasb.org

Anne McGeachin, Project Manager, IASB

telephone: +44 (0)20 7246 6462, email: amcgeachin@iasb.org

NOTES TO EDITORS

About IFRS 3

1 A separate press release on IFRS 3 is available.

About IFRS 5

2 IFRS 5 requires:

- a classification for non-current assets 'held for sale' using the same criteria as those contained in SFAS 144
- assets sold in a single transaction to be accounted for as a disposal group
- that assets or disposal groups that are classified as held for sale are carried at the lower of carrying amount and fair value less costs to sell
- that an asset classified as held for sale, or included within a disposal group that is classified as held for sale, is not depreciated
- that an asset classified as held for sale, and the assets and liabilities included within a disposal group classified as held for sale, are presented separately on the face of the balance sheet
- the withdrawal of IAS 35 *Discontinuing Operations*, replacing it with requirements that:

- change the timing of the classification as a discontinued operation. IAS 35 classifies an operation as discontinuing at the earlier of (a) the entity entering into a binding sale agreement and (b) the board of directors approving and announcing a formal disposal plan. IFRS 5 classifies an operation as discontinued at the date the entity has actually disposed of the operation, or when the operation meets the criteria to be classified as held for sale.
 - present the results of discontinued operations separately on the face of the income statement.
 - prohibit the retroactive classification as a discontinued operation, when the discontinued criteria are met after the balance sheet date.
- 3 IFRS 5 is accompanied by two separate booklets. The first contains the Basis for Conclusions, which sets out the IASB's reasoning behind its proposals, and the second consists of implementation guidance.

About the IASB

- 4 The IASB, based in London, began operations in 2001. It is funded by contributions collected by its Trustees, the IASC Foundation, from the major accounting firms, private financial institutions and industrial companies throughout the world, central and development banks, and other international and professional organisations. The 14 IASB members (12 of whom are full-time) reside in nine countries and have a variety of professional backgrounds. The IASB is committed to developing, in the public interest, a single set of high quality, global accounting standards that require transparent and comparable information in general purpose financial statements. In pursuit of this objective, the IASB cooperates with national accounting standard-setters to achieve convergence in accounting standards around the world.
- 5 At present, some 35 countries require the use of international standards for all domestic listed companies, six other countries require the use of international standards for some companies, and many countries base their national practices on international standards. In 2002, several jurisdictions, including Australia, the European Union, and Russia, announced that they would require international standards on or before 1 January 2005. In September 2002, the IASB and its US counterpart, the Financial Accounting Standards Board (FASB), reached an agreement to work towards the convergence of existing US and international practices and the joint development of future standards.

* * * * *