

iii) This IND AS prescribes



Applying for

Disclosures for

NCA HFS
(individual asset)

Disposal group
HFS

Discontinued
Operation

It means
Applicable assets
whose value will
be recovered
through sale &
not from use.

It means group
of assets
(both applicable
& Not applicable)
and liabilities
to be disposed
off. (CGU)

It means a
op. segment which
is H.F. Sale i.e.
D.G. which
represents major
line of biz.
or major
geographical
area of
operation or
subsidiary.

So asset is out of use.



I. Asset-
Dis. of gr.
op. seg. → IND AS 105

Sold

No

Yes

entity is sold.

→ IND AS 103

deloud.

This std is learnt it

Step 1 → what is NCA/DG/D.O.

Step 2 → How to identify them

Step 3 → How to A/c them

Step 4 → How to Disclose them.

deloud.



#3 Classification of Non C.A / D.G. HFS

Non C.A. / D.G. is classified as HFS only if

It is available for sale in its present condition

Sale is highly probable within next 1 year

a) An asset which is intended to be renovated or needed to complete a backlog of order.
↳ cannot be classified as HFS.

a) BoD is committed to sale.

b) process to find buyer has started

c) Asset is offered to sale @ reasonable price.

b) An asset for which Regulatory approval is pending or

d) withdrawal from sale is unlikely.



Customary delay which are usual for sale.
 ↳ can be classified as HFS



4 measurement & Recognition

Both NCA HFS & D.G. should be valued at lower of

- i) CA
- ii) FVLCTS

Non C.A.

D.G.

Step I :- Calⁿ of C.A. as on D.O.C.

Cost	xxx
- Dep upto D.O.C.	xxx
- I.L. upto D.O.C.	xxx
(INDAS36)	xxx
	<u>xxx</u>

S.I. Calⁿ of C.A. of D.G.

C.A. of each asset of D.G.	xxx
- C.A. of each liab. of D.G.	xxx
	<u>xxx</u>

Step II Calⁿ of I.L. (105)

C.A. as on D.O.C.	xxx
FVLCTS	(xx)
I.L. (105)	<u>xxx</u>

SII :- Calⁿ of I.L. of D.G.

C.A. of D.G.	xxx
- FVLCTS of D.G.	xxx
I.L. (105)	<u>xxx</u>

Step 3 Journal



I.L. (PIL) Dr xxx
 To Non C.A. xxx

S III allocation of I.L.

Total I.L. xxx
 - glw xx

 xxx



Should be distributed to applicable Non Current assets in ratio of their C.A.

Some important points

a) Dep/Amortisation shall be immediately stopped on such Non C.A. from D.O. Classification.

S IV Journal

I.L (PIL) Dr xx
 To glw xx
 To App. Non C.A. xx

b) Reversal of I.L.
 maximum Rev. of I.L.
 ⇒ up to total amount of I.L. recognised earlier
 (IND AS 36 + 105)

Step 5:- Revised C.A.

Revised C.A. = C.A. - Share of I.L. (if any)

c) if NCA HFS is acq. in biz. combination. then in SONA it should be valued @ FVLCTS.

Some important points

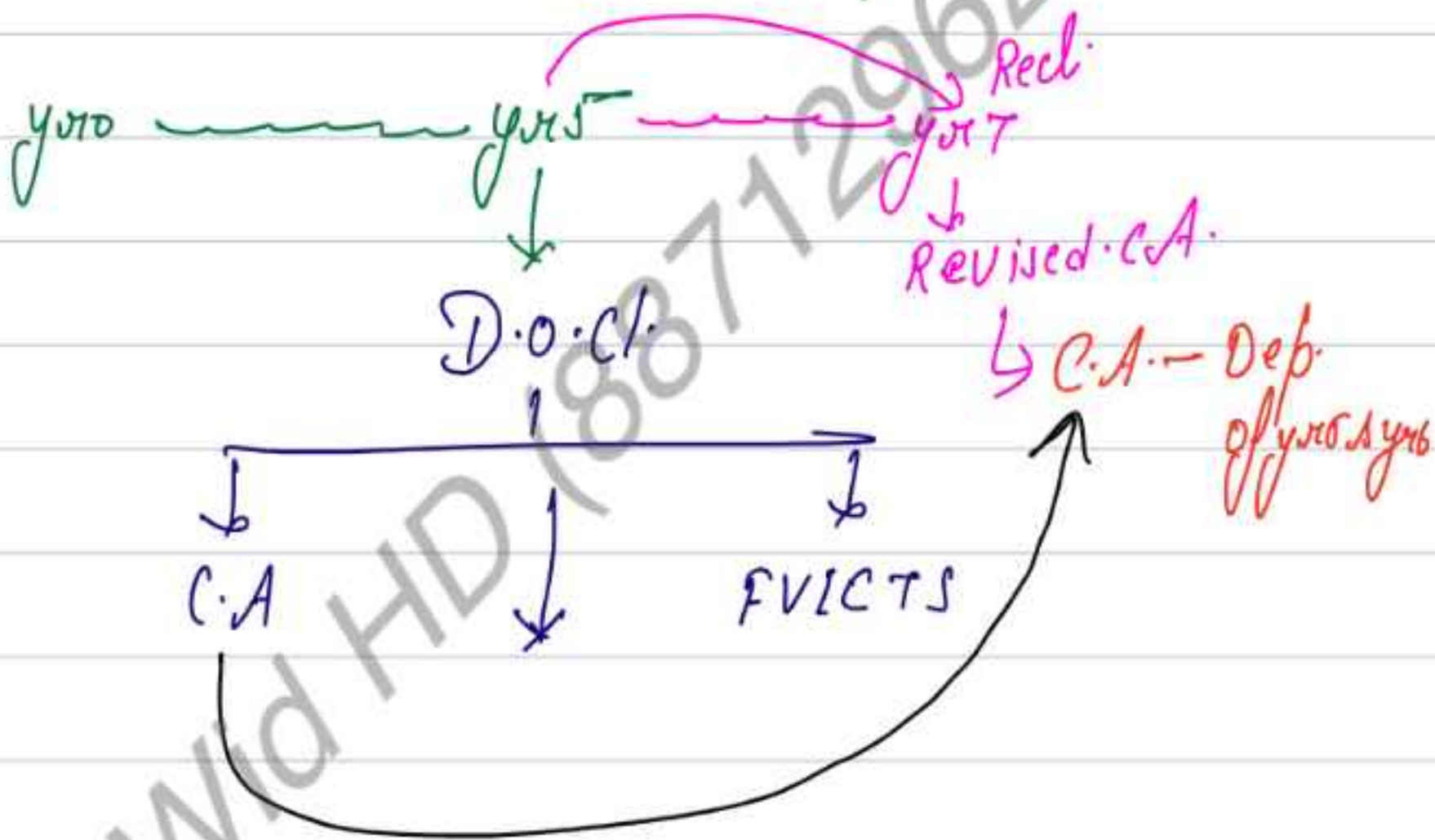
a) Reversal of I.L. should be done only to Applicable Non



C.A. excluding g/w
in ratio of
their C.A.



#5 Reclassification (NCA HFS classified as
NCA only)



- i) Should be value on Date of Reclassification (D.O.R.) at C.A. on DOR, as if asset had never been earlier classified as Non C.A. H.F.S.

i.e.

C.A. of Asset just bef. classification as HFS

xxx

- Dep. from D.O.C. to D.O.R.



C.A. on DOR. (a)

xxx

xxx

ii) Any diff. in C.A. as on DOR. -(a) ⇒ + ref to PIL as GIL.
asper INDAS105

#6 Presentation & Disclosure

1) NCA HFS

→ Present such asset as a separate line item in BIS.

i.e. Non C.A. ✓

C.A. ✓

HFS ✓

2) Disposal group

→ Present assets of D.G. separately from other assets in BIS.

→ Present liabilities of D.G. separately from other liabilities in BIS.

→ AS2 of D.G. should not be net off in BIS.

3) Discontinued operation

→ Present assets of D.O. separately from

other assets in BIS.



→ Present liabilities of D.O. separately from other liabilities in BIS.

→ ASL of D.O. should not be net off in BIS.

→ Post-tax P/L of D.O. should be disclosed separately as a single amount.

→ EPS should be disclosed separately for D.O.

BIS

SPL

Asset side	Liab. Side.	Income	xxx
NonCA	NonCL	Exp	<u>(xx)</u>
CA	CL	PAT from CO	xx
NCAHPS	D.G.	PAT from D.C.O	<u>xx</u>
D.G.	D.CO.		<u>xxx</u>
D.C.O.			

Practice Q.

A freehold property was originally purchased for ₹40,00,000. Some years later up after cumulative depreciation of ₹11,00,000 has been recognised, an impairment loss of ₹3,50,000 is recognised, taking the carrying amount to ₹25,50,000 which represents the estimated value in use of the property. Shortly after as a consequence of a proposed move to new premises, the freehold property is classified as held for sale

At the time of classification as held for sale

- Carrying amount is ₹25,50,000 and
- fair value less cost to sell is assessed at ₹25,00,000

Accordingly, the initial write down on classification as held for sale is ₹50,000 and the properties carried at ₹25,00,000. The following classification as held for sale, no further depreciation is recognised

- At the next reporting date come on the property market has improved and the fair value less cost to sell is reassessed at ₹26,50,000. Show accounting effects.
- 6 months after the property market has continued to improve and fair value less cost to sell is now assessed at ₹30,00,000. Show accounting effects.
- What will be the accounting if after ~~some time~~ ^{some time} the properties sold for ₹30,00,000

Solⁿ:- as on DOC

Step 1 C.A.

Cost	4000000
- Dep.	(1100000)
- I.L.	<u>(350000)</u>
C.A.	<u>2550000</u>

Step 2 I.L. Under 105

CA	2550000
FV LCTS	<u>2500000</u>
I.L.	<u>50000</u>

Step 3 R.e.A.

C.A.	2550000
- I.L.	<u>(50000)</u>

R.C.A. 2500000



a) As on R.D.



C.A. 2500000

FVLCTS 2650000

Reversal. 150000

b) 6 months later

i) C.A. 2650000

ii) FVLCTS 3000000

iii) Reversal (ii-i) 350000

iv) max. Reversal 250000

all.

(350000 + 50000)

150000

C.A. 2500000

+ Reversal 150000

R.C.A. 2650000

v) Revised C.A. after Reversal

⇒ 2650000 + 250000

⇒ 2900000

c) Sold.

C.A. 2900000

Sold 3000000

gain on sale 100000

Question# 1

ILL 2 SM ICAI, SIMILAR TO MAY 24

S Ltd purchased a property for ₹ 6,00,000 on 1 April 20X1. The useful life of the property is 15 years. On 31 March 20X3 S Ltd classify the property as held for sale. The impairment testing provides the estimated recoverable amount of ₹ 4,70,000. The fair value less cost to sell on 31 March 20X3 was ₹ 4,60,000. On 31 March 20X4 management change the plan as property no longer met the criteria of held for sale. The recoverable amount as at 31 March 20X4 is ₹ 5,00,000. Value the property at the end of 20X3 and 20X4.

Solⁿ:- i) As on 31-3-13 → Date of classification

Step 1 C.A.

1-4-01

600000



- 31-3-03 Acc. dep. (80000)

$(\frac{64}{15} \times 2 \text{ yrs})$

520000



- 31-3-03 I.L. under (36) (50000)

(520 - 470)

470000

Step 2 I.L. under 105

C.A.

470000

FVLC TS

460000

I.L. under 105

10000

Step 3. Rev. C.A.

C.A.

470000

- I.L. under 105

10000

Value of prop. on 31-3-03 460000

ii) As on 31-3-04 \Rightarrow D.O. Reclassification.

Step 1 C.A. as if there was no cl. as HFIS

C.A. on 31-3-03

470000



Dep. $\frac{470000}{13}$

(36154)

a) C.A. as on DOR.

433846

b) C.A. as on DOR as per 105

460000

Reduce: (b-a)

26154



as on 31-3-2014. Reversal of I.L.
under IND AS 36

a) original C.A. had there been No I.L. $(\frac{6L}{15} \times 12)$ 480000

b) C.A. 433846

c) R.A. 500000

d) Reversal

→ max. Reversal $480000 - 433846 = 46154$

→ Actual Reversal. $500000 - 433846 = 66154$.

→ Actual I.L. charged earlier.

Under IND AS 36 + 105

⇒ 50000 + 10000

⇒ 60000

least of above

46154

e) Rev. C.A. after Reversal. (b+d)

⇒ 480000

An item of property, plant and equipment that is measured on the cost basis should be measured in accordance with Ind AS 16.

Entity ABC owns an item of property and it was stated at the following amounts in its last financial statements:

31st December 20X1

Cost	12,00,000
Depreciation	(6,00,000)
Net book value	6,00,000
The asset is depreciated at an annual rate of 10%	(1,20,000)

During July 20X2 entity ABC decides to sell the asset and on 1st August it meets the conditions to be classified as held for sale.

Analyse.

Solⁿ :- C.A. of property on 1-8-2011

$$\Rightarrow ₹ 600000 - \left(6L \times 10\% \times \frac{4}{12} \right)$$

$$\Rightarrow ₹ 580000$$

- i) if Property is classified as HFS then as per Ind AS 105 it should be shown in BLS at lower of
- a) C.A. on D.O. Clam. ₹ 580000
 - b) FV less COS which is not available.

ii) Diff. between C.A. and FV less COS is treated as I.L. and transferred to P/L.

iii) entity ABC should not charge

depreciation from 1-8-11.

Question# 3

TYK Q. 3, SIMILAR TO NOV 19

On June 1, 20X1, entity X plans to sell a group of assets and liabilities, which is classified as a disposal group. On July 31, 20X1, the Board of Directors approves and becomes committed to the plan to sell the manufacturing unit by entering into a firm purchase commitment with entity Y. However, since the manufacturing unit is regulated, the approval from the regulator is needed for sale. The approval from the regulator is customary and highly probable to be received by November.

PARTICULARS	Carrying value as on December 31, 20X0	Carrying value as on JULY 31, 20X1
Goodwill	500	500
Plant & Machinery	1,000	900
Building	2,000	1850
Debtors	850	1050
Inventory	700	400
Creditors	(300)	(250)
Loan	(2,000)	(1850)
	-	2,600

30, 20X1 and the sale is expected to be completed by March 31, 20X2. Entity X follows December year end. The assets and liabilities attributable to this manufacturing unit are as under:

The fair value of the manufacturing unit as on December 31, 20X0 is ₹ 2,000 and as on July 31, 20X1 is ₹ 1,850. The cost to sell is 100 on both these dates.

The disposal group is not sold at the period end i.e., December 31, 20X1. The fair value as on December 31, 20X1 is lower than the carrying value of the disposal group as on that date.

Required:

1. Assess whether the manufacturing unit can be classified as held for sale and reasons there for. If yes, then at which date?
2. The measurement of the manufacturing unit as on the date of classification as held for sale.
3. The measurement of the manufacturing unit as at the end of the year.

Answer:

Assessing whether the manufacturing unit can be classified as held for sale The manufacturing unit can be classified as held for sale due to the following reasons:

1. The disposal group is available for immediate sale and in its present condition. The regulatory approval is customary and it is expected to be received in one year. The date at which the disposal group must be classified as held for sale is July 31, 20X1, i.e., the date at which management becomes committed to the plan.
2. The sale is highly probable as the appropriate level of management i.e., board of directors in this case have approved the plan.
3. A firm purchase agreement has been entered with the buyer.
4. The sale is expected to be complete by March 31, 20X2, i.e., within one year from the date of classification.

For rest refer class notes ii) & iii)

Solⁿ:- ii) as on 31-7-01



Step 1 C.A. of D.G.

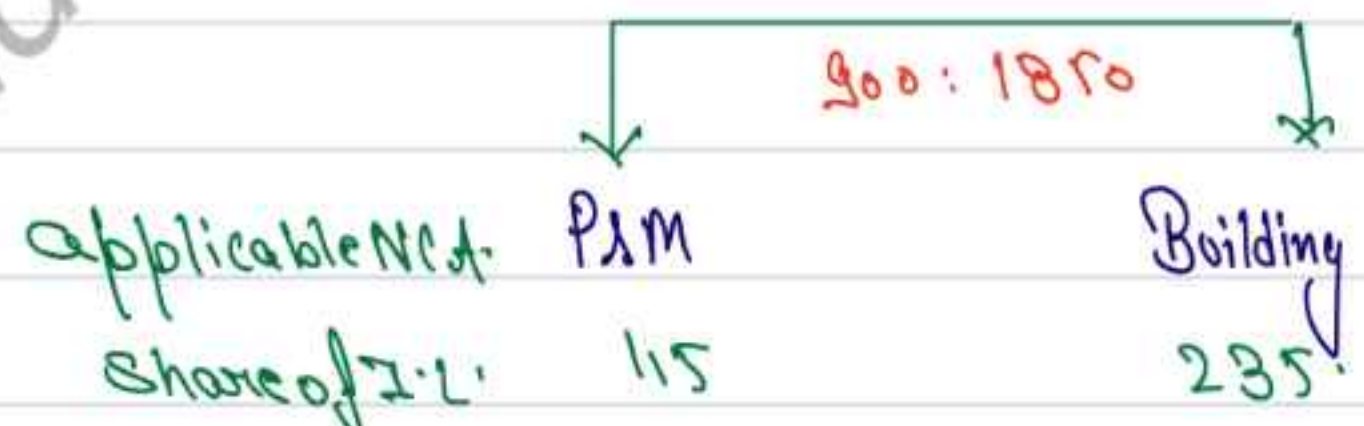
Gr.W	500
P.M.	900
Building	1850
Debtors	1050
Inventory	400
Res	(250)
Loan	<u>(1850)</u>

Step 2 I.L. of D.G.

C.A.	2600
FVLCTS	1750
(1850-100)	
I.L.	<u>850</u>

Step 3 Allocation of I.L.

Total I.L.	850
- goodwill	<u>(500)</u>
	350



Step 4 Journal

I.L. Dr	850
To Gr.W	500
To P.M.	115
To Building	235

iii) As on 31-12-01



The measurement is done in the same way as above.



C.A. of DG - PVCTS = I.L. should be allocated to PIMS BuiH.
on 31-12-01
(excl. g/w)

mfg unit \Rightarrow 1750
on 31-12-01
 \therefore FV LCTS is N.A.

Question# 9

SIMILAR TO MAY 22 & NOV 23, Q. 4 ICAI SM

Following is the extract of the consolidated financial statements of A Ltd. for the year ended on

Asset/ (liability)	Carrying amount as on 31 March, 20X1 (In ₹000)
Attributed goodwill	200
Intangible assets	950
Financial asset measured at fair value through other comprehensive income	300
Property, plant & equipment	1100
Deferred tax asset	250
Current assets-inventory, receivables and cash balances	600
Current liabilities	(850)
Non-current liabilities-provisions	(300)
Total	2250

On 15th September 20X1, Entity A decided to sell the business. It noted that the business meets the condition of disposal group classified as held for sale on that date in accordance with Ind AS 105. However, it does not meet the conditions to be classified as discontinued operations in accordance with that standard.

The disposal group is stated at the following amounts immediately prior to reclassification as held for sale

Asset/ (liability)	Carrying amount as on 15 sept, 20X1 (In ₹000)
Attributed goodwill	200
Intangible assets	930
Financial asset measured at fair value through other comprehensive income	360
Property, plant & equipment	1020
Deferred tax asset	250
Current assets-inventory, receivables and cash balances	520
Current liabilities	(870)
Non-current liabilities-provisions	(250)
Total	2160

Entity A proposed to sell the disposal group at ₹ 19,00,000. It estimates that the costs to sell will be 70,000. This cost consists of professional fee to be paid to external lawyers and accountants

As at 31 March 20X2, there has been no change to the plan to sell the disposal group and entity A still expects to sell it within one year of initial classification. Mr. X, an accountant of Entity A remeasured the following assets/liabilities in accordance with respective standards as on 31 March 20X2:

Available for sale:	(In ₹000)
Financial assets	410
Deferred tax assets	230
Current assets-inventory, receivables and cash balances	400
Current liabilities	900
Non-current liabilities- provisions	250

The disposal group has not been trading well and its fair value less costs to sell has fallen to ₹ 16,50,000.

Compute the value of all assets/ liabilities within the disposal group as on the following dates in accordance with Ind AS 105

- ✓ (a) 15 September, 20X1 and
- ✓ (b) 31 March, 20X2

Solⁿ:-

(₹ in 000)

a) 15-Sep-2001

b) 31-3-2002

Step 1 C.A. of D.G.
⇒ 2160 (given)

Step 1 C.A. of D.G.
I.T.A. 868
F.A. 410

Step 2 I.L. of D.G

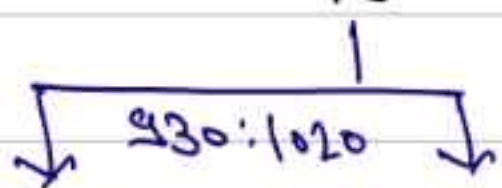


C.A.	2160
FVLCTS	<u>1830</u>
(1900-70) I.L.	<u>330</u>

Step 3 Allocation of I.L.

I.L. = 330

- G.W (200)
130



Appli NCA	ITA	PPE
Sh. of I.L.	62	68

Step 4 Revised C.A.

G.W (200-200)	0
ITA (1930-62)	868
F.A.	360
PPE (1020-68)	952
DTA.	250
C.A	520
- C.L.	(870)
- NonCL	<u>(250)</u>
	<u>1830</u>

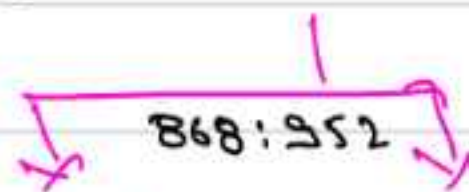
PPE	952
DTA.	230
C.A	400
C.L.	(900)
NCL	<u>(250)</u>
	<u>1710</u>

Step 2 I.L.

C.A.	1710
FVLCTS	<u>1650</u>
	<u>60</u>

Step 3 Allocation of IL

Total IL 60



Appli NCA	ITA	PPE
Share of IL	28.6	31.4

Step 4 Revised C.A.

ITA (868-28.6)	839.4
F.A.	410
PPE (952-31.4)	920.6
DTA.	230
C.A.	400
CL	(900)
NCL	<u>(250)</u>

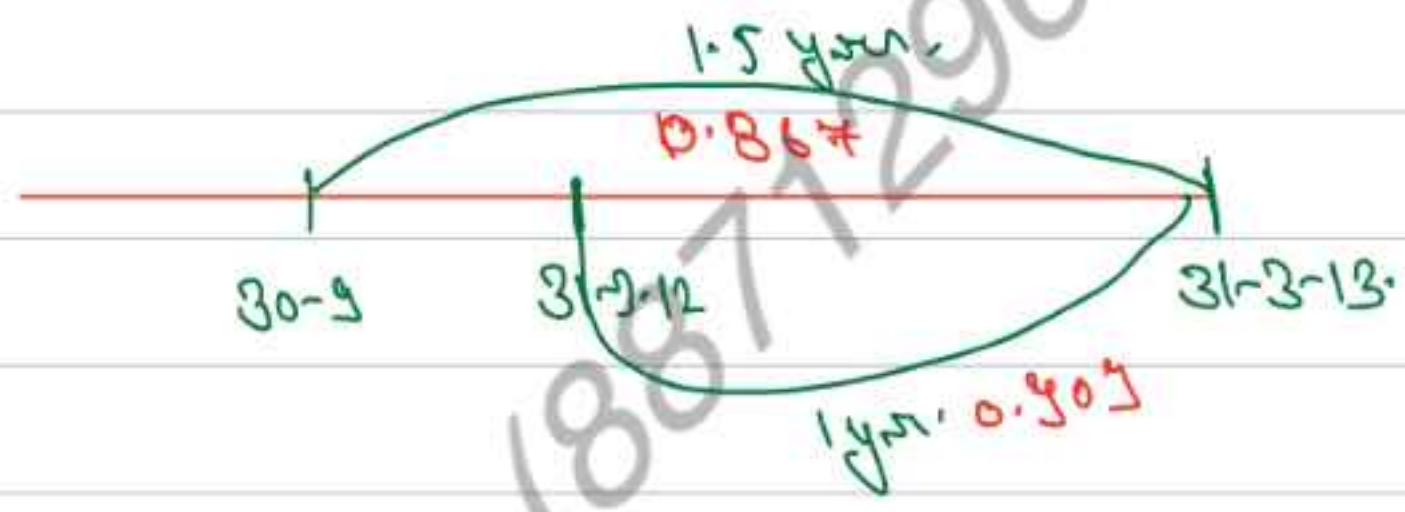
Question# 10 RTP NOV 23 PRACTICE Q. 4 ICAISM

Company X has identified one of its division (disposal group) to be sold to a prospective buyer and the Board has approved the plan to sell the division on 30th September, 20X1. The sale is expected to complete after one year but it still qualifies to be held for sale under Appendix B of Ind AS 105. Costs to sell the division is estimated to be 10 crores (to be incurred in March, 20X3). The fair value of the division is 400 crores (on 30th September, 20X1 and 31 March, 20X2) and carrying value is ₹ 500 crores.

How shall such a division (disposal group) be measured under ind AS 105 on following reporting dates:

- A. 30th September, 20X1
- B. 31 March, 20X2

Consider the discounting factor @ 10% for 1 year to 0.909 and for 1.5 years to be 0.867.



Solⁿ:

		<u>30-9-11</u>	<u>31-3-12</u>
FV		400	400
PV of CTS	10×0.867	(8.67)	(9.09)
		<u>391.33</u>	<u>390.91</u>

↓
Reduce by 0.42
↓
of Finance cost in P/L.

Discontinued operations and assets held for sale

S.NO	PARTICULARS	Discontinued operation Yes/No	Assets held for sale Yes/No
1.	MNO disposes of a component of the entity by selling the underlying assets. The sales transaction is incomplete at the reporting date.	Yes	Yes
2.	PQR has ceased activities that meet the definition of a <u>discontinued operation</u> without selling any assets	Yes	No
3.	STU ceases activities and has already completed the sale of the underlying assets at the reporting date.	Yes	No
4.	VWX will sell or has sold assets that are within the scope of Ind AS 105 but does not discontinue any of its operations.	No	Yes.

FR Wid HD (8871296220)