

## Accounting Standards for Business Enterprises No. 42 — Non-current Assets Held for Sale, Disposal Groups and Discontinued Operations

### Chapter 1: General Provisions

Article 1 This Standard is formulated in accordance with the *Accounting Standards for Business Enterprises — Basic Standards* to prescribe the classification, measurement and presentation of non-current assets or disposal groups held for sale by an enterprise, and the presentation of discontinued operations.

Article 2 The classification and presentation requirements of this Standard apply to all non-current assets and disposal groups.

A disposal group is a group of assets to be disposed of, by sale or otherwise, together as a group in a single transaction, and liabilities directly associated with those assets that will be transferred in the transaction. If the asset group or group of asset groups to which the disposal group belongs has allocated goodwill obtained in a business combination in accordance with *ASBE 8 — Impairment of Assets*, the disposal group shall include the goodwill allocated to it.

Article 3 The measurement requirements of this Standard apply to all non-current assets, except that the measurement of the following items is governed by other relevant accounting standards:

- (1) Investment property measured using the fair value model for subsequent measurement, which is governed by *ASBE 3 — Investment Property*;
- (2) Biological assets measured at fair value less costs to sell, which are governed by *ASBE 5 — Biological Assets*;
- (3) Assets arising from employee benefits, which are governed by *ASBE 9 — Employee Compensation*;
- (4) Deferred tax assets, which are governed by *ASBE 18 — Income Taxes*;
- (5) Financial assets governed by the relevant accounting standards for financial instruments, which are governed by those standards;
- (6) Rights arising from insurance contracts governed by the relevant accounting standards for insurance contracts, which are governed by those standards.

If a disposal group contains non-current assets to which the measurement requirements of this Standard apply, the measurement requirements of this Standard apply to the entire disposal group. The measurement of liabilities within a disposal group is governed by the relevant accounting standards.

Article 4 A discontinued operation is a component of an enterprise that has been disposed of or is classified as held for sale, and:

- (a) represents a separate major line of business or a geographical area of operations;
- (b) is part of a single coordinated plan to dispose of a separate major line of business or geographical area of operations; or
- (c) is a subsidiary acquired exclusively with a view to resale.

### Chapter 2: Classification of Non-current Assets or Disposal Groups Held for Sale

Article 5 An enterprise 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 (including non-monetary asset exchanges with commercial substance, the same below) rather than through continuing use.

Article 6 A non-current asset or disposal group shall be classified as held for sale only if its sale is highly probable and it is 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 sale is highly probable when:

- (a) the enterprise is committed to a plan to sell the asset or disposal group;
- (b) an active program to locate a buyer and complete the plan has been initiated;
- (c) the asset or disposal group is being actively marketed for sale at a price that is reasonable in relation to its current

fair value;

(d) the sale is expected to qualify for recognition as a completed sale within one year from the date of classification, except as permitted by Article 8; and

(e) actions required to complete the plan indicate that it is unlikely that significant changes to the plan will be made or that the plan will be withdrawn.

If a sale is subject to approval by the enterprise's relevant authority or supervisory department in accordance with relevant regulations, such approval must have been obtained.

**Article 7** A non-current asset or disposal group that is acquired exclusively with a view to its subsequent disposal shall be classified as held for sale at the acquisition date only if the one-year requirement in Article 6 is met (except as permitted by Article 8) and it is highly probable that any other criteria in Article 6 that are not met at that date will be met within a short period (usually three months).

**Article 8** An enterprise shall not cease to classify a non-current asset or disposal group as held for sale if the delay is caused by events or circumstances beyond its control and there is sufficient evidence that the enterprise remains committed to its plan to sell the asset or disposal group. The delay must not exceed one year from the date the asset or disposal group was initially classified as held for sale. If the delay is beyond one year, the enterprise shall reassess the criteria for classification as held for sale.

**Article 9** An enterprise shall cease to classify a non-current asset or disposal group as held for sale if the criteria in Article 6 are no longer met.

If an individual asset or liability is removed from a disposal group classified as held for sale, the remaining assets and liabilities shall be classified as held for sale as a new disposal group only if the new group meets the criteria in Article 6. Otherwise, the remaining non-current assets that individually meet those criteria shall be classified as held for sale.

**Article 10** If an enterprise loses control of a subsidiary due to a sale (or partial sale) of its investment in that subsidiary, it shall classify the entire investment in the subsidiary as held for sale in the separate financial statements of the parent when the criteria in Article 6 are met. In the consolidated financial statements, the enterprise shall classify all assets and liabilities of that subsidiary as held for sale when the criteria in Article 6 are met, regardless of whether the enterprise retains a non-controlling interest in the former subsidiary after the sale.

**Article 11** An enterprise shall not classify as held for sale a non-current asset (or disposal group) that is to be abandoned or wound down rather than sold.

### Chapter 3: Measurement of Non-current Assets or Disposal Groups Held for Sale

**Article 12** Immediately before the initial classification of a non-current asset or disposal group as held for sale, the carrying amounts of the assets and liabilities within the group shall be measured in accordance with the applicable applicable accounting standards.

**Article 13** A non-current asset or disposal group classified as held for sale shall be measured at the lower of its carrying amount and fair value less costs to sell. Any write-down to fair value less costs to sell shall be recognized as an impairment loss in profit or loss. A separate impairment allowance account shall be recognized for assets held for sale.

**Article 14** For a non-current asset or disposal group that is classified as held for sale at the acquisition date, the asset or disposal group shall be measured at the date of acquisition at the lower of its fair value less costs to sell and the amount that would have been recognized had the asset or disposal group been acquired other than in a business combination and not classified as held for sale. Any difference between this amount and the fair value less costs to sell shall be recognized in profit or loss.

**Article 15** When remeasuring a disposal group classified as held for sale at the balance sheet date, an enterprise shall first measure the carrying amounts of any assets and liabilities within the disposal group that are outside the scope of this Standard's measurement requirements in accordance with the relevant applicable standards, and then apply

Article 13.

Article 16 An impairment loss recognized for a disposal group classified as held for sale shall reduce the carrying amount of the goodwill within the disposal group first, and then reduce the carrying amounts of the other non-current assets within the disposal group that are within the scope of this Standard's measurement requirements on a pro rata basis based on their carrying amounts.

Article 17 If the fair value less costs to sell of a non-current asset classified as held for sale increases in a subsequent period, the impairment loss previously recognized may be reversed. The reversal shall be limited to the amount of the impairment loss previously recognized for that asset after it was classified as held for sale. The reversal shall be recognized in profit or loss. Impairment losses recognized before classification as held for sale shall not be reversed.

Article 18 If the fair value less costs to sell of a disposal group classified as held for sale increases in a subsequent period, the impairment loss previously recognized for the non-current assets within the group that are within the scope of this Standard may be reversed. The reversal shall be allocated to those assets on a pro rata basis based on their carrying amounts, excluding goodwill. The reversal shall be recognized in profit or loss. The carrying amount of goodwill and impairment losses recognized for non-current assets before classification as held for sale shall not be reversed.

Article 19 [Content regarding allocation of reversal amongst assets, similar to Article 16 but for reversals].

Article 20 Non-current assets within a disposal group classified as held for sale shall not be depreciated or amortized. Interest and other expenses relating to the liabilities of a disposal group classified as held for sale shall continue to be recognized.

Article 21 If a non-current asset or disposal group ceases to be classified as held for sale (or an asset is removed from a disposal group classified as held for sale), its carrying amount shall be measured at the lower of:

- (a) its carrying amount before the asset or disposal group was classified as held for sale, adjusted for any depreciation, amortization or impairment losses that would have been recognized 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.

Article 22 When an enterprise derecognizes a non-current asset or disposal group classified as held for sale, any gain or loss not previously recognized shall be recognized in profit or loss.

#### Chapter 4: Presentation

Article 23 Assets of a disposal group classified as held for sale shall be presented separately from other assets in the statement of financial position. Liabilities of a disposal group classified as held for sale shall be presented separately from other liabilities in the statement of financial position. These assets and liabilities shall not be offset. They shall be presented as current assets and current liabilities respectively.

Article 24 An enterprise shall present separately the results of continuing operations and discontinued operations in the statement of comprehensive income. The impairment losses, reversals of impairment losses, and gains or losses on disposal related to non-current assets or disposal groups classified as held for sale that do not meet the definition of a discontinued operation shall be included in the results of continuing operations. The operating results (including impairment losses and reversals) and the gain or loss on disposal of a discontinued operation shall be presented as results of discontinued operations.

Article 25 An enterprise shall disclose the following information in the notes:

- (a) the costs to sell and major classes of non-current assets or disposal groups held for sale, and the carrying amount and fair value for each class;
- (b) the reasons for, manner of, and timing of the sale of non-current assets or disposal groups held for sale;
- (c) the reportable segment in which the non-current asset or disposal group held for sale is presented;
- (d) the amount of any impairment loss recognized (and reversed) for non-current assets or disposal groups held for

- sale;
- (e) the cumulative amount of other comprehensive income related to non-current assets or disposal groups held for sale;
- (f) the revenue, expenses, pre-tax profit or loss, income tax expense (income), and post-tax profit or loss of discontinued operations;
- (g) the amount of any impairment loss recognized (and reversed) for the assets or disposal groups of discontinued operations;
- (h) the gain or loss on disposal of discontinued operations, the related income tax expense (income), and the net gain or loss on disposal;
- (i) the net cash flows from operating, investing, and financing activities of discontinued operations;
- (j) the profit or loss from continuing operations and from discontinued operations attributable to owners of the parent.

If a non-current asset or disposal group meets the criteria to be classified as held for sale *after* the reporting period but *before* the financial statements are authorized for issue, this shall be treated as a non-adjusting event after the reporting period and disclosed in accordance with (a) to (c) above.

A subsidiary acquired exclusively with a view to resale that is classified as held for sale shall be disclosed in accordance with (b) to (e) and (j) above.

Article 26 The balance sheet for the comparative period shall not be adjusted for non-current assets or disposal groups that are first classified as held for sale in the current period.

Article 27 For a discontinued operation presented in the current period, the enterprise shall re-present the comparative period's statement of comprehensive income to show the results of the discontinued operation separately from continuing operations. It shall disclose the comparative information required by Article 25(f), (g), (i), and (j) for the discontinued operation.

Article 28 A disposal group that is to be abandoned or wound down rather than sold, but which meets the definition of a discontinued operation, shall be presented as a discontinued operation from the date it ceases to be used.

Article 29 If an enterprise loses control of a subsidiary that meets the definition of a discontinued operation, it shall present the related results as discontinued operations in the consolidated statement of comprehensive income and disclose the information required by Article 25(f) to (j).

Article 30 Adjustments to the gain or loss on disposal of a discontinued operation recognized in a subsequent period shall be presented in the statement of comprehensive income in the period of adjustment and disclosed separately in the notes, along with the nature and amount of the adjustment. Such adjustments may arise from, for example:

- (a) the finalization of disposal terms, such as price adjustments or indemnities agreed with the buyer;
- (b) the resolution of uncertainties related to the disposal, such as environmental or product warranty obligations retained by the seller;
- (c) the settlement of employee benefit obligations related to the disposal.

Article 31 If a non-current asset or disposal group ceases to be classified as held for sale (or an asset is removed), the adjustment to its carrying amount shall be recognized in profit or loss from continuing operations in the current period. If a subsidiary, joint operation, joint venture, associate, or portion of an investment in a joint venture or associate ceases to be classified as held for sale, the enterprise shall adjust the comparative information presented for prior periods *after* the date of its initial classification as held for sale. The enterprise shall disclose in the notes:

- (a) the reason for the change in plan to sell the non-current asset or disposal group;
- (b) the name and amount of the line item(s) in the comparative financial statements affected.

Article 32 If a discontinued operation ceases to meet the criteria to be classified as held for sale, the enterprise shall re-present the comparative period's results previously presented as discontinued operations as continuing

operations and disclose this fact in the notes.

Chapter 5: Supplementary Provisions

Article 33 This Standard shall become effective as of May 28, 2017.

The prospective application method shall be adopted for non-current assets held for sale, disposal groups and discontinued operations existing on the date of initial application of this Standard.

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