

Transition arrangements – Non-current Assets Held for Sale and Discontinued Operations

There is not expected to be any transition issues arising from discontinued operations.

The impact on transition of re-measuring costs to sell at their present value where sale is expected beyond one year is not expected to be common and will only be required where material. Where authorities deem that the re-measurement of costs to sell is required, and the present value of costs to sell increase from a passage of time (representing the unwinding of the discount) it will be necessary to reduce the carrying amount of the asset and show the corresponding entry as a financing cost within the Statement of Comprehensive Income.

In the event that there is a difference between the SORP and the Code with regard to the carrying amount of an asset, immediately prior to the reclassification to held for sale, authorities should refer to the accounting entries within the transition section of the Code for Property Plant and Equipment, in order to reflect any differences in the carrying amount prior to reclassification. These accounting entries will only be required if the criteria under chapter 4 section 9 of the Code have been met as at 31 March 2010.

Where assets meet the criteria to be classified as held for sale they shall be treated as either non-current assets or current assets dependent on meeting the respective definitions.

Step 1 - Restate Opening IFRS Balance Sheet as at 1 April 2009 (assets classified as held for sale prior to 1 April 2009)

The Code (following *IFRS 1*) requires authorities to classify and account for Non-current Assets Held for Sale in their opening IFRS balance sheet (1 April 2009) in accordance with chapter 4 section 9 of the Code (see also *IFRS 5*). In accordance with *IFRS 1 First Time Adoption of IFRS* the exemption of applying *IFRS 5* prospectively (as opposed to retrospectively) is not permitted because the date of transition for authorities is after 1 January 2005. Accounting for Non-current Assets Held for Sale following chapter 4 section 9 of the Code is a change of accounting policy that will require authorities to restate their opening balances in respect of Non-current Assets Held for Sale.

The opening balance sheet (1 April 2009) will need to be restated for assets classified as held for sale prior to 1 April 2009.

In the event that the criteria under chapter 4 section 9 of the Code have not been met as at 31 March 2010, authorities shall reclassify the assets held for sale to non-current assets (under the previous asset classification) and adjust the carrying amount of the asset to the level it would have been as at 1 April 2009 before the asset was classified as held for sale.

In the event that the criteria under chapter 4 section 9 of the Code have been met as at 31 March 2010, authorities shall reclassify surplus assets held for disposal to the classification of non-current assets held for sale, reinstate the carrying amount where this amount is lower than fair value, and reverse the depreciation that would have been charged after the asset has been classified to surplus assets held for disposal. Further entries will be required where there are any differences in the carrying amount between the SORP and the Code prior to reclassification to held for sale and where any subsequent revaluation gains have been recognised following reclassification that are in excess of cumulative impairment losses recognised under chapter 4 section 9 of the Code or previously under chapter 4 section 7 of the Code.

Step 2 - Restate Comparative Figures for 2009/10 (assets classified as held for sale prior to 1 April 2009)

Transactions during 2009/10 in relation to assets classified as held for sale that have not been sold as at 31 March 2010, will need to be restated in line with the Code. The required transactions will lead on from the adjustments carried out in step 1.

In the event that the criteria under chapter 4 section 9 have not been met as at 31 March 2010, authorities shall reverse the depreciation charge following reclassification to held for sale and if applicable reinstate the depreciation charge and any depreciation adjustment that would have been charged if the original reclassification to Surplus Assets held for Disposal had not taken place.

In the event that the criteria under chapter 4 section 9 have been met as at 31 March 2010, authorities shall reverse the depreciation and depreciation adjustment that would have been charged after the asset has been classified to surplus assets held for disposal.

Transactions during 2009/10 in relation to assets classified as held for sale that have been sold as at 31 March 2010, will need to be restated in line with the Code in the event of the restatement of the opening balance, where the carrying amount is lower than fair value, as carried out in step 1.

In the event that the carrying amount of an asset that has been sold is lower than the fair value less costs to sell, authorities shall reverse the derecognition of the asset and derecognise the carrying amount of the asset reflecting the revised gain or loss within the Statement of Comprehensive Income.

Step 3 - Restate Comparative Figures for 2009/10 (assets classified as held for sale during 2009/10)

Transactions in relation to assets classified as held for sale during 2009/10, that have not been sold as at 31 March 2010 will need to be restated in line with the Code.

In the event that the criteria under chapter 4 section 9 of the Code have not been met as at 31 March 2010, authorities shall reclassify the assets held for sale to Non-current Assets (under the previous asset classification) and adjust the carrying amount of the asset to the level it would have been before the asset was classified as held for sale.

In the event that the criteria under chapter 4 section 9 of the Code have been met as at 31 March 2010, authorities shall reclassify surplus assets held for disposal to the classification of non-current assets held for sale, reinstate the carrying amount where this amount is lower than fair value, and reverse the depreciation that would have been charged after the asset has been classified to surplus assets held for disposal. Further entries will be required where there are any differences in the carrying amount between the SORP and the Code prior to reclassification to held for sale and where any subsequent revaluation gains have been recognised following reclassification that are in excess of cumulative impairment losses recognised under chapter 4 section 9 of the Code or previously under chapter 4 section 7 of the Code.

Step 4 - Restate Comparative Figures for 2009/10 (assets classified as held for sale and sold during 2009/10)

Transactions in relation to assets classified as held for sale and sold during 2009/10 will need to be restated in line with the Code. Transition issues will arise when the carrying amount of an asset that has been sold is lower than the fair value less costs to sell or when any subsequent revaluation gains have been recognised following reclassification that are in excess of cumulative impairment losses recognised under chapter 4 section 9 of the Code or previously under chapter 4 section 7 of the Code.

The accounting entries for gains and losses on the sale of an asset is included in chapter 4 section 1 of the Code in relation to property, plant and equipment and chapter 4 section 5 of the Code in relation to intangible assets.

In the event that the carrying amount of an asset that has been sold is lower than the fair value less costs to sell, authorities shall reverse the derecognition of the asset, reinstate the value of the asset to its carrying amount and reclassify (following the applicable entries in steps 1, 2 or 3 above) and derecognise the carrying amount of the asset reflecting the revised gain or loss within the Statement of Comprehensive Income.

Where subsequent revaluation gains have been recognised following reclassification that are in excess of cumulative impairment losses recognised under chapter 4 section 9 of the Code or chapter 4 section 7 of the Code, authorities will reverse the entries that derecognised the asset, reverse any subsequent revaluation gains have been recognised following reclassification that are in excess of cumulative impairment losses recognised under chapter 4 section 9 or previously under chapter 4 section 7, reclassify the asset including reverse any depreciation (following the applicable entries in steps 1, 2 or 3 above) and derecognise the carrying amount of the asset reflecting the revised gain or loss within the Statement of Comprehensive Income.