

IND AS 105

J P Chawla & Co. LLP

Chartered Accountants

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The Ind AS are converged IFRS standards, which have been introduced to standardize the way Indian companies report their financial information to various stake holders.

Reliable, consistent and uniform financial reporting is important part of good corporate governance practices worldwide in order to enhance the credibility of the businesses in the eyes of investors to take informed investment decisions. In pursuance of G-20 commitment given by India, the process of convergence of Indian Accounting Standards with IFRS has been carried out in Ministry of Corporate Affairs through wide ranging consultative exercise with all the stakeholders. Thirty-nine Indian Accounting Standards converged with International Financial Reporting Standards are (henceforth called IND AS) are currently notified by the Ministry. These are: IND ASs 1, 2, 7, 8, 10, 12, 16, 19, 20, 21, 23, 24, 27, 28, 29, 32, 33, 34, 36, 37, 38, 40,41, 101, 102, 103, 104, 105, 106, 107, 108, 109, 110,111,112,113,114,115, 116.

Companies follow Ind AS either Voluntarily or Mandatorily. Once a company follows Indian AS, either mandatorily or voluntarily, it cannot revert to old method of Accounting.The Mandatory Applicability from Accounting Period beginning on or after 1 April 2017 is for :

- Every Listed Company or company in process of being listed.
- Unlisted Companies with Net worth greater than or equal to Rs. 250 crore (2.5 billion)

The Ministry of Corporate Affairs has implemented the IFRS converged Indian Accounting Standards in a phased manner after various issues including tax related issues have been resolved with the concerned departments.

We have prepared a simple analysis for below mentioned Ind AS for your ready reference which can act as ready-reckoner for your day to day use.

Hope you enjoy reading our Analysis.

Happy reading!!

Team J P Chawla & Co. LLP

Rajat Chawla

He is a Fellow member of the Institute of Chartered Accountants of India. He is also a C.P.A; Certified Public Accountant from The American Institute of Certified Public Accountants, United States of America. He is also a commerce honours graduate from Delhi University, Delhi, India. He is also a Certified Information System Auditor (C.I.S.A) and a member of Information system Audit and Control Association, United States of America.

His area of expertise includes Audit and Assurance, International Taxation ,Transfer Pricing, International business advisory, Valuations, FEMA/ RBI advisory, Goods & Service tax (GST), Merger and Acquisitions, Management consultancy, Due Diligence, Information system audit and development, reporting under US GAAP and IFRS, Accounting process improvement, Business process outsourcing, Knowledge process outsourcing and Business process off shoring.

He has been a regular speaker at various forums on various topics related to Tax, finance and commerce. He has also contributed in various tax publications as author / co-author. He has also co-authored two books on transfer pricing, published by Lexis – Nexis and Taxmann respectively.

Mohit Dixit

He is a member of the Institute of Chartered Accountants of India and he is also a commerce honours graduate from Delhi University.

He is having 5 + years of experience in the area of statutory audits, internal audits, assurance & Transaction Advisory related engagements in industries such as manufacturing, retail, infrastructure, information technology, e-commerce, banking, telecommunication, health and aviation sectors.

His area of expertise includes Indian GAAP and IND AS Advisory, Management accounting, outsourcing, audit & assurance, financial reporting and valuation.

Ind AS-105 Non-current Assets Held for Sale and Discontinued Operations

Why Ind AS 105?

Ind AS 105 is for

- Accounting for assets held for sale, and
- Presentation and disclosure of discontinued operations.

This Ind AS applies to all recognised Non-Current assets and to all disposal groups of an entity.

Important Terms

Discontinued Operation

A component of an entity that either has been disposed of or is classified as held for sale and:

- a) represents a separate major line of business or 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.

Disposal group

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.

Classification of Non-current assets (or disposal groups) as “held for sale”

An entity 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 rather than through continuing use

How do we know that “Asset will be sold out or distributed”?

Circumstances that must exist:

1. the asset (or disposal group) must be available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such assets
2. Sale must be highly probable.

How to determine that “Sale is highly probable”?

For the sale to be highly probable,

- Management must be committed to a plan to sell the asset and an active programme to locate a buyer and complete the plan must have been initiated.
- The asset must be actively marketed for sale at a price that is reasonable in relation to its current fair value.
- The sale should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Note: There may be some events or circumstances may extend the period to complete the sale beyond one year. The assets classified as held for sale if the delay is caused by events or circumstances beyond the entity's control and there is sufficient evidence that the entity remains committed to its plan to sell the asset.

What if asset is abandoned?

Asset shall not be classified as held for sale because its carrying amount will be recovered principally through continuing use.

Measurement of non-current assets classified as held for sale

Initial Measurement

An entity shall measure a non-current asset (or disposal group) classified as held for sale or for distribution to owners at the lower of

- Its carrying amount and
- Fair value (-) costs to sell/distribution.

The carrying amounts of the asset shall be measured at the date of classification in accordance with applicable Ind ASs.

When the sale is expected to occur beyond one year, the entity shall measure the costs to sell at their present value. Any increase in the present value of the costs to sell that arises from the passage of time shall be presented in profit or loss as a financing cost.

Subsequent Re-Measurement

On subsequent remeasurement, asset held for sell shall be remeasured at fair value less costs to sell on the date of subsequent remeasurement.

Any difference in initial measurement and subsequent remeasurement shall be through statement of profit and loss.

An entity shall not depreciate or amortize a non-current asset while it is classified as held for sale or while it is part of a disposal group classified as held for sale. Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale shall continue to be recognised.

Measurement provisions of this Ind AS do not apply to the following assets:

- a) Deferred tax assets (Ind AS 12, Income Taxes)
- b) Assets arising from employee benefits (Ind AS 19, Employee Benefits).
- c) Financial assets within the scope of Ind AS 109, Financial Instruments.
- d) Non-current assets that are measured at fair value less costs to sell in accordance with Ind AS 41, Agriculture.
- e) Contractual rights under insurance contracts as defined in Ind AS 104, Insurance Contracts.

Changes to a plan of sale

The entity shall measure a non-current asset that ceases to be classified as held for sale at the lower of:

- Its carrying amount when asset was classified as held for sale, adjusted for any depreciation, amortization or revaluations that would have been recognized had the asset (or disposal group) not been classified as held for sale, and
- Its recoverable amount at the date of the subsequent decision not to sell.

Changes to a plan of sale

An entity shall present and disclose information that enables users of the financial statements to evaluate the financial effects of discontinued operations and disposals of non-current assets (or disposal groups).

Entity shall make a separate presentation for:

- **Discontinued operations**
- ***Non-current asset or disposal group classified as held for sale (Including disclosures)***

Dear Valuable Client / Colleague,

In case you require any further detailed analysis on above mentioned content, please do get back to us and we shall be happy to provide you the same.

With Best Regards,

Team JPC

About JPC

JPC is a professional services firm based in Noida- National Capital Region and New Delhi, India. We were established in the year 1974 with the aim to create value for our clients by delivering quality, comprehensive, timely, practical and innovative services. We offer a comprehensive range of services, including taxation services, regulatory services, transaction advisory services, financial & management consultancy services, assurance & risk services, and outsourcing services. Over the past several decades, we have established significant competitive presence in the country. Our vast and diversified client base includes Multinational enterprises, domestic companies, high net worth individuals, government companies and institutions in all leading industry verticals. We are a team of distinguished Chartered Accountants, Management Accountants, Corporate Financial Advisors and Tax Consultants. Our team has the requisite skills and experience to provide complex business, financial, assurance, tax and regulatory services to our clients. Our strength lies in our timely performance-based, industry-tailored and technology-enabled services which are delivered by some of the most talented professionals in the country. For more information about JPC's service offerings, visit www.jpc.co.in

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