



Section 3475 - Disposal of Long-lived Assets and Discontinued Operations

Effective Date
Fiscal years beginning on or after January 1, 2011¹

SCOPE

Applies to:

- Disposal of non-monetary long-lived assets, including property, plant and equipment, intangible assets with finite useful lives and long-term prepaid assets.

Does not apply to:

- Investments, including equity method accounted investments (see Section 3051).
- Financial assets, financial liabilities and contracts to buy or sell non-financial items accounted for in accordance with Section 3856, *Financial Instruments*.
- Oil and gas assets accounted for using the full cost method (see AcG-16).
- Unproved oil and gas properties accounted for using the successful efforts method.
- The disposal of productive biological assets (see Section 3041).

DEFINITIONS

Disposal group

- A group of assets to be disposed of, by sale or otherwise², together as a group in a single transaction, and liabilities directly associated with those assets that will be transferred in the transaction.

Long-lived asset

- An asset that does not meet the definition of a current asset in Section 1510, *Current Assets and Current Liabilities*. For this Section, the term “long-lived asset” includes a disposal group.

Discontinued operation

- A component of an enterprise that either has been disposed of (by sale, abandonment or spin off) or is classified as held for sale, and:
 - Represents a separate major line of business or geographical area of operation;
 - Is part of a single coordinated plan to dispose of a separate major line of business or geographical area of operations; or
 - Is a subsidiary acquired exclusively with a view to resale.
- A component of an enterprise comprises operations and cash flows that can be clearly distinguished, operationally and for financial reporting purposes, from the rest of the enterprise.

LONG-LIVED ASSETS TO BE DISPOSED OF BY SALE

RECOGNITION

- Is classified as held for sale in the period in which all of the following criteria are met:
 - Management, that has authority to approve the action, commits to a plan to sell;
 - The long-lived asset is available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such assets;
 - An active program to locate a buyer and other actions required to complete the sale plan have been initiated;
 - The sale is probable, and is expected to qualify for recognition as a completed sale within one year, except as permitted by paragraph 3475.09;
 - The price that the long-lived asset is being actively marketed for sale at is reasonable in relation to its current fair value; and
 - Actions required to complete the plan indicate it is unlikely significant changes to the plan will be made or that the plan will be withdrawn.
- If these criteria are met after the balance sheet date but before the financial statement are issued, a long-lived asset continues to be classified as held and used and the disclosures required by paragraph 3475.37(a) are included in the notes.

¹ The definition of a discontinued operation in paragraph 3475.03(e) applies to fiscal years beginning on or after January 1, 2014. Earlier application is permitted.

² For guidance on long-lived assets to be disposed of other than by sale refer to paragraphs 3475.04-.07.



MEASUREMENT

- A long-lived asset classified as held for sale:
 - Is measured at the lower of its carrying amount and fair value less cost to sell.
 - Is not amortized.
- Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale continue to be accrued.
- A loss is recognized for any initial or subsequent write-down to fair value less cost to sell.
- A gain is recognized for a subsequent increase in fair value less cost to sell, however, it must not exceed the cumulative loss previously recognized.
- In the case where a disposal group is a portion of a reporting unit that constitutes a business, prior to determining any write-down, goodwill is allocated to the disposal group and included in its carrying amount.

CHANGES TO A PLAN OF SALE

- A long-lived asset that no longer meets the criteria to be classified as held for sale is reclassified as held and used.
- When this occurs, the reclassified long-lived asset is measured individually at the lower of:
 - Its carrying amount before it was classified as held for sale, adjusted for any amortization expense that would have been recognized if it had continuously been classified as held and used; or
 - Its fair value at the date of the subsequent decision not to sell.

PRESENTATION

DISCONTINUED OPERATIONS

- The results of discontinued operations, less applicable income taxes, must be reported as a separate element of income for both current and prior periods (refer to Section 1520, *Income Statement*).
- Any gain or loss recognized in accordance with paragraph 3475.19 is included in the results of discontinued operations and is reported in discontinued operations in the period(s) in which it occurs.
- Any future losses that are associated with the operations of a discontinued operation are not accrued in accordance with paragraph 3475.16.
- Classified separately in the current period in discontinued operations are, any adjustments to amounts previously reported in discontinued operations that are directly related to the disposal of a component of an enterprise in a prior period.
- The disposal of an equity method investment, by itself, is not reported as a discontinued operation.

BALANCE SHEET PRESENTATION

- An entity must present a long-lived asset classified as held for sale separately on the Balance Sheet.
- Assets and liabilities of a disposal group that is classified as held for sale must be presented separately in the asset and liability sections, respectively, of the Balance Sheet.



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