Discontinued operations interim reporting

This roadmap provides Deloitte's information on ASC 360-10 and ASC 205-20 guidelines on long-term asset write-downs and disposals and the presentation of discontinued transactions. This publication is a replacement for the 2019 publication A Roadmap to Disposals of Long-Lived Assets and Discontinued Operations and has been expanded to address the accounting of long-term assets while classified as owned and used. We are pleased to present a roadmap for write-downs and disposals of long-term assets and discontinued transactions. This roadmap provides detailed information about Deloitte on ASC 360-101 and ASC 205-20 guidelines on write-downs and disposals of long-term assets and the presentation of discontinued transactions. ASC 360-10 specifies accounting and reporting for long-term assets held and used by an entity and for long-term assets that the entity intends to sell or otherwise divest. ASC 205-20 also provides guidance on when a component, or group of components, of an entity classified as being held for sale or disposal should be reported as a discontinued transaction. The body of this roadmap combines asc 360-10 and ASC 205-20 accounting and reporting guidelines for long-term tasks, as well as guidance on submitting divestitures that have or are not eligible for reporting on discontinued operations, with Deloitte's interpretations and examples in a complete, easy-to-read format. In addition, the table of contents is a useful navigation tool, which provides links to topics and interpretations. This publication is a replacement for the 2019 publication A Roadmap to Disposals of Long-Lived Assets and Discontinued Operations and has been expanded to address the accounting of long-term assets while classified as owned and used. 1 For the list of titles of standards and other literature referred to in this publication, see Appendix B. For a list of abbreviations used in this publication, see Appendix C. Sign up and archives Sign up to receive roadmap series publications by email. The archives are available on the Deloitte Accounting Research Tool website. The Roadmap series contains comprehensive and easy-to-understand accounting guides on selected topics of wide interest to the financial reporting community. This site uses cookies to provide you with a more responsive and personalized service. By using this site you accept our use of cookies. Please read our cookie policy for more information about the cookies we use and how to delete or block them. The full functionality of our site is not supported in the browser version or compatibility mode may be selected. Turn off compatibility mode. your browser at least to Internet Explorer 9 or try using another browser like Google Chrome or Mozilla Firefox. This site uses cookies to provide you with a more responsive and personalized service. By using this site you accept our use of cookies. Please read our cookie notice for for information about the cookies we use and how to delete or block them. The full functionality of our site is not supported in the browser version or compatibility mode may be selected. Turn off compatibility mode, update your browser to at least Internet Explorer 9, or try using another browser like Google Chrome or Mozilla Firefox. Consolidated version of EC staff as at 18 February 2011 Last EU version approved/amended on 12.06.2009 Objective The aim of this standard is to prescribe the minimum content of an interim financial report and to prescribe the principles for recognition and measurement in full or condensed balance sheet for a transitional period. Timely and reliable interim financial reporting improves the ability of investors, creditors and others to understand an entity's ability to generate cash gains and flows and its financial and liquidity conditions. Scope 1This standard does not dictate which entities should be required to publish interim financial reports, how often or how long after the end of an interim period. However, governments, securities regulators, stock exchanges, and accounting bodies often require entities whose debt or equity are traded on the stock exchange to publish interim financial reports. This Standard applies if an entity is required or chooses to publish an interim financial report in accordance with international financial reporting standards. The International Accounting Standards Committee1 encourages publicly listed entities to provide interim financial reports in accordance with the principles of recognition, measurement and disclosure set out in this Standard. (a) to provide interim financial reports at least at the end of the first half of the financial year; (b) make their interim financial reports available within 60 days of the end of the transitional period. 2 Each financial report, annual or interim, shall be assessed on its own to verify compliance with international financial reporting standards. The fact that an entity may not have provided interim financial reports during a given financial year or provided interim financial reports that do not comply with this Standard does not prevent the entity's annual financial statements from complying with international financial reporting standards, if they do otherwise. 3 If an entity's interim financial report is described as complying with international financial reporting standards, it must comply with all requirements of this Standard. Paragraph 19 requires certain information on this subject. Definitions 4This terms are used in this standard with the specified meanings: the intermediate period a financial reporting period of less than one full year. An interim financial report is a financial report containing a complete set of financial statements (as described in IAS 1 Presentation of the financial statements (revised in 2007)) 2007)) a series of condensed balances (as described in this Standard) for an intermediate period. 1The International Committee on Accounting Standards was replaced by the International Accounting Standards Board, which started operations in 2001. The content of an interim financial report 5IAS 1 (revised in 2007) defines a complete set of financial statements comprising the following components: (b)a state of total revenue for the period; (c) a statement of changes in equity for the period; (d) a cash flow statement for the period; (c)notes, including a summary of important accounting policies and other explanatory information; (f) a financial situation at the beginning of the first comparative period in which an entity retroactively applies an accounting policy or carries out a retrospective reformulation of the items in its balance sheet or when it reclassifies the items in its balance sheet. 6 In the interests of timeliness and cost considerations and in order to avoid a repetition of previously reported information, an entity may be required or may choose to provide less information on intermediate dates than its annual balance sheet. This standard defines the minimum content of an interim financial report as including condensed financial statements and selected explanatory notes. The purpose of the interim financial report is to provide an update on the latest comprehensive set of annual financial statements. As a result, it focuses on new tasks, events, and circumstances, and does not duplicate the information previously reported. 7Nothing in this provision is intended to prohibit or discourage an entity from publishing a complete set of financial statements (as described in IAS 1) in its interim financial report, rather than condensed financial statements and selected explanatory notes. This Standard does not prohibit or discourage an entity from including in condensed interim financial statements more than the minimum items or explanatory notes selected as set out in this standard. The guidelines for the recognition and measurement of this Standard also apply to the full financial statement for an intermediate period, and such statements would include all information required by this Standard (in particular information on the notes selected in paragraph 16) as well as information required by other Standards. (a) a condensed financial situation; (b) a condensed global income statement, presented as: or (ii)a condensed separate income statement and a condensed income statement of total income; (c) a condensed statement of the net worth; (d) condensed cash flow statement; (c) selected explanatory notes. 8A If an entity has the components of profit or loss in a income statement as described in paragraph 81 of IAS 1 (revised in 2007), presents provisional information condensed by that separate declaration. Form and content of the interim financial statements 9Is an entity publishes a complete set of financial statements in its interim financial report, the form and content of those statements comply with the requirements of IAS 1 for a full set of financial statements. 10 If an entity publishes a series of financial statements condensed in its interim financial report, these condensed statements shall include, at a minimum, each of the headings and subtotals included in its most recent annual financial statements and explanatory notes selected as required by this standard. Additional items or notes are included if their omission makes condensed interim financial statements misleading. 11 In the statement presenting the components of the profit or loss for an intermediate period, the entity presents underlying and diluted earnings per share for that period when the entity falls within the scope of IAS 33 Earnings per Share (2). 11A If an entity presents the components of profit or loss in a separate income statement, as described in point 81 of IAS 1 (as revised in 2007), it presents the basic and diluted earnings per share in that separate statement of account. 12IAS 1 (revised in 2007) provides guidance on the structure of financial statements. The guidelines for the implementation of IAS 1 set out the ways in which the financial statement, the total income statement and the income statement of changes in equity can be presented. 14 An interim financial report shall be drawn up on a consolidated basis if the entity's most recent annual financial statements have been consolidated. The parent company's separate financial statements are not consistent or comparable with the consolidated accounts of the last annual financial report. If an entity's annual financial report included the parent company's separate financial statements in addition to the consolidated financial statements, this Standard neither requires nor prohibits the inclusion of the parent company's separate financial statements in the entity's interim financial report. Significant Events and Transactions 15 An entity includes in its interim financial report an explanation of events and transactions that are significant to understand changes in the financial situation and performance of the entity since the end of the last annual reporting period. The information disclosed in relation to such events and transactions updates the relevant information presented in the latest annual financial report. 15A A user of an entity's interim financial report will have access to that entity's latest annual financial report. Therefore, there is no need for notes to an interim financial report to provide updates information contained in the notes to the last annual financial report. 15B Il Il is a list of events and transactions for which information would be required if they were meaningful: the list is not exhaustive. (a) the devaluation of stocks at the net achievable value and the reversal of this devaluation; (b)the recognition of a loss of value of financial assets, assets, plant and equipment, intangible assets or other assets and the transfer of that loss of value; (c) the reversal of any provisions for restructuring costs; (d) acquisitions and disposals of real estate, plant and equipment; (e) commitments for the purchase of goods, plant and equipment; (f) disputes; (g) corrections to errors from the previous period; (h) changes in economic or commercial circumstances affecting the fair value of the entity's financial assets and financial liabilities, regardless of whether such assets or liabilities are recognised at fair value or amortised cost; (i)any default on the loan or breach of a loan contract which has not been remedied by the end of the reference period; and (j)transactions with related parties.; (k) transfers between levels of the fair value hierarchy used to measure the fair value of financial instruments; (l)changes in the classification of financial assets as a result of a change in the purpose or use of these assets; and (m)changes in potential liabilities or potential assets. Individual 15C IFRs provide guidance on disclosure obligations for many of the elements listed in paragraph 15B. Where an event or transaction is significant to understand changes in an entity's financial situation or performance since the last annual reporting period, its interim financial report should provide an explanation and update of the relevant information included in the financial statements of the last annual reporting period. 16-18 [deleted] Other information 16A In addition to disclosing significant events and transactions pursuant to paragraphs 15 to 15C, the entity shall include the following information, in the notes to its interim financial statements, unless disclosed elsewhere in the interim financial report. The information is usually reported on a financial basis to date. (a)the claim that the same accounting criteria and calculation methods are followed in the interim financial statements in relation to the most recent annual financial statements or, if these policies or methods have been modified, a description of the nature and effect of the change. (b) explanatory observations on the seasonality or cyclicality of intermediate operations. (c) the nature and amount of items affecting assets, liabilities, equity, net income or cash flows which are unusual due to their nature, size or incidence. (d) the nature and amount of changes in the estimates of amounts in the preceding intermediate periods of the current financial year or changes in the estimates of the amounts reported in previous years. (c)issues, repurchases and repayments of debt and equity securities. Just. (aggregated or per share) separately for ordinary shares and other shares. (g)the following segment information (disclosure of segment information is required in an entity's interim financial report only if IFRS 8 Operating Segments requires that entity to disclose segment information in its annual financial statements): (i)revenues from external customers, if included to the extent of the profit or loss of the segment reviewed by the chief operating decision-makers or otherwise regularly provided to the chief operating decision-makers. (ii)intersegment revenues, if included in the measure of profit or segment loss reviewed by the chief operating decision-makers or otherwise regularly provided to the chief operating decision-makers. — a measure of the profit or loss of segment. (iv)total assets for which there has been a substantial change from the amount indicated in the last annual budget. — a description of the differences from the last annual balance sheet on the basis of segmentation or the basis for measuring profit or loss of segment. —a reconciliation of the total profit or loss measures of the reporting segments with the profit or loss of the entity before tax expenditure (tax income) and discontinued transactions. However, if an entity allocates items such as tax expense (tax income) to reportable segments, an entity can reconcile the total of profit or loss measures in segments with profits or losses after those items. Material reconciliation elements are identified and described separately in that reconciliation. (h) The Committee on Agriculture and Fisheries Events after the interim period which have not been reflected in the budget for the interim period. (i)the effect of changes in the composition of the entity during the intermediate period, including combinations of undertakings, obtaining or losing control of subsidiaries and long-term investments, restructuring and discontinued transactions. In case of business combinations, the entity must disclose the information requested by IFRS 3 Business Combinations. (j) [deleted] Disclosure of ifrs 19 compliance If an entity's interim financial report complies with this rule, this fact is disclosed. An interim financial report should not be described as compliant with the Standards unless it complies with all requirements of the International Financial Reporting Standards. (a) the state of the financial situation at the end of the current interim period and comparative financial status at the end of the year immediately preceding; (b) global revenue statements for the interim period and cumulatively for the current year to date, with comparative statements of global income for comparable intermediate periods (current and beginning of year) of the year immediately preceding Year. As permitted by IAS 1 (as revised in 2007), an interim report may present for each period a single total income statement or statement showing components of profit or loss (separate income statement) and a second income statement that starts with profits or losses and displays components of other global income (total income statement). (c) cumulative statement of changes in equity for the current financial year, with a comparative statement for the comparable period from the beginning of the year immediately preceding. (d) cumulative cash flow statement for the current financial year to date, with a comparative statement for the comparable period from the beginning of the year immediately preceding. 21For an entity whose activity is highly seasonal, financial information for the twelve months to the end of the intermediate period and comparative information for the previous twelve-month period may be useful. As a result, entities whose activity is highly seasonal are encouraged to consider reporting such information in addition to the information requested in the previous paragraph. 22Appendix A describes the periods to be submitted by an entity reporting every six months and by an entity reporting quarterly. Materiality 23A decide how to recognize, measure, classify or disclose an article for intermediate financial reporting purposes, materiality is assessed in relation to the financial data of the intermediate period. In carrying out materiality assessments, it is recognised that intermediate measurements can be based on estimates to a greater extent than measurements of annual financial data. 24IAS 1 and IAS 8 Accounting standards, changes in accounting estimates and errors define an item as material if its omission or inaccuracy could affect the economic decisions of the users of the financial statements. IAS 1 requires separate disclosure of material items, including (for example) discontinued transactions, and IAS 8 requires disclosure of changes in accounting estimates, errors, and changes to accounting policies. The two standards do not contain quantified indications of materiality. 25 While judgment is always required in the assessment of materiality, this rule bases the decision on recognition and disclosure on the data for the intermediate period alone for reasons of understanding the provisional figures. Therefore, for example, unusual items, changes in accounting standards or estimates and errors are recognised and disclosed on the basis of materiality in relation to data from the interim period to avoid misleading deductions that could result from non-disclosure. The primary objective is to ensure that an interim financial report includes all relevant information to understand the situation and the performance of an entity during the intermediate period. Disclosure in the annual financial statements 26Is an estimate of an amount carried forward in an intermediate period is significantly changed during the final interim period a separate financial report shall not be published for that final interim period, the nature and amount of that change in estimate shall be indicated in a note to the annual financial statements for that financial year. 27IAS 8 requires disclosure of the nature and (if possible) of the amount of a change in estimate which has a material effect in the current period or should have a material effect in subsequent periods. Paragraph 16(d) of this standard requires similar information in an interim financial report. Examples include estimates changes in the final interim period related to inventory write-downs, renovations, or value losses reported in a previous interim period of the year. The disclosure required by the previous paragraph is consistent with the requirement of IAS 8 and is intended to have a narrow scope, relating only to the modification of the estimate. An entity is not required to include additional financial information relating to the interim period in its annual balance sheet. Recognition and measurement The same accounting criteria for the financial year 28Annu entità apply in the interim financial statements the same accounting criteria as those applied in the annual financial statements, with the exception of changes to accounting policy since the date of the last annual financial statements which will be reflected in the next annual financial statements. However, the frequency of an entity's reporting (annual, half-yearly or quarterly) does not affect the measurement of its annual results. In order to achieve this objective, measurements for intermediate signalling purposes shall be made on an annual basis. 29On the basis that an entity applies the same accounting criteria in its interim financial statements as in its annual accounts, it may seem to suggest that the interim measurements of the period should be carried out as if each intermediate period were the only one to be an independent reference period. However, by providing that the frequency of an entity's reports does not affect the measurement of its annual results, paragraph 28 recognises that an intermediate period is part of a wider financial year. Year-to-date measurements may result in changes in estimates of amounts reported in the previous intermediate periods of the current financial year. But the principles for the recognition of assets, liabilities, revenue and expenditure for intermediate periods are the same as for annual budgets. 30To illustrate: a)The principles for the recognition and measurement of losses resulting from write-downs, restructurings or stock write-downs over an intermediate period are the same as those that an entity would follow if it prepared only annual budgets. However, if these items are recognised and measured over an intermediate period and the estimate changes over a subsequent intermediate period of that exercise, the initial estimate is changed in the intermediate period by the responsibility of an additional amount of loss or by transfer of the previously recognised amount; recognised; costs that do not meet the definition of assets at the end of an interim period shall not be deferred in the state of the financial situation or to await future information on whether it has satisfied the definition of assets or to smooth out earnings for intermediate periods within a financial year; and (c)expenditure on income tax is recognised in each intermediate period on the basis of the best estimate of the weighted average rate of annual income tax for the whole financial year. Amounts accrued for income tax expenditure in an intermediate period may be adjusted in a subsequent intermediate period of that exercise if the estimate of the annual rate of income tax changes. 31 Within the framework for the preparation and presentation of the (framework) budget, recognition is the process of integrating an item that meets the definition of element and meets the recognition criteria into the financial statement or overall income statement. The definitions of assets, liabilities, receipts and expenses are fundamental for recognition, at the end of both annual and intermediate financial reporting periods. 32For activities, the same evidence of future economic benefits shall apply to the intermediate dates and at the end of an entity's financial year. Costs which, by their nature, would not qualify as activities at the end of the financial year would also not be eligible for interim dates. Similarly, liability at the end of an intermediate reference period must be an existing obligation on that date, just as it owes at the end of an annual reference period. 33 An essential feature of income (revenue) and expenditure is that the related inflows and outflows of assets and liabilities have already taken place. If such inflows or outflows have taken place, the related revenues and expenses are recorded; otherwise they are not recognized. The framework states that expenditures are recognized in the global tax return when a decrease in future economic benefits has emerged related to a decrease in an activity or an increase in a liability that can be reliably measured ... [The] Framework does not allow the recognition of items in the state of the financial situation that do not meet the definition of assets or liabilities.' 34See by measuring the assets, liabilities, revenues, expenses and cash flows reported in its balance sheet, an entity that reports only annually is able to take into account the information that becomes available throughout the financial year. Its measurements are, in fact, on an annual basis. 35The entity reporting every six months uses the information available by the middle of the year or shortly thereafter to make measurements in its financial statements for the first six-month period and the available by the end of the year or shortly thereafter for the twelve-month period. The twelve-month measurements will reflect possible changes in the estimates of amounts reported for the first half of the year. The amounts reported in the interim financial report for the six-month period are not in retrospect adequate. However, paragraphs 16(d) and (26) require that the nature and amount of any significant changes in estimates be disclosed. 36Ety which reports more frequently than half-yearly revenue and expenditure measures on an annual basis for each intermediate period using the information available at the time of preparation of each series of financial statements. The amounts of revenue and expenditure declared in the current interim period will reflect any changes in the estimates of amounts reported in the interim periods preceding the financial year. Amounts carried forward in previous interim periods are not retroactively adjusted. However, paragraphs 16(d) and (26) require that the nature and amount of any significant changes in estimates be disclosed. Revenues received seasonally, cyclically or occasionally 37Revenues that are received seasonally, cyclically or occasionally within a financial year are not anticipated or deferred to an intermediate date if the advance or deferral would not be appropriate at the end of the entity's financial year. 38Emes include dividend income, royalties and state subsidies. In addition, some entities consistently earn more revenue in certain intermediate periods of a financial year than in other intermediate periods, such as retailers' seasonal revenues. These revenues are recorded at the time they occur. Costs incurred unevenly during the financial year 39Costs incurred unevenly during an entity's financial year shall be anticipated or deferred for intermediate reporting purposes if, and only if, such costs should also be anticipated or deferred at the end of the financial year. The application of the principles of recognition and measurement 40Appendix B provides examples of the application of the general principles of recognition and measurement referred to in paragraphs 28 to 39. Use of estimates 41The measurement procedures to be followed in an interim financial report are intended to ensure that the resulting information is reliable and that all relevant financial information relevant to understanding the financial situation or performance of the entity is adequately disclosed. While measurements in annual and interim financial reports are often based on reasonable estimates, the preparation of interim financial reports will generally require greater use of estimation methods than annual financial reports. 42Appendix C provides examples of the use of estimates in intermediate periods. The reaffirmation of the intermediate periods previously communicated 43A change in accounting policy, other than that for which the transition is specified by a new IFRS, is reflected: for the current financial year and comparable interim periods of any previous financial year which will be reaffirmed in the annual budget in accordance with IAS 8; (b) where it is not possible to determine the cumulative effect at the beginning of of of the the application of a new accounting policy to all previous periods, the adjustment of the financial statements for the interim periods preceding the current financial year and comparable intermediate periods of previous years in order to apply the new accounting policy in perspective from the 1 as soon as possible. 44A objective of the previous principle is to ensure that a single accounting policy is applied to a given category of transactions over a whole financial year. Under IAS 8, a change in accounting policy is reflected in a retroactive application, with the rewording of financial data from the previous period to the extent possible. However, if the cumulative amount of the adjustment for previous years is not practicable to be determined, the new policy is applied prospectively under IAS 8 from the 10th possible date. The principle referred to in paragraph 43 shall have the effect of requiring that, within the current financial year, any change in accounting policy be applied retroactively or, if this is not feasible, prospectively, by the beginning of the financial year. 45To allow accounting changes to be reflected at a provisional date by the financial year, it would be possible to apply two different accounting criteria to a given category of transactions within a single financial year. The result would be intermediate assignment difficulties, obscured operational results, and complicated analysis and understanding of intermediate period information. Date of application 46This rule becomes operational for financial statements for periods beginning on or after 1 January 1999. The previous application is encouraged. 47IAS 1 (revised in 2007) changed the terminology used in all IFRS. It also amended paragraphs 4, 5, 8, 11, 12 and 20, deleted paragraph 13 and added paragraphs 8A and 11A. The entity shall apply these changes for annual periods beginning on or after 1 January 2009. If an entity applies IAS 1 (revised in 2007) for a previous period, the changes shall apply for that previous period. 48IFRS 3 (revised by the International Accounting Standards Board in 2008) amended paragraph 16(i). The entity shall apply this change for annual periods beginning on or after 1 July 2009. If an entity applies IFRS 3 (revised in 2008) for a previous period, the change also applies for that previous period. 49 Paragraph 15 has been amended, paragraphs 15A-15C and 16A have been added and paragraphs 16 to 18 have been deleted from Improvements to IFRSs issued in May 2010. The entity shall apply these changes for annual periods beginning on or after 1 January 2011. The previous application is allowed. If an entity applies the changes for a previous, makes known the fact. See also International Financial Reporting Standards (IFRS) (IFRS) (IFRS)