

**Statement of  
Financial Accounting Standards  
No. 38**

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**Translated by**

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**Statement of Financial Accounting Standards No.38**

**Non-current Assets Held for Sale and Discontinued  
Operations**

**I Introduction**

- (1) The objective of this statement is to specify the accounting for assets held for sale, and the presentation and disclosure of discontinued operations.
- (2) The classification and presentation requirements of this statement apply to all recognised non-current assets and to all disposal groups of an entity. The measurement requirements of this statement apply to all recognised non-current assets and disposal groups, except for those assets listed in paragraph 3.
- (3) The measurement provisions of this statement do not apply to the following assets, either as individual assets or as part of a disposal group:
  - (a) Deferred tax assets (follow the principles set out in the Statement of Financial Accounting Standards No. 22, *Income Taxes*);
  - (b) Assets under pension plans (follow the principles set out in the Statement of Financial Accounting Standards No. 18, *Accounting for Pensions*);
  - (c) Financial assets that are within the scope of the Statement of Financial Accounting Standards No. 34, *Financial Instruments: Recognition and Measurement*.
  - (d) Contractual rights under insurance contracts.

## II Definitions

- (4) The definitions of the terms used in this statement are as follows:
- (a) *Component of an entity.* A component of an entity comprises operations and cash flows that can be clearly distinguished, operationally and for financial reporting purposes, from the rest of the entity. A component of an entity may be a cash-generating unit or a group of cash-generating.
- (b) *Discontinued operation.* A component of an entity that either has been disposed of or is classified as held for sale and:
- (i) represents a separate major line of business or geographical area of operations,
- (ii) is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations or
- (iii) is a subsidiary acquired exclusively with a view to resale.
- (c) *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. Such a disposal group may be a group of cash-generating units, a single cash-generating unit, or part of a cash generating unit. The group includes goodwill acquired in a business combination if the group is a cash generating unit to which goodwill has been allocated in accordance with the Statement of Financial Accounting Standards No. 35, *Impairment of Assets* or if it is an operation within such a cash-generating unit.
- (d) *non-current asset (or disposal group) as held for sale.* For this to be the case, 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 (or disposal groups) and its sale must be highly probable within one year.

- (e) *Firm purchase commitment.* An agreement with an unrelated party, binding on both parties and usually legally enforceable, that :
- (i) specifies all significant terms (including the price and timing of the transactions), and
- (ii) includes a disincentive for non-performance that is sufficiently large to make performance highly probable.
- (f) *Net fair value.* the obtainable amount from the sale in an arm's length transaction between two willing and knowledgeable parties, after the deduction of any disposal costs.

## III Explanation

### non-current asset (or disposal group) as held for sale

- (5) Assets that classified as held for sale in accordance with this statement shall be measured at the lower of carrying amount and fair value less costs to sell, and depreciation, depletion, or amortization on such assets to cease. Assets held for sale should be presented separately on the face of the balance sheet.
- (6) Assets that classified as non-current in accordance with the Statement of Financial Accounting Standards No. 1, *Conceptual Framework for Financial Accounting and Preparation of Financial Statements* shall not be reclassified as current assets until they meet the criteria to be classified as held for sale in accordance with this statement. Assets of a class that an entity would normally regard as non-current that are acquired exclusively with a view to resale shall not be classified as current unless they meet the criteria to be classified as held for sale in accordance with this statement.

- (7) A dispose group may include assets and liabilities of the entity, including current assets, current liabilities and assets excluded by paragraph 3 from the measurement requirements of this statement. If a non-current asset within the scope of the measurement requirements of this statement is part of a disposal group, the measurement requirements of this statement apply to the group as a whole, so that the group is measured at the lower of its carrying amount and fair value less costs to sell. The requirements for measuring the individual assets and liabilities within the disposal group are set out in paragraphs 29, 30 and 35.

#### Classification of non-current assets (or disposal group) as held for sale

- (8) Events or circumstances may extend the period to complete the sale of non-current assets (or disposal group) as held for sale beyond one year. An extension of the period required to complete a sale does not preclude an asset (or disposal group) from being 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 (or disposal group).
- (9) As noted in paragraph 8, events or circumstances beyond the entity's control shall therefore apply in the following situations in such events or circumstances arise:
- (a) at the date an entity commits itself to a plan to sell a non-current asset (or disposal group) it reasonably expects that others (not a buyer) will impose conditions on the transfer of the asset (or disposal group) that will extend the period required to complete the sale, and:
- (i) actions necessary to respond to those conditions cannot be initiated until after a firm purchase commitment is obtained, and
- (ii) a firm purchase commitment is highly probable within one year.

- (b) an entity obtains a firm purchase commitment and, as a result, a buyer or others unexpectedly impose conditions on the transfer of a non-current asset (or disposal group) previously classified as held for sale that will extend the period required to complete the sale, and:
- (i) timely actions necessary to respond to the conditions have been taken, and
- (ii) a favourable resolution of the delaying factors is expected within one year.
- (c) during the initial one-year period, circumstances arise that were previously considered unlikely and, as a result, a non-current asset (or disposal group) previously classified as held for sale is not sold by the end of that period, and:
- (i) during the initial one-year period the entity took action necessary to respond to the change in circumstances,
- (ii) the non-current asset (or disposal group) is being actively marketed at a price that is reasonable, given the change in circumstances, and
- (iii) the criteria in paragraphs 21 and 22 are met.

#### Non-current assets that are to be abandoned

- (10) An entity shall not classify as held for sale a non-current asset (or disposal group) that is to be abandoned. This is because its carrying amount will be recovered principally through continuing use. Non-current assets (or disposal groups) to be abandoned include non-current assets (or disposal groups) that are to be used to the end of their economic life and non-current assets (or disposal groups) that are to be closed rather than sold.
- (11) An entity shall not account for a non-current asset that has been temporarily taken out of use as if it had been abandoned.

Accounting for non-current assets (or disposal groups) classified as held for sale

### **Measurement**

- (12) If a newly acquired non-current asset (or disposal group) meets the criteria in paragraphs 24 to be classified as held for sale, the non-current asset (or disposal group) being measured on initial recognition at the lower of its carrying amount had it not been so classified (for example, cost) and fair value less costs to sell. Hence, if the non-current asset (or disposal group) is acquired as part of a business combination, it shall be measured at fair value less costs to sell.

### **Recognition of impairment losses and reversals**

- (13) An entity shall recognise impairment losses for the non-current asset (or disposal group) to fair value less costs to sell **in the income statement**.  
If the asset has been revalued in accordance with the laws, it shall follow the paragraphs 67 set out in the Statement of Financial Accounting Standards No. 35, *Impairment of Assets*.
- (14) An entity shall recognise a gain for any subsequent increase in fair value less costs to sell of a non-current asset, but not in excess of the cumulative impairment loss that has been recognised either in accordance with this statement or previously in accordance with the Statement of Financial Accounting Standards No. 35, *Impairment of Assets*.  
If the asset has been revalued in accordance with the laws, the reversals of impairment losses shall follow the paragraphs 93 set out in the Statement of Financial Accounting Standards No. 35, *Impairment of Assets*.
- (15) An entity shall recognise a gain for any subsequent increase in fair value less costs to sell of a disposal group to the extent that it has not been recognised in accordance with paragraph 30 but not in excess of the cumulative impairment loss that has been recognised, either in

accordance with this statement or previously in accordance with the Statement of Financial Accounting Standards No. 35, *Impairment of Assets* on the non-current assets that are within the scope of the measurement requirements of this statement.

If the impairment losses of assets within disposal group as held for sale have been revalued in accordance with the laws, the reversals of impairment losses shall follow the paragraphs 93 set out in the Statement of Financial Accounting Standards No. 35, *Impairment of Assets*.

### **Changes to a plan of sale**

- (16) If an entity has classified an asset (or disposal group) as held for sale, but the criteria in paragraphs 21–23 are no longer met, the entity shall cease to classify the asset (or disposal group) as held for sale.

### **Discontinued operation**

- (17) A discontinued operation is a component of an entity that either has been disposed of, or is classified as held for sale, such as an entity dispose of a separate major line of geographical area of operations. The results of discontinued operations shall be presented separately in the income statement to favour the comparability of financial statements and to advance the expectation of the future profitability.

### **Presentation and disclosure**

- (18) An entity shall present and disclose information that enables users of the financial statements to evaluate the financial effects of non-current assets (or disposal groups) and discontinued operations.
- (19) Adjustments in the current period to amounts previously presented in discontinued operations that are directly related to the disposal of a discontinued operation in a prior period shall be classified separately in discontinued operations. The nature and amount of such adjustments shall be disclosed. Examples of circumstances in which these adjustments may arise include the following:

- (a) the resolution of uncertainties that arise from the terms of the disposal transaction, such as the resolution of purchase price adjustments and indemnification issues with the purchaser.
- (b) the resolution of uncertainties that arise from and are directly related to the operations of the component before its disposal, such as environmental and product warranty obligations retained by the seller.
- (c) the settlement of employee benefit plan obligations, provided that the settlement is directly related to the disposal transaction.

#### IV Accounting Standards

##### Non-current assets (or disposal group) as held for sale

Classification of non-current assets (or disposal group) as held for sale

- (20) 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 and meet the criteria in paragraphs 21-22.  
Sale transactions include non-current assets transactions with commercial substance in according with the paragraphs 75-1 set out in the Statement of Financial Accounting Standards No. 1, *Conceptual Framework for Financial Accounting and Preparation of Financial Statements*.
- (21) For this to be the case, the non-current 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 (or disposal groups) and its sale must be highly probable.
- (22) For the sale to be highly probable,
  - (a) the management must be committed to a plan to sell the non-current asset (or disposal group).

- (b) the management must in active to locate a buyer to complete the sale transaction.
- (c) the non-current asset (or disposal group) must be actively marketed for sale at a price that is reasonable in relation to its current fair value.
- (d) the sale transaction should complete within one year, except as permitted by paragraph 23.
- (e) the plan should indicate that it is unlikely that significant changes to the plan will be made or that the plan will be withdrawn.

- (23) Events or circumstances may extend the period to complete the sale beyond one year. An extension of the period required to complete a sale does not preclude an asset (or disposal group) from being classified as held for sale if the delay is caused by events or circumstances (As noted in paragraph 9) beyond the entity's control and there is sufficient evidence that the entity remains committed to its plan to sell the asset (or disposal group).
- (24) When an entity acquires a non-current asset (or disposal group) exclusively with a view to its subsequent disposal, it shall classify the non-current asset (or disposal group) as held for sale at the acquisition date only if :
  - (a) the one-year requirement in paragraph 22(d) is met (except as permitted by paragraph 23).
  - (b) it is highly probable that any other criteria in paragraphs 21 and 22 that are not met at that date will be met within a short period following the acquisition (usually within three months).
- (25) If the criteria in paragraphs 21 and 22 are met after the balance sheet date, an entity shall not classify a non-current asset (or disposal

group) as held for sale in those financial statements when issued. However, when those criteria are met after the balance sheet date but before the authorisation of the financial statements for issue, the entity shall disclose the information specified in paragraph 48(a), (b) and (d) in the notes.

Non-current assets that are to be abandoned

- (26) An entity shall not classify as held for sale a non-current asset (or disposal group) that is to be abandoned. This is because its carrying amount will be recovered principally through continuing use. However, if the disposal group to be abandoned meets the definition of discontinued operations, the entity shall present the results and cash flows of the disposal group as discontinued operations in accordance with paragraphs 44 and 45 at the date on which it ceases to be used.

Accounting for non-current assets (or disposal groups) classified as held for sale

### Measurement

- (27) An entity shall measure a non-current asset (or disposal group) classified as held for sale at the lower of its carrying amount and fair value less costs to sell.
- (28) If a newly acquired asset (or disposal group) meets the criteria in paragraphs 24 to be classified as held for sale, the asset (or disposal group) being measured on initial recognition at the lower of its carrying amount had it not been so classified (for example, cost) and fair value less costs to sell. Hence, if the asset (or disposal group) is acquired as part of a business combination, it shall be measured at fair value less costs to sell.
- (29) Immediately before the initial classification of the asset (or disposal group) as held for sale, the carrying amounts of the asset (or all the assets and liabilities in the group) shall be measured in accordance with applicable Statements of Financial Accounting Standards.

- (30) On subsequent remeasurement of a disposal group, the carrying amounts of any assets and liabilities that are not within the scope of the measurement requirements of this statement shall be remeasured in accordance with applicable statements before the fair value less costs to sell of the disposal group is remeasured.
- (31) An entity shall not depreciate, deplete, or amortise 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.

### Recognition of impairment losses and reversals

- (32) An entity shall recognise impairment losses for the non-current asset (or disposal group) to fair value less costs to sell **in the income statement**.  
If the asset has been revalued in accordance with the laws, it shall follow the paragraphs 67 set out in the Statement of Financial Accounting Standards No. 35, *Impairment of Assets*.
- (33) An entity shall recognise a gain for any subsequent increase in fair value less costs to sell of an asset, but not in excess of the cumulative impairment loss that has been recognised either in accordance with this statement or previously in accordance with the Statement of Financial Accounting Standards No. 35, *Impairment of Assets*.  
If an asset has been revalued in accordance with the laws, the reversals of impairment losses shall follow the paragraphs 93 set out in the Statement of Financial Accounting Standards No. 35, *Impairment of Assets*.
- (34) An entity shall recognise a gain for any subsequent increase in fair value less costs to sell of a disposal group to the extent that it has not been recognised in accordance with paragraph 30 but not in excess of the cumulative impairment loss that has been recognised, either in accordance with this statement or previously in accordance with the Statement of Financial Accounting Standards No. 35, *Impairment of Assets* on the non-current assets that are within the scope of the measurement requirements of this statement.

If the impairment losses of the asset within the disposal group have been revalued in accordance with the laws, the reversals of impairment losses shall follow the paragraphs 93 set out in the Statement of Financial Accounting Standards No. 35, *Impairment of Assets*.

- (35) The impairment losses (or any subsequent gain) recognised for a disposal group shall reduce (or increase) the carrying amount of the non-current assets in the group that are within the scope of the measurement requirements of this statement, in the order of allocation set out in paragraphs 86 and 87 or 95 and 96 of the Statement of Financial Accounting Standards No. 35, *Impairment of Assets*.

#### **Changes to a plan of sale**

- (36) If an entity has classified an asset (or disposal group) as held for sale, but the criteria in paragraphs 21–23 are no longer met, the entity shall cease to classify the asset (or disposal group) as held for sale.
- (37) The entity shall measure a non-current asset that ceases to be classified as held for sale (or ceases to be included in a disposal group classified as held for sale) at the lower of:
- (a) its carrying amount before the asset (or disposal group) was classified as held for sale, adjusted for any depreciation, depletion or amortisation that would have been recognised had the asset (or disposal group) not been classified as held for sale, and
  - (b) its recoverable amount when the assets (or disposal group) is no longer met the criteria in paragraphs 21-23.
- (38) The entity shall include any required adjustment to the carrying amount of a non current asset that ceases to be classified as held for sale in profit or loss from continuing operations in the period in which the criteria in paragraphs 21–23 are no longer met.

- (39) If an entity removes an individual asset or liability from a disposal group classified as held for sale, the remaining assets and liabilities of the disposal group to be sold shall continue to be measured as a group only if the group meets the criteria in paragraphs 21–23. Otherwise, the remaining non-current assets of the group that individually meet the criteria to be classified as held for sale shall be measured individually at the lower of their carrying amounts and fair values less costs to sell at that date. Any non-current assets that do not meet the criteria shall cease to be classified as held for sale in accordance with paragraph 36.

## **V Presentation and Disclosure**

### **Non-current assets held for sale or disposal group held for sale**

- (40) An entity shall present a non-current asset classified as held for sale and the assets of a disposal group classified as held for sale separately from other assets in the balance sheet. The liabilities of a disposal group classified as held for sale shall be presented separately from other liabilities in the balance sheet. Those assets and liabilities shall not be offset and presented as a single amount. The major classes of assets and liabilities classified as held for sale shall be separately disclosed either on the face of the balance sheet or in the notes, except as permitted by paragraph 41. An entity shall present separately any cumulative income or expense recognized directly in equity relating to a non-current asset (or disposal group) classified as held for sale.
- (41) If the disposal group is a newly acquired subsidiary that meets the criteria to be classified as held for sale on acquisition, disclosure of the major classes of assets and liabilities is not required.
- (42) If an entity reclassify or re-present non-current assets or the assets and liabilities of disposal groups classified as held for sale in the current period, it shall not reclassify or re-present assets and liabilities in the balance sheets for prior periods.

- (43) Any gain or loss on the remeasurement of a non-current asset (or disposal group) classified as held for sale that does not meet the definition of a discontinued operation shall be included in profit or loss from continuing operations.

### Discontinued operation

- (44) An entity shall disclose:
- (a) a single amount on the face of the income statement comprising the total of the post-tax profit or loss of discontinued operations and the post-tax gain or loss recognised on the measurement to fair value less costs to sell or on the disposal of the assets or disposal group(s) constituting the discontinued operation.
  - (b) an analysis of the single amount in (a) into:
    - (i) the revenue, cost, expenses, pre-tax profit or loss of discontinued operations and the related income tax expense;
    - (ii) the gain or loss recognised on the measurement to fair value less costs to sell or on the disposal of the assets or disposal group(s) constituting the discontinued operation and the related income tax expense.

The analysis may be presented in the notes or on the face of the income statement. If it is presented on the face of the income statement it shall be presented in a section identified as relating to discontinued operations, ie separately from continuing operations. The analysis is not required for disposal groups that are newly acquired subsidiaries that meet the criteria to be classified as held for sale on acquisition.

- (c) the net cash flows attributable to the operating, investing and financing activities of discontinued operations. These

disclosures may be presented either in the notes or on the face of the financial statements. These disclosures are not required for disposal groups that are newly acquired subsidiaries that meet the criteria to be classified as held for sale on acquisition.

- (45) An entity shall re-present the disclosures in paragraph 44 for prior periods presented in the financial statements so that the disclosures relate to all operations that have been discontinued by the balance sheet date for the latest period presented.
- (46) Adjustments in the current period to amounts previously presented in discontinued operations that are directly related to the disposal of a discontinued operation in a prior period shall be classified separately in discontinued operations. The nature and amount of such adjustments shall be disclosed.
- (47) If an entity ceases to classify a component of an entity as held for sale, the results of operations of the component previously presented in discontinued operations in accordance with paragraphs 44–46 shall be reclassified and included in income from continuing operations for all periods presented. The amounts for prior periods shall be described as having been re-presented.

### Additional disclosures

- (48) An entity shall disclose the following information in the notes in the period in which a non-current asset (or disposal group) has been either sold or classified as held for sale:
  - (a) a description of the non-current asset (or disposal group);
  - (b) a description of the facts and circumstances of the sale, or leading to the expected disposal, and the expected manner and timing of that disposal;
  - (c) the gain or loss recognised in accordance with paragraphs 32–34 and, if not separately presented on the face of the income statement, the caption in the income statement that includes

that gain or loss;

(d) if applicable, the reportable segment in which the non-current asset or disposal group) is presented in accordance with the Statement of Financial Accounting Standards No. 20, *Segment Reporting*.

- (49) If the non-current asset (or disposal group) is classified as held for sale beyond one year, the entity shall disclose its carrying amount. The entity should also disclose the carrying amount as if that asset had not been classified as held for sale.
- (50) If either paragraph 36 or paragraph 39 applies, an entity shall disclose, in the period of the decision to change the plan to sell the non-current asset (or disposal group), a description of the facts and circumstances leading to the decision and the effect of the decision on the results of operations for the period and any prior periods presented.
- (51) After the statement issued by the Board, all references to the phrase “discontinued operation segment” appearing in other Statements issued by the Board shall hereby be replaced by the phrase “discontinued operation” and all references to the phrase “continued operation segment” appearing in other Statements issued by the Board shall hereby be replaced by the phrase “continued operation”.
- (52) This Statement was issued on November 30, 2006. This Statement shall be effective for financial statements with fiscal years beginning on or after January 1, 2007. Earlier adoption is encouraged but retroactive adjustment is not permitted.

The provisions of this Statement need not be applied to immaterial items.