

**NEPAL ACCOUNTING STANDARDS ON
NON-CURRENT ASSETS HELD FOR SALE AND DISCONTINUED
OPERATIONS**

CONTENTS	Paragraphs
OBJECTIVE	1
SCOPE	2-6
CLASSIFICATION OF NON-CURRENT ASSETS (OR DISPOSAL GROUPS) AS HELD FOR SALE	7-15
Non-current assets that are to be abandoned	14-15
MEASUREMENT OF NON-CURRENT ASSETS (OR DISPOSAL GROUPS) CLASSIFIED AS HELD FOR SALE	16-30
Measurement of a non-current asset (or disposal group)	16-20
Recognition of impairment losses and reversals	21-26
Changes to a plan of sale	27-30
PRESENTATION AND DISCLOSURE	31-43
Presenting discontinued operations	32-37
Gains or losses relating to continuing operations	38
Presentation of a non-current asset or disposal group classified as held for sale	39-41
Additional disclosures	42-43
TRANSITIONAL PROVISIONS	44
COMPLIANCE WITH INTERNATIONAL ACCOUNTING STANDARDS	45
EFFECTIVE DATE	46
APPENDICES	
A.	
Defined terms	
B. Application supplement	

Nepal Accounting Standard, 20 Non-Current Assets Held for Sale and Discontinued Operations (NAS 20) is set out in paragraphs 1-46 and Appendices A-B. All the paragraphs have equal authority. Paragraphs in **bold italic type** state the main principles. Terms defined in Appendix A are in *italics* the first time they appear in the Standard. NAS 20 should be read in the context of its objective, the *Preface to Nepal Accounting Standards* and the *Framework for the Preparation and Presentation of Financial Statements*. NAS 02 *Net Profit or Loss for the Period, Fundamental Errors and Changes in Accounting Policies* provides a basis for selecting and applying accounting policies in the absence of explicit guidance.

Objective

1. The objective of this NAS is to specify the accounting for assets held for sale, and the presentation and disclosure of *discontinued operations*. In particular, the NAS requires:
 - (a) assets that meet the criteria to be classified as held for sale to be measured at the lower of carrying amount and *fair value less costs to sell*, and depreciation on such assets to cease; and
 - (b) assets that meet the criteria to be classified as held for sale to be presented separately on the face of the balance sheet and the results of discontinued operations to be presented separately in the income statement.

Scope

2. The classification and presentation requirements of this NAS apply to all recognised *non-current assets*¹ and to all *disposal groups* of an entity. The measurement requirements of this NAS apply to all recognised non-current assets and disposal groups (as set out in paragraph 4), except for those assets listed in paragraph 5 which shall continue to be measured in accordance with the Standard noted.
3. Assets classified as non-current in accordance with NAS 01 *Presentation 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 NAS. 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 NAS.
4. Sometimes an entity disposes of a group of assets, possibly with some directly associated liabilities, together in a single transaction. Such a disposal group may be a group of *cash-generating units*, a single cash-generating unit, or part of a cash-generating unit.² The group may include any assets and any liabilities of the entity, including current assets, current liabilities and assets excluded by paragraph 5 from the measurement requirements of this NAS. If a non-current asset within the scope of the measurement requirements of this NAS is part of a disposal group, the measurement requirements of this NAS 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 19, 20 and 24.
5. The measurement provisions of this NAS³ do not apply to the following assets, which are covered by the Standards listed, either as individual assets or as part of a disposal group:
 - (a) deferred tax assets (NAS 09 *Income Taxes*).
 - (b) assets arising from employee benefits.
 - (c) financial assets.
 - (d) non-current assets that are accounted for in accordance with the fair value model in NAS 19 *Investment Property*.

- (e) non-current assets that are measured at fair value less estimated point-of-sale costs.
 - (f) contractual rights.
6. This NAS applies to all Companies including Public Sector Business Entities.

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

7. *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.*
8. 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*.
9. For the sale to be highly probable, the appropriate level of management must be committed to a plan to sell the asset (or disposal group), and an active programme to locate a buyer and complete the plan must have been initiated. Further, the asset (or disposal group) must be actively marketed for sale at a price that is reasonable in relation to its current fair value. In addition, the sale shall be expected to qualify for recognition as a completed sale within one year from the date of classification, except as permitted by paragraph 10, and actions required to complete the plan shall indicate that it is unlikely that significant changes to the plan will be made or that the plan will be withdrawn.
10. 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 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). This will be the case when the criteria in Appendix B are met.
11. Sale transactions include exchanges of non-current assets for other non-current assets when the exchange has commercial substance in accordance with NAS 06 *Property, Plant and Equipment*.
12. 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 the one-year requirement in paragraph 9 is met (except as permitted by paragraph 10) and it is highly probable that any other criteria in paragraphs 8 and 9 that are not met at that date will be met within a short period following the acquisition (usually within three months).
13. If the criteria in paragraphs 8 and 9 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 42(a), (b) and (d) in the notes.

Non-current assets that are to be abandoned

14. 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 criteria in paragraph 33(a)-(c), the entity shall present the results and cash flows of the disposal group as discontinued operations in accordance with paragraphs 34 and 35 at the date on which it ceases to be used. 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.
15. An entity shall not account for a non-current asset that has been temporarily taken out of use as if it had been abandoned.

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

Measurement of a non-current asset (or disposal group)

16. *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.*
17. If a newly acquired asset (or disposal group) meets the criteria to be classified as held for sale (see paragraph 12), applying paragraph 16 will result in 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.
18. 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.
19. 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 NASs.
20. 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 NAS, but are included in a disposal group classified as held for sale, shall be remeasured in accordance with applicable NASs before the fair value less costs to sell of the disposal group is remeasured.

Recognition of impairment losses and reversals

21. An entity shall recognise an impairment loss for any initial or subsequent write-down of the asset (or disposal group) to fair value less costs to sell, to the extent that it has not been recognised in accordance with paragraph 20.
22. 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 NAS or previously in accordance with NAS 18 *Impairment of Assets*.

23. An entity shall recognise a gain for any subsequent increase in fair value less costs to sell of a disposal group:
 - (a) to the extent that it has not been recognised in accordance with paragraph 20; but
 - (b) not in excess of the cumulative impairment loss that has been recognised, either in accordance with this NAS or previously in accordance with NAS 18, on the non-current assets that are within the scope of the measurement requirements of this NAS.
24. The impairment loss (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 NAS, in the order of allocation set out in paragraphs 105(a) and (b) and 123 of NAS 18.
25. A gain or loss not previously recognised by the date of the sale of a non-current asset (or disposal group) shall be recognised at the date of derecognition.
26. An entity shall not depreciate (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.

Changes to a plan of sale

27. If an entity has classified an asset (or disposal group) as held for sale, but the criteria in paragraphs 8-10 are no longer met, the entity shall cease to classify the asset (or disposal group) as held for sale.
28. 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, amortisation or revaluations that would have been recognised had the asset (or disposal group) not been classified as held for sale, and
 - (b) its *recoverable amount* at the date of the subsequent decision not to sell.⁴
29. 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 income⁵ from continuing operations in the period in which the criteria in paragraphs 8-10 are no longer met. The entity shall present that adjustment in the same income statement caption used to present a gain or loss, if any, recognised in accordance with paragraph 38.
30. 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 8-10. 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 27.

Presentation and disclosure

31. *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).*

Presenting discontinued operations

32. 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. In other words, a component of an entity will have been a cash-generating unit or a group of cash-generating units while being held for use.

33. A discontinued operation is 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 co-ordinated 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.

34. An entity shall disclose:

- (a) a single amount on the face of the income statement comprising the total of:
 - (i) the post-tax profit or loss of discontinued operations and
 - (ii) 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, expenses and pre-tax profit or loss of discontinued operations;
 - (ii) the related income tax expense as required by paragraph 78(h) of NAS 09;
 - (iii) 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
 - (iv) the related income tax expense as required by paragraph 78(h) of NAS 09.

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 (see paragraph 12).

- (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 (see paragraph 12).

35. An entity shall re-present the disclosures in paragraph 34 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.
36. 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.
37. 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 34-36 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.

Gains or losses relating to continuing operations

38. 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.

Presentation of a non-current asset or disposal group classified as held for sale

39. 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 40. An entity shall present separately any cumulative income or expense recognised directly in equity relating to a non-current asset (or disposal group) classified as held for sale.
40. If the disposal group is a newly acquired subsidiary that meets the criteria to be classified as held for sale on acquisition (see paragraph 12), disclosure of the major classes of assets and liabilities is not required.
41. An entity shall not reclassify or re-present amounts presented for non-current assets or for the assets and liabilities of disposal groups classified as held for sale in the

balance sheets for prior periods to reflect the classification in the balance sheet for the latest period presented.

Additional disclosures

42. 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 classified as held for sale or sold:
 - (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 21-23 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 segment in which the non-current asset (or disposal group) is presented.
43. If either paragraph 27 or paragraph 30 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.

Transitional provisions

44. The NAS shall be applied prospectively to non-current assets (or disposal groups) that meet the criteria to be classified as held for sale and operations that meet the criteria to be classified as discontinued after the effective date of the NAS. An entity may apply the requirements of the NAS to all non-current assets (or disposal groups) that meet the criteria to be classified as held for sale and operations that meet the criteria to be classified as discontinued after any date before the effective date of the NAS, provided the valuations and other information needed to apply the NAS were obtained at the time those criteria were originally met.

Compliance with International Accounting Standards

45. Compliance with this NAS ensures compliance in all material respects with IFRS 5 Non Current Assets Held for Sale and Discontinued Operations.

Effective Date

46. *This Nepal Accounting Standard becomes operative for financial statements covering periods beginning on or after 01 Shrawan 2064 corresponding to 17 July 2007.*

cash-generating unit The smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets.

component of an entity Operations and cash flows that can be clearly distinguished, operationally and for financial reporting purposes, from the rest of the entity.

costs to sell The incremental costs directly attributable to the disposal of an asset (or **disposal group**), excluding finance costs and income tax expense.

current asset An asset that satisfies any of the following criteria:

- (a) it is expected to be realised in, or is intended for sale or consumption in, the entity's normal operating cycle;
- (b) it is held primarily for the purpose of being traded;
- (c) it is expected to be realised within twelve months after the balance sheet date; or
- (d) it is cash or a cash equivalent asset unless it is restricted from being exchanged or used to settle a liability for at least twelve months after the balance sheet date.

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 co-ordinated 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. 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 requirements of paragraphs 81-88 of NAS 18 *Impairment of Assets* or if it is an operation within such a cash-generating unit.

fair value The amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

firm purchase An agreement with an unrelated party, binding

commitment on both parties and usually legally enforceable, that (a) specifies all significant terms, including the price and timing of the transactions, and (b) includes a disincentive for non-performance that is sufficiently large to make performance **highly probable**.

highly probable Significantly more likely than **probable**.

non-current asset An asset that does not meet the definition of a **current asset**.

Probable More likely than not.

recoverable The higher of an asset's **fair value** less **costs to sell** and its **value in use**.

value in use The present value of estimated future cash flows expected to arise from the continuing use of an asset and from its disposal at the end of its useful life.

Appendix B

Application supplement

This appendix is an integral part of the NAS.

Extension of the period required to complete a sale

B1 As noted in paragraph 10, 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). An exception to the one-year requirement in paragraph 9 shall therefore apply in the following situations in which 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.
- (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 8 and 9 are met.