E CONF SERIES

Scientific Conference on Multidisciplinary Studies
Hosted online from Bursa, Turkey
Website: econfseries.com 11th May, 2025

STAGES OF ACCOUNTING FOR NON-CURRENT ASSETS HELD FOR SALE

Kuzieva Dinora Bakhodirovna, PhD.
Associate Professor of the Department of Audit,
Tashkent State University of Economics

In international practice, there are specific features of accounting for long-term assets. In particular, in international financial reporting standards there is a separate category of long-term assets held for sale, and it is relevant to study the procedure for their recognition and valuation.

These circumstances require the formation of a separate approach in accounting and the preparation of reports on such operations based on the requirements of International Financial Reporting Standard (IFRS) No. 5 “Long-term Assets Held for Sale and Discontinued Operations”.

Business entities may decide to sell individual long-term assets (fixed assets, intangible assets), as well as a similar decision may be made for a group of assets and the liabilities associated with them. IFRS 5 provides for the concept of a “disposal group” for this situation. We will consider in detail the main requirements of IFRS 5 for accounting for non-current assets classified as held for sale.

Stage I. Before an asset (disposal group) is first classified as held for sale, the carrying amount of the asset (all assets and liabilities in the group) is measured in accordance with the relevant accounting standards. In other words, an entity should apply its normal accounting policies for non-current assets until all the criteria for classifying these assets as held for sale are met. If a subsidiary is classified as held for sale, any of its assets and liabilities (including current assets, assets and liabilities to which the requirements of IFRS 5 do not apply) are measured in accordance with the relevant standards. Their list is determined by the nature of the assets and liabilities of the subsidiary. If the disposal group is a newly acquired company that meets the criteria for classification as held for sale at the time of acquisition, then it should be measured at fair value less costs to sell in accordance with the provisions of IFRS 5.

Stage II. At the date of classification as held for sale, a non-current asset (disposal group) is measured at the lower of its carrying amount and its fair value less costs to sell. The initial decrease in the carrying amount to its fair value (less costs to sell) is recognized by the company as an impairment loss.

However, reclassified non-current assets (either individually or as part of a disposal group) shall continue to be accounted for in accordance with the standards that applied to them before reclassification, unless the requirements of IFRS 5 "Non-current Assets Held for Sale and Discontinued Operations" are applicable to their measurement. Assets to which this standard does not apply include:

financial assets;

investment property measured at fair value;

assets recognized as a result of employee benefits;

deferred tax assets, etc.

A special approach is required to assess assets included in a disposal group. The fair value of a disposal group classified as held for sale is calculated for the entire group of assets, i.e. not as the fair value of individual assets, but less the fair value of the liabilities included in them. In this case, the impairment loss related to the disposal group is allocated among the non-current assets to which IFRS 5 applies. The following procedure should be followed when allocating the loss among the non-current assets included in the group: first, the carrying amount of goodwill is reduced, and then the remaining part of the loss is distributed among the non-current assets included in the disposal group in proportion to their carrying amounts.

Stage III. In accordance with the requirements of IFRS 5, the following processes are performed during the period of classification of a non-current asset (disposal group) as held for sale:

Depreciation on non-current assets (including assets that are part of a disposal group) is discontinued;

The non-current asset (disposal group) is measured at the lower of its carrying amount and fair value less costs to sell;

The non-current asset (all assets and liabilities included in the disposal group) is presented separately from other assets (liabilities) in the consolidated financial statements.

At each reporting date, an asset (disposal group) held for sale is measured at the lower of its carrying amount and fair value less costs to sell. As a result, the decrease in the carrying amount to fair value less costs to sell is recognized as an impairment loss of the asset (or disposal group) and is reflected as a loss that arose at the date of initial classification.

If, in subsequent periods, the fair value less costs to sell increases, the company recognizes a reversal of the previously recognized impairment loss. Such gain shall not exceed the total loss previously recognized (including losses accumulated in all periods, including those after the non-current asset (or disposal group) was classified as held for sale).

Any unrecognized gain or loss on disposal of a non-current asset (or disposal group) is recognized at the date of derecognition.

If the criteria for classification of the asset (disposal group) as held for sale are no longer met, the asset must be derecognized, i.e. the asset must be reclassified to its previous category. In this case, the asset is measured at the lower of:

-the carrying amount of the asset (disposal group) at the date it was classified as held for sale, net of depreciation and, if the asset (disposal group) has never been so classified, revaluations;

-the recoverable amount at the date the decision is made not to sell.

The result after adjusting the carrying amount is included in profit or loss from continuing operations in the period in which the criteria for classification of the asset as held for sale are no longer met.