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Ministry of Finance of the Republic of Azerbaijan

**NATIONAL ACCOUNTING STANDARD
FOR COMMERCIAL ORGANISATIONS №23**

**"Non-current Assets Held for sale and
Discontinued Operations"**

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NASCO 23
Non-current Assets Held for sale and Discontinued Operations

General Provisions

Purpose of Standard

1. This Standard has been prepared in accordance with the Accounting Law of the Azerbaijan Republic and is based on International Accounting Standard 28 "Accounting for Associates".

Objective

2. The objective of this Standard is to specify the accounting for assets held for sale, and the presentation and disclosure of *discontinued operations*. In particular, the NASCO 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

3. This Standard will be applied by all types of commercial enterprise that prepare financial statements in accordance with Article 10 of the Accounting Law of the Azerbaijan Republic, taking into account provisions contained in the Rules of Accounting.
4. In the case of contradictions between effective normative-legal Acts on accounting regulation and this National Accounting Standard, the National Accounting Standard should be applied.
5. The classification and presentation requirements of this NASCO apply to all recognised *non-current assets*¹ and to all *disposal groups* of an entity. The measurement requirements of this NASCO apply to all recognised non-current assets and disposal groups (as set out in paragraph 7), except for those assets listed in paragraph 8.
6. Assets classified as non-current in accordance with NASCO 1 *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 NASCO. 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 NASCO.
7. If 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 8 from the measurement requirements of this NASCO. If a non-current asset within the scope of the measurement requirements of this NASCO is part of a disposal group, the measurement requirements of this NASCO 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 [21](#), [22](#), and [26](#).
8. The measurement provisions of this NASCO³ do not apply to the following assets. They are covered by the Standards listed:
 - (a) deferred tax assets (NASCO 4 Deferred Tax).
 - (b) non-current assets that are accounted for in accordance with the fair value model in NASCO 27 investment properties.

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

9. 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.
10. 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*.

- 11 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 should be expected to qualify for recognition as a completed sale within one year from the date of classification, except as permitted by paragraph 12, and actions required to complete the plan should indicate that it is unlikely that significant changes to the plan will be made or that the plan will be withdrawn.
- 12 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).
- 13 Sale transactions include exchanges of non-current assets for other non-current assets when the exchange has commercial substance in accordance with NASCO 7 *Property, Plant and Equipment*.
- 14 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 11 is met (except as permitted by paragraph 12) and it is highly probable that any other criteria in paragraphs 10 and 11 that are not met at that date will be met within a short period following the acquisition (usually within three months).
- 15 If the criteria in paragraphs 10 and 11 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) and b) in the notes.

Non-current assets that are to be abandoned

- 16 An entity shall not classify as held for sale a non-current asset (or disposal group) that is to be abandoned. However 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.
- 17 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

- 18 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.
- 19 If a newly acquired asset (or disposal group) meets the criteria to be classified as held for sale (see paragraph 14), applying paragraph 18 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.
- 20 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.
- 21 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 NASCOs.
- 22 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 NASCO, but are included in a disposal group classified as held for sale, shall be remeasured in accordance with applicable NASCOs before the fair value less costs to sell of the disposal group is remeasured.

Recognition of impairment losses and reversals

- 23 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 22.

- 24 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 NASCO or previously in accordance with NASCO 24 Impairment of Assets.
- 25 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 22; but
 - (b) not in excess of the cumulative impairment loss that has been recognised, either in accordance with this NASCO or previously in accordance with NASCO 24, on the non-current assets that are within the scope of the measurement requirements of this NASCO.
- 26 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 NASCO, in the order of allocation set out in NASCO 24
- 27 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. Requirements relating to derecognition are set out in:
- (a) NASCO 7 for property, plant and equipment, and
 - (b) of NASCO 12 for Intangible assets
- 28 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

- 29 If an entity has classified an asset (or disposal group) as held for sale, but the criteria in paragraphs 10-12 are no longer met, the entity shall cease to classify the asset (or disposal group) as held for sale.
- 30 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.
- 31 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 10-12 are no longer met. The entity shall present that adjustment in the same part of the income statement used to present a gain or loss.
- 32 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 10-12. 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.

Presentation and disclosure

- 33 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

- 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 of NASCO 3 and 4;

- (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 of NASCO 3 and 4.

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
- 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.
- 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 33–35 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 39. 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, 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 and, if not separately presented on the face of the income statement, the item in the income statement that includes that gain or loss.
- 43 If either paragraph 29 or paragraph 32 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.

Effective date

43. This National Standard for Commercial Organisations becomes operative after the date determined by the Minister of Finance of the Azerbaijan Republic

Appendix 1 - Comparison with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations

This National Accounting Standard for Commercial Organisations (NASCO) 23 – Non-current Assets Held for Sale and Discontinued Operations is drawn primarily from International Financial Reporting Standard (IFRS) 5 (2006) – Presentation of Financial Instruments. The main differences between NASCO 23 and IFRS 5 are as follows

- The general provisions set out in paragraph 1 of the NASCO has been added and relates the Standard to the Accounting Law of the Republic of Azerbaijan

- Paragraphs 3 and 4 of the NASCO defines the scope of the organisations required to apply the Standard as set out in the Accounting Law of the Republic of Azerbaijan
- Appendix A of IFRS contains defined terms. However this has been omitted in NASCO as most of the terms are covered in other NASCOs and the remainder are fully defined within the text of the NASCO
- Appendix B of IFRS 5 is an Application Guidance. This has been omitted in the NASCO as that is the function of the associated Explanations
- All explanations and examples in IFRS 5 have been omitted in the NASCO in line with established policy