



## THE POWER OF BEING UNDERSTOOD

## U.S. GAAP VS. IFRS: DISCONTINUED OPERATIONS AT-A-GLANCE

Increasing globalization coupled with related regulations continues to put pressure on moving towards a common global accounting framework – International Financial Reporting Standards (IFRS). Currently, more than 100 countries use IFRS, so if your business goals include global expansion, it is critical to educate yourself about the impact of IFRS on your financial reporting processes and business now. To gain a better understanding of what IFRS means for your organization, we have prepared a series of comparisons dedicated to highlighting significant differences between IFRS and U.S. generally accepted accounting principles (GAAP). This particular comparison focuses on the significant differences between U.S. GAAP and IFRS related to discontinued operations. For other comparisons available in this series, refer to our [U.S. GAAP vs. IFRS comparisons at-a-glance series](#).

A discussion about U.S. GAAP and IFRS would not be complete without mentioning the status of the Securities and Exchange Commission's (SEC) activities focused on determining whether the application of IFRS by U.S. registrants should be required or allowed. While the SEC has not made any final

decisions with respect to use of IFRS by U.S. registrants, its activities are ongoing. For more information, refer to our [IFRS Resource Center](#).

The guidance related to discontinued operations in U.S. GAAP is included in the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Subtopic 205-20, *Presentation of Financial Statements – Discontinued Operations*. In IFRS, the guidance related to discontinued operations is contained in IFRS 5, *Non-current Assets Held for Sale and Discontinued Operations*.

Under both U.S. GAAP and IFRS, a discontinued operation is a component of an entity that has been disposed of or is held for sale. In addition, both require discontinued operations to be presented separately on the face of the statement of earnings or comprehensive income. While there are some similarities in how discontinued operations are treated under U.S. GAAP and IFRS, there are also some significant differences. These significant differences are summarized in the following table.

	U.S. GAAP	IFRS
Relevant guidance	ASC 205-20	IFRS 5
Unit of account	The unit of account is a component, which may be an operating segment, a reporting unit, a subsidiary or an asset group depending on the facts and circumstances.	The unit of account is a component, which comprises operations and cash flows that can be clearly distinguished, operationally and for financial reporting purposes, from the rest of the entity. A component will have been a cash-generating unit or a group of cash-generating units when it was held for use.

	U.S. GAAP	IFRS
Definition	<p>A discontinued operation consists of a component that has been disposed of or classified as held for sale, and that meets both of the following criteria:</p> <ol style="list-style-type: none"> <li>1. The operations and cash flows of the component have been or will be eliminated from the ongoing operations of the entity.</li> <li>2. There will be no significant continuing involvement in the operations of the component after the disposal transaction.</li> </ol>	<p>A discontinued operation is a component of an entity that either has been disposed of or classified as held for sale, and that meets any of the following criteria:</p> <ul style="list-style-type: none"> <li>· It represents a separate major line of business or geographical area of operations.</li> <li>· It is part of a single coordinated plan to dispose of a separate major line of business or geographical area of operations.</li> <li>· It is a subsidiary acquired exclusively with a plan to resell.</li> </ul>

As one of their joint projects, the FASB and IASB attempted to arrive at a converged definition of discontinued operations. In 2008, the FASB issued an exposure draft that proposed a definition for discontinued operations that was similar to the definition that appears in IFRS 5. However, during its redeliberations, the FASB reassessed this project as a lower priority and indicated that further action on the project was not expected in the near term. This continues to be the status of the project. For additional information about this project, refer to the FASB's [project update](#).

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This comparison captures the significant differences between U.S. GAAP and IFRS with respect to discontinued operations. Refer to ASC 205-20 and IFRS 5 for all of the specific requirements applicable to discontinued operations. Refer to our [U.S. GAAP vs. IFRS comparisons at-a-glance series](#) for more comparisons highlighting other significant differences between U.S. GAAP and IFRS.

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