

Identification of Non-Current Asset Held for Sales

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Introduction

Wisdom Logistics (PVT) Limited is a Board of Investment (BOI) approved company which aims to lead the industry by utilizing world-class technology to provide solutions for complex logistic needs. Wisdom Logistics (PVT) Limited own prime movers which is classified under property plant and equipment in financial statements. These prime movers are used to provide transport services. Company is currently using cost model for the measurement of property plant and equipment. During the current financial year the Board of Directors have approved the resolution for selling some of these prime movers, but no any adjustment has been made during the current financial year regarding this.

Discussion of the Issue

Sri Lanka Accounting Standard SLFRS 5 Non-Current Asset Held for Sales and Discontinued Operation was issued by the Institute of Chartered Accounts of Sri Lanka. According to the standard a non-current asset should be classified as "held for sale" if it's carrying amount will be recovered principally thorough a sale transaction rather than though continuing use.

Following requirement should be satisfied to classify a non-current asset as held for sales.

The asset must be available for immediate sale in its present condition

The appropriate level of management must be committed to a plan to sell the asset

An active programme to locate a buyer and completed the plan must have been initiated

The sales should be expected to qualify for recognition as completed sales within one year from the date of classification, events or circumstance may extend the period to complete the sale beyond one year

Wisdom Logistics (PVT) Limited satisfied above requirement therefore, those prime movers should be classified as held for sales asset.

Non-current asset that qualify as held for sale should be measured at the lower of;

- Carrying amount and
- Fair value less costs to sell

Held for sale non-current asset should be;

- Presented separately in the Statement of Financial Position
- Not depreciated

Conclusions and Recommendations

According to this case the company has depreciated their prime movers. As a result of that the company profit has been decreased and also written down value of motor vehicle shown in financial statement has been understated.

According to the SLFRS 5 non Current Assets held for Sales Company should present separately present Non Current assets held for Sales from their Property, Plant and Equipments. And also that asset should not be depreciated from the date of classified as Held for Sales