

AS-24

Name - Discontinuing operations

Scope

All discontinuing operations

Objective

Establish principles for reporting information about discontinuing operations.

Definitions

- Discontinuing operation

A component of an enterprise

(a) - That a enterprise, pursuant to single plan is

- Disposing of substantially, by selling the component in a single transaction or by demerger or spin-off of ownership of component to enterprise's shareholders

- Disposing of piecemeal, by selling off component's asset & settling its liabilities individually

- Terminating through abandonment

(b) That represent a separate major line of business or geographical area of operation [as reported in AS-17]

(c) That can be distinguished operationally and for financial reporting purpose.

Activities not satisfy the definition

- Gradual phasing out of production line.
- Discontinuing several product within an ongoing line of business
- Shifting of some prodⁿ for a particular line of business from one location to another
- Closing of a facility for cost saving

- Checking of criteria 'c' (above) satisfied when :-

- Operating - assets - liabilities ^{directly} → attributed to it
- Its revenue can be directly attributed to it
- Majority of its op. exp. directly attributed to it

Initial Disclosure event

It is occurred when one of following occurs & occurs earlier :-

(a) The enterprise has entered into binding sale agreement for substantially all of the assets attributable to discontinuing operation

OR

(b) Enterprise's board of director or governing body has:
(i) approved a detailed formal plan for the discontinuance

AND

(ii) made an announcement of plan

- Detailed formal plan - ~~means~~ - includes -
- identification of major assets to be disposed
 - the expected method of disposal
 - the period expected to be required for completion of disposal
 - the principal location affected
 - The location, function, & approximate no. of employees who will be compensated for terminating their services
 - the estimated proceeds or salvage to be realised by disposal.

Disclosure required

- for period in which initial disclosure event occurred
 - a description of discontinuing OP.
 - business / geographical segment
 - date & nature of event
 - date or period
 - carrying amount → of total assets disposed
 - amt. of revenue & exp
 - amt. of pre-tax profit/loss & income tax exp related thereto.
 - amt. of net cash flows
- should be shown on the face of P&I
 otherwise/ally in notes to a/c
 other

Other disclosure

- For any gain/loss on disposal
 - └ amt of pre-tax gain/loss
 - └ income tax exp. on gain/loss
- Net selling price (after deducting disposal costs)

Disclosure should continue in FS for periods up to and including period in which discontinuance completed.