

AS 24 - Discontinuing Operations (DCO)

(Reporting/ Disclosure information enhancing users ability to make projections)

Meaning:

Component of Enterprise

Persuant to single plan

Represents separate major line of business or geographical area of operations

Can be distinguished operationally & for financial reporting purposes

Disposing of substantially in entirety **or** Piecemeal Distribution **or** Terminating through abandonment

Considered only if following items can be directly attributed:

- ★ Operating Assets & Liabilities
- ★ Revenue & Majority of operating expenses

Examples of Activities that are generally not considered as DCO

- Gradual phasing out of product line or class of service
- Discontinuing even if relatively abruptly several products within an ongoing line of business
- Shifting of production/marketing activities from one location to another
- Closing of facility to achieve productivity improvements/cost savings

Initial Disclosure Event: Earlier of

- ★ Entered into binding sale agreement **or**
- ★ BOD has approved detailed formal plan & made announcement of Plan

Presentation & Disclosure Requirements

- ★ Description of DCO
- ★ Whether business or geographical segment
- ★ Date & Nature of IDE
- ★ Expected completion period
- ★ Carrying Amount of Assets & Liabilities
- ★ Revenue & Expenses attributable
- ★ Pre Tax Profit (Loss) & Tax expense
(Face of Statement of P&L)
- ★ Net cash flows attributable

Disclosures in Interim Financial Reports (AS25) / Updating Disclosures for subsequent Periods

- ★ Significant activities or events relating to DCO
- ★ Significant changes in amount or timing of cash flows relating to assets/liabilities

Other Points

- ★ DCO are infrequent events but all infrequent events are not DCO
- ★ Disposal of component of enterprise is DCO under AS24 → No Question on Assumption of Going Concern
- ★ AS24 does not provide any guidelines for recognising & measuring effect of DCO, for that refer relevant AS
- ★ DCO Plan includes expected method of disposal, expected completion period, principal locations affected, estimated proceeds, no. of employees to be compensated for termination, etc.