AS 24 – Discontinuing Operations (DCO)

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

Meaning : Component of Enterprise

- Persuant to single plan
  - Disposing of substantially in entirety **or**
  - Piecemeal Distribution **or**
  - Terminating through abondonment
- Represents separate major line of business or geographical area of operations
- Can be distinguished operationally & for financial reporting purposes
  - 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

a) Gradual phasing out of product line or class of service

b) Discontuing even if relatively abruptly several products within an ongoing line of business

c) Shifting of production / marketing activities from one location to another

d) 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
* AS 24 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.