

## AS 24 - Discontinuing Operations

### 1] Definition of Discontinuing operation

A. It is a component of an entity that the enterprise has decided to **dispose** pursuant to **single plan**

i) Disposing of **substantially** in a **single transaction** **OR** by Demerger or by spin off

ii) Disposing of **piecemeal** such as by selling off the components of asset & settling its **liab** individually **OR**

iii) Terminating through **abandonment**.

B. It represents a **separate major line of Business** **OR** **Geographical area**

eg AK Ltd  
Tea & Cusubam Halwai X

AK Ltd  
Pune Mumbai Dehai X

C. It can be distinguished operationally & for financial report purpose

Inc / Exp / Asset / Liab

2] Following Activities may NOT be considered as discontinued operations

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

(eg: Tata Motors)   
 Previously → Petrol | Diesel | Manual   
 Gradually → EV's / Automatic.   
 Shifting to

b) Discontinuing several products within an ongoing line of Busn

(eg: Tata Motors)   
 Tata Nano → Discontinue → Not a Disc op   
 Tata Punch as we closed   
 Tata Neron only one product &   
 not a line of Busn

c) Shifting of some production or marketing activities for a particular line of Busn from one location to another.

(eg: Tata Motors)   
 Production plant   
 Bengal   
 Gujarat   
 Shift   
 Shift ho raha hai   
 Band nahi ho raha

d) Closing of a facility to achieve productivity improvements or other cost savings.

(eg. Maruti Suzuki) → Toyota → Khudki facility X   
 Baleno Glanza

Maruti outsource

Glanza Banao

Not a Disc op (as outsource kiya hai.)

Band nahi kiya hai)

② Changing the scope of operation or the manner in which Busn is conducted is NOT abandoned (or) discontinued operation as although changed, Busn is still continuing

(eg: Offline Teaching → Online Teaching)

③ Selling a subsidiary whose activities are similar to Parent is NOT a disc op.

(eg ① Parent Teaching → Subsidiary Teaching)

If parent sells subsidiary, it is not a disc op as teachd Busn is still running.

eg ② Parent Teaching      Subs Halwai

Here if parent disposes subsidiary, then it will be a Disc op as Halwai Busn will shut down.

### 3. Initial Disclosure Event (kabse isko D.O. mein dikhana shuru karna chahiye)

MCQ

Earlier of:

(a) Enterprise has entered into a Binding sale agreement

↓  
25<sup>th</sup> June 'x1

(OR) (b) BOD have approved a detailed formal plan

(AND)

b) Made an announcement of the plan

↓  
18<sup>th</sup> June 'x1

Eg: BOD approval date → 15<sup>th</sup> June 'x1

Announcement date → 18<sup>th</sup> June 'x1

Binding sale agreement → 25<sup>th</sup> June 'x1

Initial disclosure event will be : 18<sup>th</sup> June 'x1







## 6.5 PRESENTATION AND DISCLOSURE

### 6.5.1 Initial Disclosure → Notes to A/c's

An enterprise should include the following information relating to a discontinuing operation in its financial statements beginning with the financial statements for the period in which the initial disclosure event occurs:

- (a) A description of the discontinuing operation(s);
- (b) The business or geographical segment(s) in which it is reported as per AS 17;
- (c) The date and nature of the initial disclosure event;
- (d) The date or period in which the discontinuance is expected to be completed if known or determinable;
- (e) The carrying amounts, as of the balance sheet date, of the total assets to be disposed of and the total liabilities to be settled;
- (f) The amounts of revenue and expenses in respect of the ordinary activities attributable to the discontinuing operation during the current financial reporting period;
- (g) The amount of pre-tax profit or loss from ordinary activities attributable to the discontinuing operation during the current financial reporting period, and the income tax expense related thereto;
- (h) The amounts of net cash flows attributable to the operating, investing, and financing activities of the discontinuing operation during the current financial reporting period;

### 6.5.2 Disclosures Other Than Initial Disclosures Note

All the disclosures above should be presented in the notes to the financial statements except for amounts pertaining to pre-tax profit/loss of the discontinuing operation and the income tax expense thereon (second last bullet above) which should be shown on the face of the statement of profit and loss.

### 6.5.3 Other disclosures

When an enterprise disposes of assets or settles liabilities attributable to a discontinuing operation or enters into binding agreements for the sale of such assets or the settlement of such liabilities, it should include, in its financial statements, the following information when the events occur:

- (a) For any gain or loss that is recognised on the disposal of assets or settlement of liabilities attributable to the discontinuing operation, (i) the amount of the pre-tax gain or loss and (ii) income tax expense relating to the gain or loss and
- (b) The net selling price or range of prices (which is after deducting expected disposal costs) of those net assets for which the enterprise has entered into one or more binding sale agreements, the expected timing of receipt of those cash flows and the carrying amount of those net assets on the balance sheet date.



## 6.6 UPDATING THE DISCLOSURES

In addition to these disclosures, an enterprise should include, in its financial statements, for periods subsequent to the one in which the initial disclosure event occurs, a description of any significant changes in the amount or timing of cash flows relating to the assets to be disposed or liabilities to be settled and the events causing those changes.

The disclosures should continue in financial statements for periods up to and including the period in which the discontinuance is completed. Discontinuance is completed when the plan is substantially completed or abandoned, though full payments from the buyer(s) may not yet have been received.

Just read  
once



If an enterprise abandons or withdraws from a plan that was previously reported as a discontinuing operation, that fact, reasons therefore and its effect should be disclosed.

## **6.7 SEPARATE DISCLOSURE FOR EACH DISCONTINUING OPERATION**

Any disclosures required by AS 24 should be presented separately for each discontinuing operation.

## **6.8 PRESENTATION OF THE REQUIRED DISCLOSURES**

The above disclosures should be presented in the notes to the financial statements except the following which should be shown on the face of the statement of profit and loss:

- (a) The amount of pre-tax profit or loss from ordinary activities attributable to the discontinuing operation during the current financial reporting period, and the income tax expense related thereto; and
- (b) The amount of the pre-tax gain or loss recognised on the disposal of assets or settlement of liabilities attributable to the discontinuing operation.

## **6.9 RESTATEMENT OF PRIOR PERIODS**

Comparative information for prior periods that is presented in financial statements prepared after the initial disclosure event should be restated to segregate assets, liabilities, revenue, expenses, and cash flows of continuing and discontinuing operations in a manner similar to that mentioned above.



## **6.10 DISCLOSURE IN INTERIM FINANCIAL REPORTS**

Disclosures in an interim financial report in respect of a discontinuing operation should be made in accordance with AS 25, 'Interim Financial Reporting', including:

- (a) Any significant activities or events since the end of the most recent annual reporting period relating to a discontinuing operation and
- (b) Any significant changes in the amount or timing of cash flows relating to the assets to be disposed or liabilities to be settled.