

## **DISCONTINUING OPERATIONS**

1. AB decided to dispose of its Clothing division as part of its long-term strategy.
  - a. Date of Board approval - 1<sup>st</sup> March 2021;
  - b. Date of formal announcement made to affected parties - 15<sup>th</sup> March 2021.
  - c. Date of Binding Sale agreement - 1<sup>st</sup> July 2021;
  - d. Reporting date - 31<sup>st</sup> March 2021The date of initial disclosure event would be:
  - a. 1<sup>st</sup> March 2021
  - b. 15<sup>th</sup> March 2021
  - c. 31<sup>st</sup> March 2021
  - d. 31<sup>st</sup> July 2021
2. To qualify as a component that can be distinguished operationally and for financial reporting purposes, the condition(s) to be met is (are):
  - a. The operating assets & liabilities of component can be directly attributed to it.
  - b. Its revenue can be directly attributed to it.
  - c. At least a majority of its operating expenses can be directly attributed to it.
  - d. All of the above
3. Identify which of the following statements is incorrect?
  - a. A discontinuing operation is a component of an enterprise that represents a separate major line of business or geographical area of operations.
  - b. A discontinuing operation is a component of an enterprise that can be distinguished operationally and for financial reporting purposes.
  - c. A discontinuing operation is a component of an enterprise that may or may not be distinguished operationally and for financial reporting purposes.
  - d. A discontinuing operation may be disposed of in its entirety or piecemeal, but always pursuant to an overall plan to discontinue the entire component.
4. Identify the incorrect statement.
  - a. Discontinuing operations are infrequent events, but this does not mean that all infrequent events are discontinuing operations.
  - b. The fact that a disposal of a component of an enterprise is classified as a discontinuing operation under AS 24 would always raise a question regarding the enterprise's ability to continue as a going concern.
  - c. For recognising and measuring the effect of discontinuing operations, AS 24 does not provide any guidelines, but for the purpose the relevant Accounting Standards should be referred.
  - d. An enterprise shall include a description of the discontinuing operation, in its financial statements beginning with the financial statements for the period in which the initial disclosure event occurs.
5. What does AS 24 primarily deal with in accounting?
  - a. Revenue recognition
  - b. Property, plant, and equipment
  - c. Discontinuing operations
  - d. Employee benefits

6. A discontinuing plan includes:
  - a. expected method of disposal
  - b. the principal location affected
  - c. estimated proceeds
  - d. all of the above
  
7. After providing the disclosures as per AS 24 during initial disclosure event, in following year.....
  - a. updation for significant changes is required in notes to accounts.
  - b. re-disclosure is required
  - c. No formality is required
  - d. None of the above
  
8. How should the results of a discontinued operation be presented in the financial statements according to AS 24?
  - a. As part of continuing operations
  - b. As a separate line item after continuing operations
  - c. As extraordinary items
  - d. As a separate line item before continuing operations

**Answers:**

1. (b)
2. (d)
3. (c)
4. (b)
5. (c)
6. (d)
7. (a)
8. (b)