

## CONCEPT: DISCONTINUED OPERATIONS AND EXTRAORDINARY ITEMS

- **Discontinued Operations** result when a company plans to exit a major component of its business

- Example: A company sells computers and service repair contracts, but will discontinue offering service contracts
- The calculations for discontinued operations are beyond the scope of this class, but it is important to note that:
  - *Non-recurring item* – Discontinued operations are not a persistent activity of the business
  - *Separate Reporting on Income Statement* – All related revenues and expenses reported separately as a single amount below Income from Continuing Operations, net of tax
  - *Separate Reporting on Balance Sheet* – All related assets and liabilities reported separately but not netted to a single amount

- **Extraordinary Items** are gains and losses that are considered \_\_\_\_\_ and \_\_\_\_\_

- Example of Extraordinary Loss: The warehouse caught on fire and inventory was burned up
- Example of Extraordinary Gain: Gain on sale of discontinued operation
- The calculations for discontinued operations are beyond the scope of this class, but it is important to note that:
  - *Non-recurring item* – Extraordinary items are not a persistent activity of the business
  - *Separate Reporting on Income Statement* – The amount is shown as a single amount below Income from Continuing Operations, net of tax

VERIZON COMMUNICATIONS, INC. Consolidated Statement of Operations Fiscal Year Ended December 31, 2007	
Operating revenues	\$93,469
Cost of services and sales	37,547
Selling, general, and administrative	25,967
Depreciation and amortization expense	14,377
Operating income	15,578
Equity in earnings of unconsolidated businesses	585
Other income (expense), net	211
Interest expense	(1,829)
Minority interest	(5,053)
Income from continuing operations before taxes	9,492
Provision for income taxes	(3,982)
Income from continuing operations	5,510
Income from discontinued operations, net of tax	142
Extraordinary item, net of tax	(131)
Net income	5,521
See notes to consolidated financial statements.	