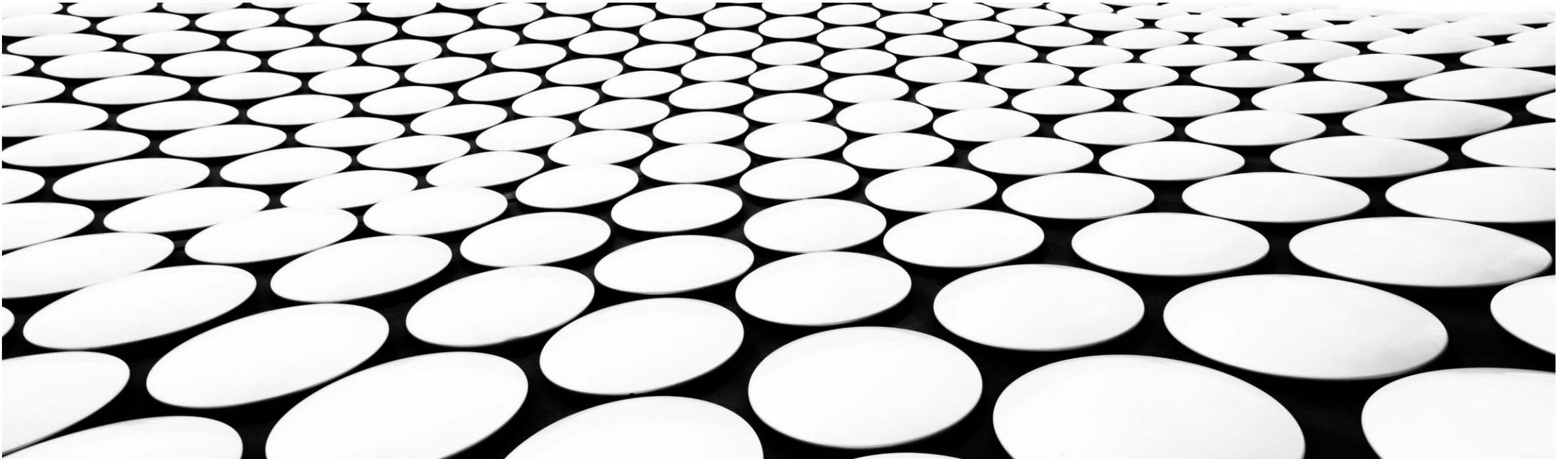

INDIAN ACCOUNTING STANDARDS

EVENTS OCCURRING AFTER REPORTING PERIOD – IND AS 10

B D CHATTERJEE FCA, ACMA, ACS, DIP IFR (ACCA) – UNITED KINGDOM





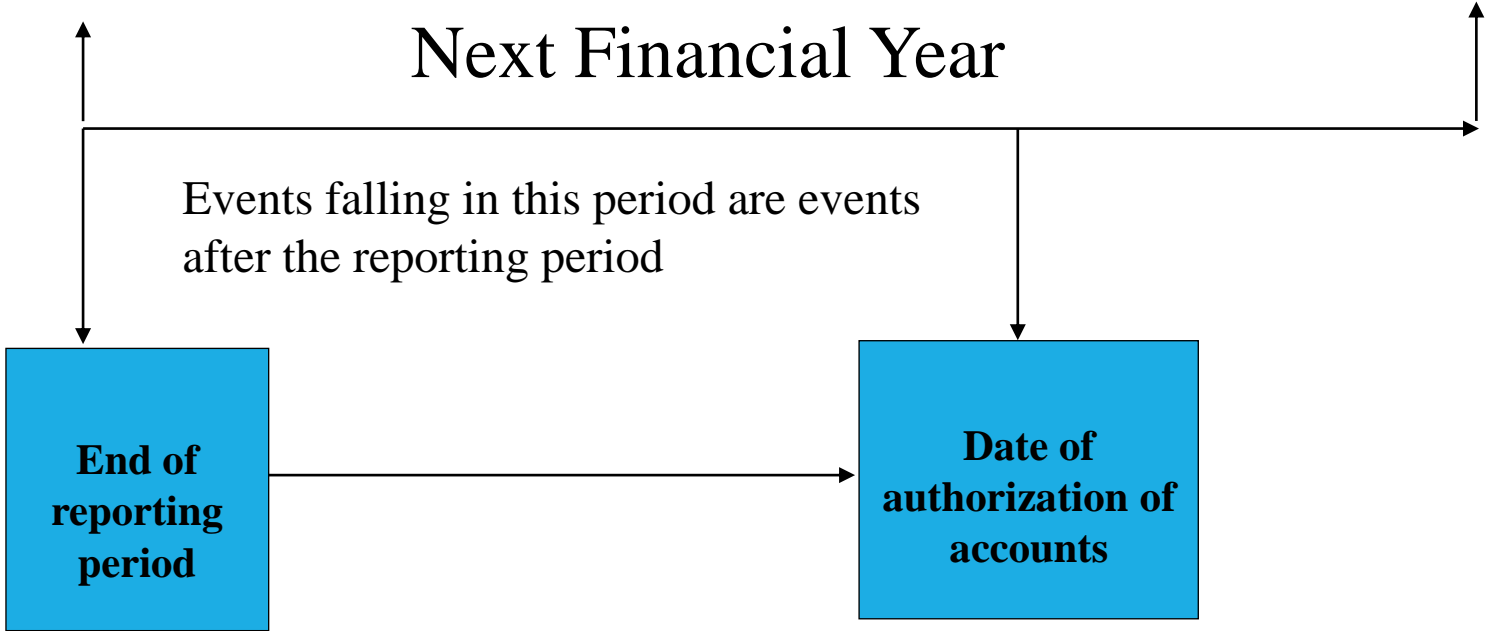
INDIAN ACCOUNTING STANDARDS
EVENTS OCCURRING AFTER REPORTING PERIOD – IND AS 10

EVENTS OCCURRING AFTER REPORTING PERIOD – IND AS 10

- Ind AS 10 prescribes the accounting for and disclosure of events after the reporting period
- These are events that occur between the Balance sheet date and the date when the Financial statements are authorized for issue.
- An entity adjusts the transactions recognized in the financial statements to reflect adjusting events after the reporting period.
 - Adjusting events are those events which provide evidence of conditions that existed within the reporting period (e.g. settlement of court case which proves obligations of the Company, bankruptcy of a customer from whom out standings are reported etc)

EVENTS OCCURRING AFTER REPORTING PERIOD – IND AS 10

This is explained by the following diagram:



EVENTS OCCURRING AFTER REPORTING PERIOD – IND AS 10

Adjusting events	Non-adjusting events
Adjusting events are those events with respect to which assets and liabilities of the Financial statements for the reporting period need to be adjusted.	Non-adjusting events are those events with respect to which the Financial statements need not be adjusted but need to be disclosed by the approving authority.

Events occurring after the Reporting date Ind AS 10

Events that occur after the reporting date but before Approval of Accounts by Governing body

Adjusting events (requiring adjustments of assets and liabilities)

- That provides additional evidence
- assist in estimation of amount
- Going concern assumption rendered invalid

Non-adjusting events

- Events that do not affect Balance Sheet figures
- Disclose in report of approving authorities
- Disclosure contents –
 - nature of events
 - an estimate of financial effect, or
 - a statement that such estimate cannot be made

Events occurring after reporting date Ind AS 10

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graph TD; A[Events occurring after reporting date Ind AS 10] --> B[Adjusting events (requiring adjustments of assets and liabilities)]; A --> C[Non-adjusting events];
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Adjusting events (requiring adjustments of assets and liabilities)

- Subsequent determination of proceeds of sale of FA purchased or sold before year end
- Property valuation that provides evidence of permanent diminution in value
- Evidence re. $NRV < COST$
- Changes in tax rates
- Discovery of error or fraud

Non-adjusting events

- Mergers or acquisitions,
- Investments or reconstructions
- Issue of shares and debentures
- Purchase or sale of FA
- Extension of activities
- Changes in exchange rates

EVENTS OCCURRING AFTER THE REPORTING PERIOD

An entity does not adjust the amounts recognized in the financial statements to reflect non-adjusting events after the reporting period.

- Non-adjusting events are those events which are indicative of conditions that arose after the reporting period (e.g. a decline in the market value of investments between Balance sheet date and the date when the financial statements are approved for issue).
- For each material category of non-adjusting event after the reporting period, an entity needs to disclose the nature of the event and an estimate of its financial effect.
- Dividend declared after the reporting period are not recognized as a liability during the Balance Sheet date
- If Management determines after the reporting period either that it intends to liquidate the entity or to cease trading, then financial statements are not prepared on going concern basis.

EVENTS OCCURRING AFTER THE REPORTING PERIOD

Illustration I

The following dates are relevant to the financial statements of X Co for the year ended 31st March 2022.

Management completes draft financial statements	5 th June 2022
The Board of directors reviews them and approves them	20 th June 2022
Shareholder approve the financial statements	10 th July 2022

Which is the date that will be construed as date of authorisation of the financial statements?

Solution

The date that will be construed as date of authorisation of the financial statements would be 20th June 2022.

EVENTS OCCURRING AFTER THE REPORTING PERIOD

Illustration II

Duster Ltd had provided for a bad debt of Rs. 25,000 towards the total amount of Rs. 100,000 receivable from Hamster Ltd at the end of reporting period, i.e. 31st December 2021. The financial statements were authorised on 15th June 2022. Hamster Ltd was declared insolvent on 30th April 2022 and nothing could be recovered from it.

Is this an adjusting event?

Solution

This is an adjusting event because as on 30th April 2022:

It indicates that the previously recognised loss at the end of the reporting period needs to be adjusted

The financial statements have not been authorised for issue as on that date.

EVENTS OCCURRING AFTER THE REPORTING PERIOD

Illustration III

On 18 March 20X2, the management of an entity approves financial statements for issue to its supervisory board. The supervisory board is made up solely of non-executives and may include representatives of employees and other outside interests. The supervisory board approves the financial statements on 26 March 20X2. The financial statements are made available to shareholders and others on 1 April 20X2. The shareholders approve the financial statements at their annual meeting on 15 May 20X2 and the financial statements are then filed with a regulatory body on 17 May 20X2.

The financial statements are approved for issue on 18 March 20X2 (date of management approval for issue to the supervisory board).

EVENTS OCCURRING AFTER THE REPORTING PERIOD

DIVIDEND

If an entity declares dividends to holders of equity instruments (as defined in Ind AS 32 *Financial Instruments: Presentation*) after the reporting period, the entity shall not recognize those dividends as a liability at the end of the reporting period.

If dividends are declared after the reporting period but before the financial statements are approved for issue, the dividends are not recognised as a liability at the end of the reporting period because no obligation exists at that time. Such dividends are disclosed in the notes in accordance with *Ind AS 1 Presentation of Financial Statements*

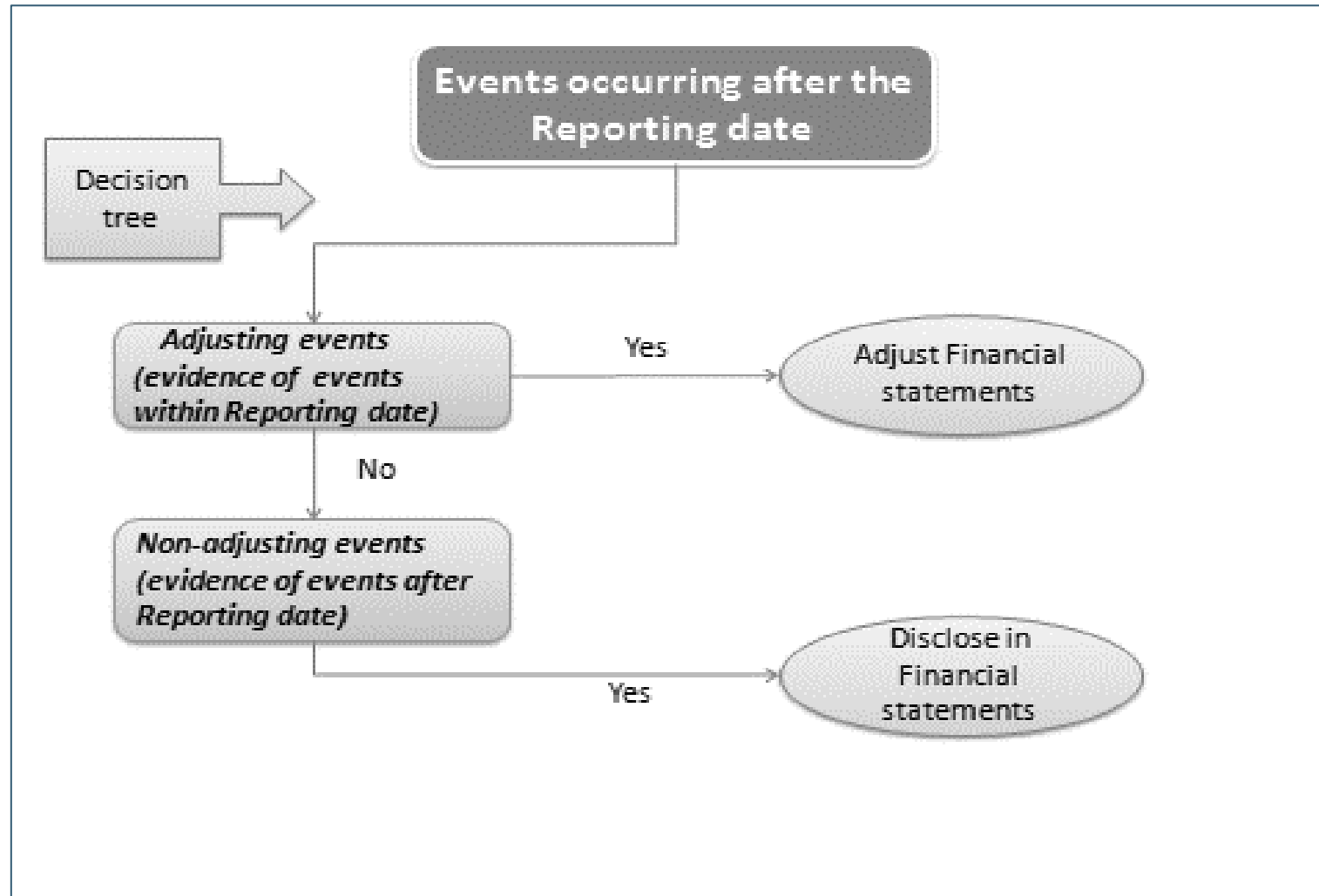
EVENTS OCCURRING AFTER THE REPORTING PERIOD

GOING CONCERN

- ❑ An entity shall not prepare its financial statements on a going concern basis if management determines after the reporting period either that it intends to liquidate the entity or to cease trading, or that it has no realistic alternative but to do so.
- ❑ Deterioration in operating results and financial position after the reporting period may indicate a need to consider whether the going concern assumption is still appropriate. If the going concern assumption is no longer appropriate, the effect is so pervasive that this Standard requires a fundamental change in the basis of accounting, rather than an adjustment to the amounts recognised within the original basis of accounting.
- ❑ Ind AS 1 specifies required disclosures if:
 - (a) the financial statements are not prepared on a going concern basis; or
 - (b) management is aware of material uncertainties related to events or conditions that may cast significant doubt upon the entity's ability to continue as a going concern. The events or conditions requiring disclosure may arise after the reporting period.

EVENTS OCCURRING AFTER THE REPORTING PERIOD

DECISION TREE RELATED TO ADJUSTING AND NON-ADJUSTING EVENT





THANK YOU!