DIGITAL CFO SOLUTIONS • IFRS SERIES

ACTIVE STANDARD

INTERNATIONAL FINANCIAL REPORTING STANDARDS

IAS 10

Events after the Reporting Period

Prescribing when to adjust financial statements for events after the reporting period

BD

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ROADMAP

What We Will Cover

Objective, Scope & Key Dates

Reporting period end, authorization date, and why the gap between them matters

Adjusting vs Non-Adjusting Events

The core classification test and how each is treated in the financial statements

Worked Illustrations

Three practical scenarios testing authorization dates and adjusting-event judgement

Dividends & Going Concern

Two special applications of the standard finance professionals must get right

Decision Framework & Disclosures

A practical decision tree plus required disclosure content

PART I — FOUNDATIONS

Objective, Scope & Key Dates

IAS 10 governs what an entity does with events that come to light between the balance sheet date and the date the accounts are authorized for issue.

FOUNDATIONS

Objective & Scope

Objective

IAS 10 prescribes when an entity should adjust its financial statements for events after the reporting period, and the disclosures it should give about the date the statements were authorized for issue and about events after the reporting period.

The core principle: financial statements should reflect conditions that existed at the reporting date — not conditions that only arose afterward.

Scope

- Applies to every entity preparing financial statements under IFRS
- Covers the treatment of events after the reporting period
- Applies whether the entity presents consolidated or separate financial statements
- Does not address events specifically dealt with by other standards (e.g. IFRS 9 hedge designations, IAS 19 post-employment benefit re-measurements)

FOUNDATIONS

The Reporting Timeline

"Events after the reporting period" are those events, favourable or unfavourable, that occur between the end of the reporting period and the date the financial statements are authorized for issue.

End of Reporting Period

e.g. 31 Dec 2025

Date of Authorization for Issue

Board approves the accounts

Next Financial Year

Ongoing operations

This entire window — from reporting date to authorization — is the "events after the reporting period" zone

PART II — CLASSIFICATION

Adjusting vs Non-Adjusting Events

The single most important judgement under IAS 10: does the event provide evidence of conditions that existed at the reporting date, or conditions that arose afterward?

CLASSIFICATION

The Core Distinction

Adjusting Events

Events that provide evidence of conditions that existed at the end of the reporting period.

Treatment

The entity ADJUSTS the amounts recognized in its financial statements to reflect these events. Assets, liabilities, income and expenses are restated.

e.g. settlement of a court case that confirms a present obligation; bankruptcy of a customer confirming a receivable was already impaired at year-end

Non-Adjusting Events

Events that are indicative of conditions that arose after the end of the reporting period.

Treatment

The entity does NOT adjust the amounts recognized. Financial statements are not restated — but material events must be disclosed.

e.g. decline in market value of investments after year-end; a major business combination completed after the reporting date

CLASSIFICATION

Adjusting Events — Common Examples

Litigation settled

A court case settled after the reporting period that confirms the entity already had a present obligation at year-end

Sale proceeds confirmed

Subsequent determination of the cost of assets purchased, or proceeds from assets sold, before year-end

Impairment evidence

Bankruptcy of a customer, or property valuation, that confirms a loss existed at the reporting date

NRV below cost

Sale of inventories after the reporting period providing evidence of net realisable value at year-end

Error or fraud discovered

Discovery of a fraud or error showing the financial statements were incorrect

Tax rate changes

Determination of tax rates that clarifies the tax liability or asset position that existed at year-end

CLASSIFICATION

Non-Adjusting Events — Common Examples

Business combinations

A major business combination, or disposal of a major subsidiary, after the reporting period

Investment value changes

Decline in the market value of investments between the reporting date and authorization date

Restructuring announced

Announcing a plan to discontinue an operation, or entering a major restructuring

Share & debenture issues

Issuing shares or debentures; entering major purchase or sale commitments for assets

Catastrophic loss

A fire, flood, or other event that destroys a major production facility after year-end

Exchange rate movements

Abnormal changes in asset prices or foreign exchange rates after the reporting period

CLASSIFICATION

Disclosure of Material Non-Adjusting Events

For each material category of non-adjusting event, an entity discloses the nature of the event AND either its financial effect, or a statement that estimation is not practicable.

1

Nature of the event

A clear description of what occurred after the reporting period

2

Estimate of financial effect

A quantified impact where it can be reasonably estimated

3

Statement of inestimability

If a reliable estimate cannot be made, disclose that fact explicitly

Also required: disclosure of the date the financial statements were authorized for issue, and who gave that authorization — plus updates to disclosures about conditions existing at the reporting date if new information is received.

PART III — APPLICATION

Worked Illustrations

Three practical scenarios testing the authorization date rule and the adjusting-event judgement.

WORKED ILLUSTRATIONS

Illustration I — Date of Authorization

Fact pattern — X Co, year ended 31 March 2026

Management completes draft financial statements	**5 June 2026**
Board of Directors reviews and approves them	**20 June 2026**
Shareholders approve the financial statements	**10 July 2026**

Question: Which date is construed as the date of authorization for issue?

Solution: The date of authorization for issue is 20 June 2026 — the date the Board of Directors reviews and approves the financial statements for issue. Shareholder approval on 10 July is a formality that follows issue and does not change the authorization date.

WORKED ILLUSTRATIONS

Illustration II — Adjusting Event Test

Fact pattern — Duster Ltd, year ended 31 December 2025

Duster Ltd provided for a bad debt of ₹25,000 against a total receivable of ₹100,000 from Hamster Ltd at the reporting date. The financial statements were authorized on 15 June 2026. Hamster Ltd was declared insolvent on 30 April 2026, and nothing could be recovered.

Question: Is this an adjusting event?

Solution: Yes. As on 30 April 2026 — before the 15 June 2026 authorization date — the insolvency confirms that the loss already existed at the reporting date and had merely been under-provided. The full ₹100,000 receivable should now be written off, adjusting the amount recognized in the financial statements.

WORKED ILLUSTRATIONS

Illustration III — The Approval Chain

Fact pattern — Multi-tier approval

18 Mar 20X2	Management approves the financial statements for issue to its supervisory board
26 Mar 20X2	The supervisory board (non-executives, employee & outside representatives) approves them
1 Apr 20X2	Financial statements are made available to shareholders and others
15 May 20X2	Shareholders approve the financial statements at the annual meeting
17 May 20X2	Financial statements are filed with a regulatory body

Solution: The financial statements are approved for issue on 18 March 20X2 — the date of management's approval for issue to the supervisory board. Events occurring between 18 March and the eventual regulatory filing on 17 May fall outside the IAS 10 window and are not events after the reporting period.

PART IV — SPECIAL APPLICATIONS

Dividends & Going Concern

Two recurring situations where IAS 10 interacts directly with other standards and demands careful judgement.

SPECIAL APPLICATIONS

Dividends Declared After the Reporting Period

If an entity declares dividends to holders of equity instruments (as defined in IAS 32) after the reporting period, it shall NOT recognize those dividends as a liability at the end of the reporting period.

1

No present obligation

At the reporting date, no obligation exists — the dividend has not yet been declared, so IAS 37's recognition criteria for a liability are not met.

2

Non-adjusting event

A dividend declared after the reporting period but before authorization for issue is a non-adjusting event.

3

Disclosure required

Such dividends are disclosed in the notes in accordance with IAS 1 Presentation of Financial Statements.

SPECIAL APPLICATIONS

Going Concern

An entity shall NOT prepare its financial statements on a going concern basis if management determines, after the reporting period, that it intends to liquidate the entity, to cease trading, or has no realistic alternative but to do so.

Not a mere adjustment

Deterioration in operating results after the reporting period may signal that going concern is no longer appropriate. If so, the effect is so pervasive that IAS 10 requires a fundamental change in the basis of accounting — not merely an adjustment within the existing basis.

IAS 1 disclosure triggers

IAS 1 requires disclosure if: (a) the financial statements are not prepared on a going concern basis; or (b) management is aware of material uncertainties that may cast significant doubt on the entity's ability to continue as a going concern — even where these arise after the reporting period.

Decision Framework

Event occurs between reporting date and authorization for issue

Does it provide evidence of conditions existing at the reporting date?

YES

Adjusting event

Adjust amounts recognized in the financial statements

NO

Non-adjusting event

Do not adjust — disclose nature and financial effect if material

Also ask separately: does the event cast doubt on going concern? If management determines liquidation or cessation is required, financial statements are prepared on a non-going-concern basis regardless of the adjusting/non-adjusting classification above.

SUMMARY

Key Takeaways

Know your window

The authorization date — not the shareholder meeting date — usually marks the end of the IAS 10 window

Apply the evidence test

Ask whether the event evidences conditions at the reporting date, or conditions arising afterward

Disclose, don't guess

Where estimation isn't possible for a non-adjusting event, say so explicitly rather than omitting disclosure

Dividends stay non-adjusting

Post-year-end dividend declarations never create a liability at the reporting date

Going concern overrides

A post-year-end decision to liquidate or cease trading changes the entire basis of preparation

Update, don't ignore

New information about reporting-date conditions should update existing disclosures even if it doesn't require adjustment

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A Career Built on Making IFRS Understandable

B D Chatterjee is a Chartered Accountant and financial thought leader with over 35 years of global experience spanning corporate finance, accounting standards, financial reporting, business valuation and financial due diligence. As a seasoned CFO, he has led finance functions across major corporations and now heads Digital CFO Solutions, a platform delivering institutional-grade IFRS, US GAAP and valuation workbooks alongside fractional CFO services.

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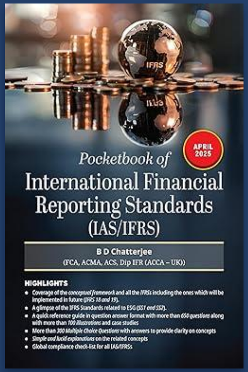

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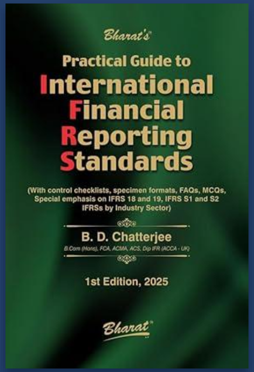

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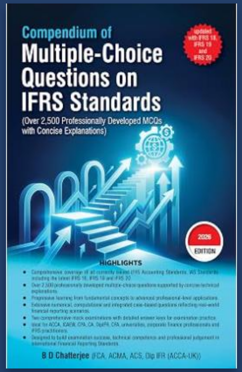

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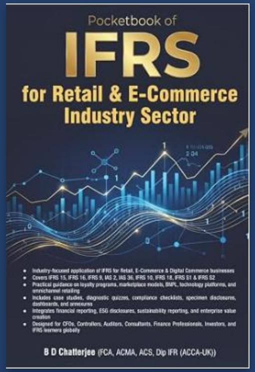

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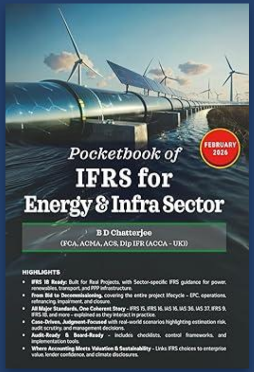

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