IAS 10
Events after the reporting period

1. Objective

The objective of IAS 10 is to prescribe:

- The cases in which a company should adjust its financial statements for events occurring after the end of the reporting period;
- The information a company must disclose, including the date on which the financial statements were authorized for issue and events occurring after the end of the reporting period.

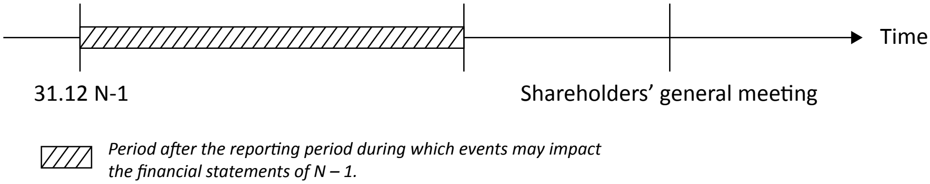
2. Scope

IAS 10 defines events after the reporting period as those events being favourable or unfavourable occurring between the date when the reporting period ends and the date on which the financial statements are authorized for issue by the management body (board of directors).

Note that the date referred to above is the **date when the financial statements are authorized for issue** and not the date when the shareholders approve them.

Example 1: company W completes the preparation of its financial statements for the reporting period year to 31 December N–1 on 15 March N. On 17 March N, it officially announces its sales figures. On 20 March N, the Board of Directors approves these financial statements and authorizes them for issue. On 22 March N, the company announces its profit in addition to other important financial information. The financial statements are made available to the shareholders on 1 April N. The Shareholders General Meeting approves them on 28 April N.
The reference date was 20 March N, the date on which the Board of Directors authorized the issuing of the financial statements, even though the sales figures were announced prior to that.

Date of authorisation from the Board of Directors to issue the financial statements



It is important to distinguish between **two types of events** that take place after the reporting period but prior to the date when the Board of Directors authorises the issue of the financial statements:

- **Events that provide evidence** confirming circumstances that existed at the end of the reporting period and that result in an adjustment of the statement of financial position (balance sheet) and the income statement (profit and loss statement);
- **Events that are indicative** of circumstances arising after the reporting period and which do not result in any adjustments to the balance sheet and the profit and loss statement. If such events are material, they should be disclosed in the notes to the accounts.

3. Accounting impact

The company must **adjust the amounts recognized** in its financial statements when events after the end of the reporting period provide additional information relating to **conditions which existed at the end of the reporting period.**

<u>Example 2</u>: The lawsuit that company X had filed against company Y due to the poor quality of its latest deliveries during the reporting period year to 31 December N, was ruled on by the court on 3 March N+1. The ruling provided for the payment of damages and 20,000 in interest. Company Y had already set aside a provision in the amount of 15,000 in its books. The Board of Directors has not yet authorized the issue of the financial statements.
In this case, company Y must set aside an additional provision of 5,000.
The same applies in the event of the bankruptcy of customer A of company Y, occurring on 13 February N+1. Company Y must then adjust the carrying value of the customer receivable on 31 December N.

If the events that occur after the reporting period do not affect the condition of the assets and liabilities at the balance sheet date, no adjustments should be made.

Generally speaking, a company must not prepare its financial statements on a “going concern basis” if its management decides, after the end of the reporting period, to liquidate the company, or cease trading in the absence of a realistic alternative.

Dividends proposed or decided after the reporting period must not be recognized as liabilities at the end of the reporting period as this decision falls under the authority of the Shareholders’ General Meeting.

Example 3: Company Z ended its reporting period on 31 December N and owns storage premises. A fire took place at one of them on
2 January N+1. Company Z decided to rebuild this warehouse in order to continue operations and receive the payment provided for in the fire insurance policy.
In this case, the event should be disclosed in the notes to the accounts, because the origin of the claim occurred after the reporting period.
In the event that these premises are the only operating site company Z has and that they cannot be rebuilt, the going concern basis is no longer appropriate and therefore the financial statements at 31 December N should be prepared on a break-up basis, using amounts which are expected to be realized on disposal of the company’s assets.

4. Disclosure

The Standard requires the entity to disclose:

- The date when the financial statements were authorized for issue;
- The body or persons that gave this authorization;
- If relevant, the fact that the owners of the company or other stakeholders have the power to amend the financial statements after their issue.

For non-adjusting events, the company must disclose information relating to each material category of events occurring after the end of the reporting period, as well as an estimate of the related financial effect or a statement that such estimate cannot be made.

If the company receives information after the end of the reporting period regarding conditions existing at the end of the reporting period, the company must **update the financial statements to include this new information.**