

Ind-AS 10

EVENTS AFTER THE

REPORTING PERIOD

- a. Ind-AS prescribes :
- b. Circumstances when an entity should adjust its financial statements for events after the reporting period.
- c. Disclosures which an entity has to give about the date when the financial statements were approved for issue and about events after the reporting period.

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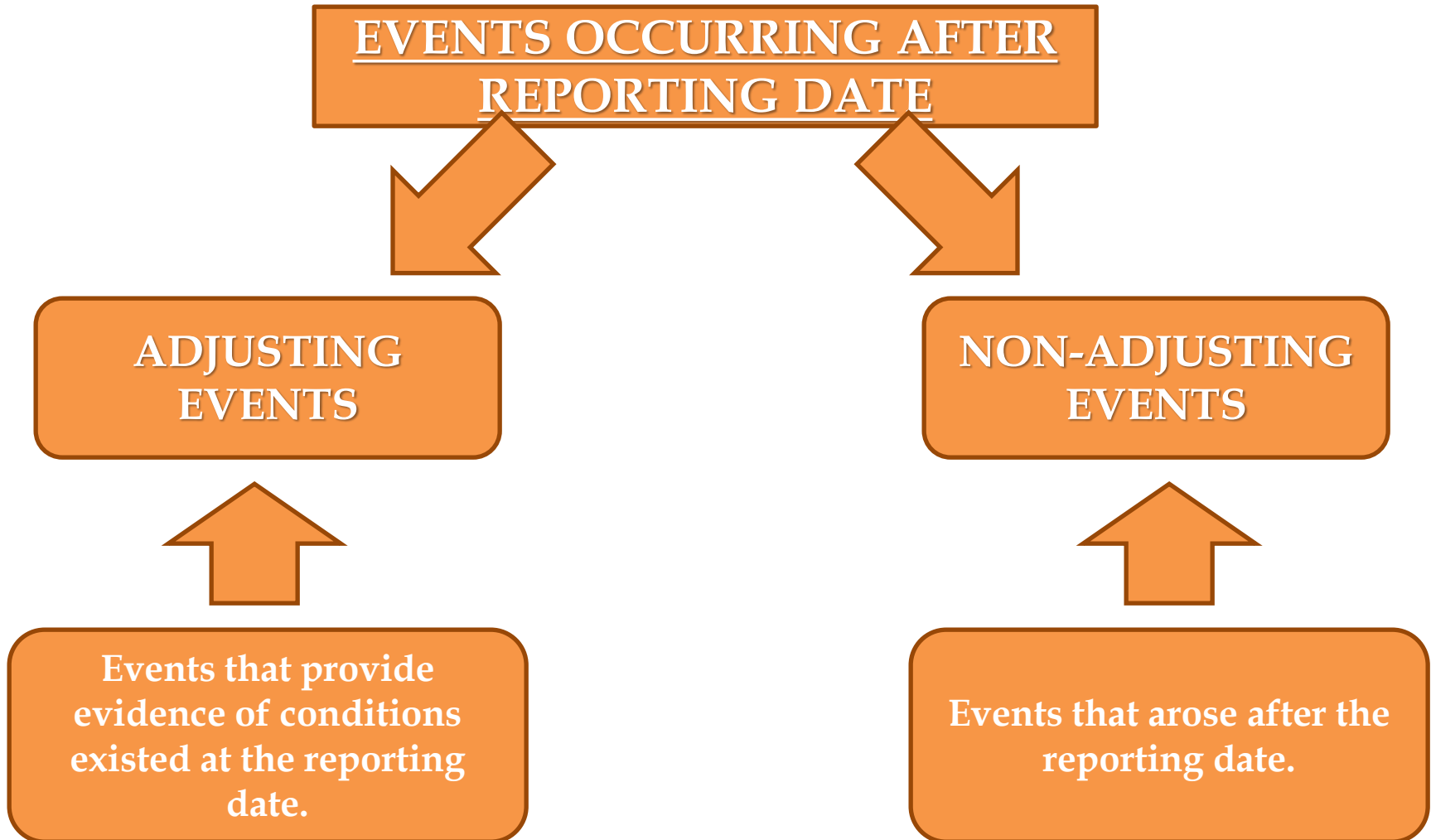
MEANING

- Events Occurring After the Reporting Period are defined as 'events which occur between the end of the reporting date and the date when the financial statements are approved for issue.'
- These events may be FAVOURABLE and UNFAVOURABLE
- Ind-AS 10 also requires that entity should not prepare its financial statements on a 'going concern basis' if events after the reporting period indicate that the going concern assumption is not appropriate.
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DATE OF APPROVAL OF FINANCIAL STATEMENTS

- The date of approval of financial statements depends upon the management structure and statutory requirements.
- In company form, normally, the Board of Directors authorize the financial statements, not the date when shareholders approve the financial statements.

CLASSIFICATION OF EVENTS OCCURRING AFTER REPORTING DATE



ADJUSTING EVENTS

- An entity should adjust its financial statements for events after the reporting date that provide further evidence of conditions that existed at the reporting date.
- When there is a breach of a material provision of a long-term loan arrangement on or before the end of the reporting period with the effect that the liability becomes payable on demand on the reporting date, the agreement by lender before the approval of the financial statements for issue, to not demand payment as a consequence of the breach, **shall be considered as an adjusting event.**

Adjusting Events

- Settlement of a Court case that confirms that an Entity has a present obligation at the end of reporting date.
- Receipt of an information that an asset was impaired or that previous impairment requires reversal, e.g. bankruptcy and inventory valuation.
- Profit sharing or bonus , if an Entity has legal or constructive obligations
- Discovery or error or fraud.
- In certain cases the cost of an asset purchased or sold
- Ind AS 33 Earnings Per Share

NON-ADJUSTING EVENTS

- An enterprise should not adjust its financial statements for events after the reporting period that are indicative of conditions that arose after the reporting date.
- Rather it shall disclose the following for each material category of non-adjusting event after the reporting period:
 - (a) the nature of the event; and
 - (b) an estimate of its financial effect, or a statement that such an estimate cannot be made.

Non-Adjusting Event

The following are examples of non-adjusting events after the reporting period that would generally result in disclosure:

- (a) a major business combination after the reporting period (Ind AS 103, *Business Combinations*, requires specific disclosures in such cases) or disposing of a major subsidiary;
- (b) announcing a plan to discontinue an operation;
- (c) major purchases of assets, classification of assets as held for sale in accordance with Ind AS 105, *Non-current Assets Held for Sale and Discontinued Operations*, other disposals of assets, or expropriation of major assets by government;
- (d) the destruction of a major production plant by a fire after the reporting period;
- (e) announcing, or commencing the implementation of, a major restructuring (see Ind AS 37);

Non-Adjusting Event

- (f) major ordinary share transactions and potential ordinary share transactions after the reporting period (*Ind AS 33, Earnings per Share, requires an entity to disclose a description of such transactions, other than when such transactions involve capitalisation or bonus issues, share splits or reverse share splits all of which are required to be adjusted under Ind AS 33*);
- (g) abnormally large changes after the reporting period in asset prices or foreign exchange rates;
- (h) changes in tax rates or tax laws enacted or announced after the reporting period that have a significant effect on current and deferred tax assets and liabilities (see Ind AS 12, *Income Taxes*);
- (i) entering into significant commitments or contingent liabilities, for example, by issuing significant guarantees; and
- (j) commencing major litigation arising solely out of events that occurred after the reporting period.

DIVIDENDS

- If dividends to holders of equity instruments are proposed or declared after the reporting date, an entity should not recognize those dividends as liability. There is no obligation as on the reporting date.
- The entity would disclose if any dividend is declared or proposed after the reporting date but before the date of approval of financial statements.
- An enterprise may give the disclosure of proposed dividends either on the face of the balance sheet as an appropriation within equity or in the notes to the financial statements.

Ind AS 10 V/s. IAS 10

Ind AS 10

In case of breach of a material provision of a long-term loan arrangement on or before the end of the reporting period with the effect that the liability becomes payable on demand on the reporting date, if the lender, before the approval of the financial statements for issue, agrees to waive the breach, it shall be considered as an adjusting event

Whereas IAS 10

Considers this as non-adjusting event.

Quiz

On March 18, 2017 the management of an entity approved 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 March 26, 2017. The financial statements are made available to shareholders and others on April 1, 2017. The shareholders approve the financial statements at their annual meeting on May 15, 2017 and the financial statements are then filed with a regulatory body on May 17, 2017.

Based on Ind-AS 10, what is the date on which the financial statements will be considered to have been authorised for issue:

- (a) March 18, 2017
- (b) March 26, 2017
- (c) May 15, 2017
- (d) None of the above

True or False :

Decline in market value of investments is an adjusting event.

Decline in net realisable of inventory is not an adjusting event.

Settlement of court case is an adjusting event.

RESTRICTION ON ADOPTION OF GOING CONCERN BASIS

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

RESTRICTION ON ADOPTION OF GOING CONCERN BASIS

- However, there should no longer be a requirement to adjust the financial statements where an event after the reporting date indicates that the going concern assumption is not appropriate.
- In that case there is need for fundamental change in the basis of accounting rather than adjustment.

Quiz

For the Financial year ending on March 31 , 2017 Entity A's accounts were authorised on May 20,2017 . Between March 31,2017 and May 20 ,2017, following significant events took place.

- a) Bonuses that were payable at the period end in accordance with Ind-AS 19 Employee benefits were finalised.
- a) A customer was declared total bankrupt.
- a) Changes in tax rates or tax laws enacted or announced after the reporting period that have a significant effect on current and deferred tax assets and liabilities. Tax rates reduced from 30 % to 20 %.
- a) There was a material loss in the value of a major plant as result of of reduced marketability for the product or service it can produce.

Which of the above is not an adjusting event ?

RESTRICTION ON ADOPTION OF GOING CONCERN BASIS

- **Ind-AS 1 requires specific disclosures :**

1.

If the entity does not follow going concern assumptions.

2.

Events or conditions from which there arises material uncertainties that may cast significant doubt upon entity's ability to continue as a going concern as per the knowledge of the management—those events or conditions requiring disclosure may arise after the reporting period.

DISCLOSURES

- Ind-AS 10 requires the following disclosures and updating thereof :

- i. **Disclosure Of Approval –**

An entity should disclose the date when the financial statements were approved for issue and who gave that authorization. If the enterprise's owners or others have the power to amend the financial statements after issuance, the enterprise should disclose the fact.

DISCLOSURES

ii. Updating Disclosures-

An entity should update disclosures that relate to the conditions that existed at the reporting date in the light of any new information that it receives after the reporting date about those conditions.



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