

## International Accounting Standard 10

# Events after the Reporting Period

*This version includes amendments resulting from IFRSs issued up to 31 December 2008.*

IAS 10 *Events After the Balance Sheet Date* was issued by the International Accounting Standards Committee in May 1999. It replaced those parts of IAS 10 *Contingencies and Events Occurring After the Balance Sheet Date* (originally issued June 1978, reformatted 1994) that were not replaced by IAS 37 (issued September 1998).

In April 2001 the International Accounting Standards Board (IASB) resolved that all Standards and Interpretations issued under previous Constitutions continued to be applicable unless and until they were amended or withdrawn.

In December 2003 the IASB issued a revised IAS 10 with a modified title—*Events after the Balance Sheet Date*.

IAS 10 was amended by the following IFRSs:

- IFRS 5 *Non-Current Assets Held for Sale and Discontinued Operations* (issued March 2004)
- IAS 1 *Presentation of Financial Statements* (revised September 2007)\*
- *Improvements to IFRSs* (issued May 2008)\*
- IFRIC 17 *Distributions of Non-cash Assets to Owners* (issued November 2008).†

As a result of the changes in terminology made by IAS 1 in 2007, the title of IAS 10 was changed to *Events after the Reporting Period*.

Apart from IFRIC 17 the following Interpretation refers to IAS 10:

- SIC-7 *Introduction of the Euro* (issued May 1998 and subsequently amended).

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\* effective date 1 January 2009

† effective date 1 July 2009

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*paragraphs*

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International Accounting Standard 10 *Events after the Reporting Period* (IAS 10) is set out in paragraphs 1–24 and the Appendix. All the paragraphs have equal authority but retain the IASC format of the Standard when it was adopted by the IASB. IAS 10 should be read in the context of its objective and the Basis for Conclusions, the *Preface to International Financial Reporting Standards* and the *Framework for the Preparation and Presentation of Financial Statements*. IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors* provides a basis for selecting and applying accounting policies in the absence of explicit guidance.

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## Introduction

- IN1 International Accounting Standard 10 *Events after the Reporting Period* (IAS 10)\* replaces IAS 10 *Events After the Balance Sheet Date* (revised in 1999) and should be applied for annual periods beginning on or after 1 January 2005. Earlier application is encouraged.

## Reasons for revising IAS 10

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- IN2 The International Accounting Standards Board developed this revised IAS 10 as part of its project on Improvements to International Accounting Standards. The project was undertaken in the light of queries and criticisms raised in relation to the Standards by securities regulators, professional accountants and other interested parties. The objectives of the project were to reduce or eliminate alternatives, redundancies and conflicts within the Standards, to deal with some convergence issues and to make other improvements.
- IN3 For IAS 10 the Board's main objective was a limited clarification of the accounting for dividends declared after the reporting period. The Board did not reconsider the fundamental approach to the accounting for events after the reporting period contained in IAS 10.

## The main changes

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- IN4 The main change from the previous version of IAS 10 was a limited clarification of paragraphs 12 and 13 (paragraphs 11 and 12 of the previous version of IAS 10). As revised, those paragraphs state that if an entity declares dividends after the reporting period, the entity shall not recognise those dividends as a liability at the end of the reporting period.

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\* In September 2007 the IASB amended the title of IAS 10 from *Events after the Balance Sheet Date* to *Events after the Reporting Period* as a consequence of the revision of IAS 1 *Presentation of Financial Statements* in 2007.

## International Accounting Standard 10

### *Events after the Reporting Period*

#### Objective

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- 1 The objective of this Standard is to prescribe:
  - (a) when an entity should adjust its financial statements for events after the reporting period; and
  - (b) the disclosures that an entity should give about the date when the financial statements were authorised for issue and about events after the reporting period.

The Standard also requires that an 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.

#### Scope

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- 2 **This Standard shall be applied in the accounting for, and disclosure of, events after the reporting period.**

#### Definitions

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- 3 **The following terms are used in this Standard with the meanings specified:**

*Events after the reporting period* are those events, favourable and unfavourable, that occur between the end of the reporting period and the date when the financial statements are authorised for issue. Two types of events can be identified:

  - (a) **those that provide evidence of conditions that existed at the end of the reporting period (*adjusting events after the reporting period*); and**
  - (b) **those that are indicative of conditions that arose after the reporting period (*non-adjusting events after the reporting period*).**
- 4 The process involved in authorising the financial statements for issue will vary depending upon the management structure, statutory requirements and procedures followed in preparing and finalising the financial statements.

- 5 In some cases, an entity is required to submit its financial statements to its shareholders for approval after the financial statements have been issued. In such cases, the financial statements are authorised for issue on the date of issue, not the date when shareholders approve the financial statements.

**Example**

The management of an entity completes draft financial statements for the year to 31 December 20X1 on 28 February 20X2. On 18 March 20X2, the board of directors reviews the financial statements and authorises them for issue. The entity announces its profit and selected other financial information on 19 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 approved financial statements are then filed with a regulatory body on 17 May 20X2.

*The financial statements are authorised for issue on 18 March 20X2 (date of board authorisation for issue).*

- 6 In some cases, the management of an entity is required to issue its financial statements to a supervisory board (made up solely of non-executives) for approval. In such cases, the financial statements are authorised for issue when the management authorises them for issue to the supervisory board.

**Example**

On 18 March 20X2, the management of an entity authorises 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 authorised for issue on 18 March 20X2 (date of management authorisation for issue to the supervisory board).*

- 7 Events after the reporting period include all events up to the date when the financial statements are authorised for issue, even if those events occur after the public announcement of profit or of other selected financial information.

## Recognition and measurement

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### Adjusting events after the reporting period

- 8 An entity shall adjust the amounts recognised in its financial statements to reflect adjusting events after the reporting period.

- 9 The following are examples of adjusting events after the reporting period that require an entity to adjust the amounts recognised in its financial statements, or to recognise items that were not previously recognised:
- (a) the settlement after the reporting period of a court case that confirms that the entity had a present obligation at the end of the reporting period. The entity adjusts any previously recognised provision related to this court case in accordance with IAS 37 *Provisions, Contingent Liabilities and Contingent Assets* or recognises a new provision. The entity does not merely disclose a contingent liability because the settlement provides additional evidence that would be considered in accordance with paragraph 16 of IAS 37.
  - (b) the receipt of information after the reporting period indicating that an asset was impaired at the end of the reporting period, or that the amount of a previously recognised impairment loss for that asset needs to be adjusted. For example:
    - (i) the bankruptcy of a customer that occurs after the reporting period usually confirms that a loss existed at the end of the reporting period on a trade receivable and that the entity needs to adjust the carrying amount of the trade receivable; and
    - (ii) the sale of inventories after the reporting period may give evidence about their net realisable value at the end of the reporting period.
  - (c) the determination after the reporting period of the cost of assets purchased, or the proceeds from assets sold, before the end of the reporting period.
  - (d) the determination after the reporting period of the amount of profit-sharing or bonus payments, if the entity had a present legal or constructive obligation at the end of the reporting period to make such payments as a result of events before that date (see IAS 19 *Employee Benefits*).
  - (e) the discovery of fraud or errors that show that the financial statements are incorrect.

### Non-adjusting events after the reporting period

- 10 **An entity shall not adjust the amounts recognised in its financial statements to reflect non-adjusting events after the reporting period.**
- 11 An example of a non-adjusting event after the reporting period is a decline in market value of investments between the end of the reporting period and the date when the financial statements are authorised for issue. The decline in market value does not normally relate to the condition of the investments at the end of the reporting period, but reflects circumstances that have arisen subsequently. Therefore, an entity does not adjust the amounts recognised in its financial statements for the investments. Similarly, the entity does not update the amounts disclosed for the investments as at the end of the reporting period, although it may need to give additional disclosure under paragraph 21.