
IAS - 10

Events After the Balance Sheet Date

International Accounting Standard No 10 (IAS 10)

Events after the balance sheet date

This revised standard replaces IAS 10 (revised 1999) Events after the balance sheet date, and will apply for annual periods beginning on or after January 1, 2005. Earlier application is encouraged.

Objective

1. The goal of this standard is to prescribe:
 - (a) when an entity will adjust its financial statements for events after the balance sheet date, and
 - (b) the revelations that the institution must make regarding the date on which the financial statements have been made or approved for release, as well as the events after the balance sheet date.

The Standard also requires the entity that does not prepare its financial statements under the assumption of going concern basis, if events after the balance sheet date indicate that this assumption of continuity is not appropriate.

Scope

2. **This standard applies in accounting and information disclosure for events after the balance sheet date.**

Definitions

3. **The following terms are used in this Standard with the meanings specified below: The events after the balance sheet date are all those events, whether favorable or unfavorable, which have occurred between the balance sheet date and the date of preparation or approval of the financial statements for its disclosure. Can identify two types of events:**
 - (a) those that show the conditions that existed at the balance sheet date (events after the balance sheet date involving adjustment) and**
 - (b) those that are indicative of conditions that have emerged after the balance sheet date (events after the balance sheet date that do not involve setting).**
4. The process followed in the formulation or approval for its disclosure of financial statements, will vary depending on the organizational structure of the entity, the legal and statutory requirements and the procedures for the preparation and completion of such financial statements.
5. In some cases, the entity is obliged to submit its financial statements to its owners so that they will approve before they are issued. In such cases, the financial statements are considered made or approved for release on the date of issuance and not the date on

which the owners will approve.

Example

The direction of a full day on February 28 20X2 draft financial statements for the year ending December 31 20X1. The board of directors reviewed the financial statements March 18 20X2, to authorize its disclosure. The entity then proceeded to announce the result of the exercise, along with other selected financial information, on March 19 20X2. The financial statements are available to owners and other interested parties on April 1 20X2. The board approved the owners' annual financial statements the previous May 15 20X2, and proceeded to search them in the competent body on May 17 20X2. The financial statements were given on March 18 20X2 (the date when the board authorized its disclosure).

6. In some cases, the address of the entity is required to submit their financial statements at a supervisory board within the same (composed solely of non-executive members) to proceed with its approval. In such cases, the financial statements are authorized for disclosure when authorizing the address for presentation to the supervisory board.

Example

On March 18 20X2, the address of an entity allows the financial statements to be submitted to its supervisory board. The supervisory board is composed exclusively of non-executive members, although it may include representatives of employees and other outside interests. The supervisory board approves the financial statements on March 26 20X2. The financial statements are available to owners and other interested parties on April 1 20X2. The board approved the owners' annual financial statements the previous May 15 20X2 and these are recorded in an organ to the May 17 20X2. The financial statements were authorized for release on March 18 20X2 (date of the senior management approval for submission to the supervisory board).

7. In the events after the balance sheet date will include all the events so far in the financial statements are authorized for disclosure, although such events occur after the public announcement of the result or other financial information concerning the operation.

Recognition and Measurement

Events after the balance sheet date involving adjustments

8. The entity will adjust the amounts recognized in its financial statements to reflect the occurrence of events after the balance sheet date involving adjustments.

9. The following are examples of events after the balance sheet date, which force the body to adjust the amounts recognized in its financial statements, or to recognize items not previously recognized:

(a) The resolution of a legal dispute, after the balance sheet date, confirming that the entity had a present obligation at the balance sheet date. The entity will adjust the amount of any previously recognized provision regarding this legal dispute, in accordance with IAS 37 Provisions, Contingent assets and contingent liabilities, either recognize a new provision. The entity will not be limited to disclose a contingent liability, as the resolution of the dispute provides additional evidence to be taken into account in accordance with paragraph 16 of IAS 37.

(b) the receipt of information after the balance sheet date, indicating the deterioration of the value of an asset to this date, or the need to adjust the value of the impairment loss previously recognized for these assets. For example:

(i) the bankruptcy of a customer, which occurred after the balance sheet date, generally confirms that at that time there was a loss on the trade account receivables, so that the entity needs to adjust the carrying amount of that account and

(ii) the sale of stock, after the balance sheet date, it can provide evidence about the net realizable value of the stocks on the balance sheet date.

(c) The determination, subsequent to the balance sheet date, the cost of the assets acquired or the amount of revenue from assets sold before that date.

(d) The determination, subsequent to the balance sheet date, the amount of participation in the net earnings or payments for incentives, if at the date of the financial institution has an obligation, whether legal or implied, 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 were incorrect.

Events after the balance sheet date that do not involve adjustments

10. The entity not adjust the amounts recognized in its financial statements to reflect the occurrence of events after the balance sheet date, if they do not involve adjustments.

11. An example of fact after the date of the balance sheet adjustment that does not mean, is the reduction in the market value of investments, which occurred between the balance sheet date and the date of preparation or approval of the financial statements for its disclosure. The fall in market value is not normally associated with the conditions of investment in the balance sheet date, but reflects circumstances that occurred in the following year. Therefore, the institution is not adjusted the amounts previously recognized in its financial statements for these investments. In a similar vein, the entity will not update the amounts on the notes and other disclosures relating to such investments in the balance sheet date, although it might be necessary to disclose additional information on the basis of the provisions of paragraph 21.

Dividends

12. **If, after the balance sheet date, the entity agrees to distribute dividends to holders of equity instruments (as defined in IAS 32 Financial Instruments: Disclosure and Presentation), does not recognize such dividends as a liability in the balance sheet date.**
13. If it agrees to the distribution of dividends (that is, if the dividends have been duly authorized and are not at the discretion of the entity) after the balance sheet date but before the financial statements have been made, the dividends are not recognized as a liability on the balance sheet date, because they do not represent a present obligation in accordance with IAS 37. Such dividends are disclosed in the notes, in accordance with IAS 1 Presentation of Financial Statements.

Firm in business

14. The entity does not prepare its financial statements on the basis that it is a going concern basis if management determines after the balance sheet date, or that it intends to liquidate the entity or cease their activities or does not exist realistic alternative but to do it.
15. The deterioration of the operating results and financial position of the entity, subsequent to the balance sheet date may indicate the need to consider whether the hypothesis is still a going concern basis appropriate. If not, the effect of this is so critical that the Standard requires a fundamental change in the basis of accounting, and not simply an adjustment in the amounts that have been recognized using the original basis of accounting.
16. IAS 1 Presentation of Financial Statements, requires disclosure of information if:
- (a) the unaudited financial statements have been prepared on the assumption of going concern basis, or

(b) the leadership is aware of the existence of uncertainties related to events or conditions that could raise significant doubts about the ability of the entity to continue as a going concern basis. These events or circumstances that require disclosure of information may occur after the date of the balance sheet.

Information Disclosure

Date of preparation of financial statements

17. **The entity shall disclose the date on which the financial statements have been made or authorized for disclosure and who has given such approval. In the event that the owners of the entity or have the power to amend the financial statements following the disclosure, the entity also disclose this fact.**
18. It is important for users to know when the financial statements have been made or approved for release, as it does not reflect events that have occurred after that date.

Update of the revelations about conditions at the balance sheet date

19. **If, after the balance sheet date, the entity would receive information about conditions that existed at that time, updated in the notes, according to information received, the disclosures related to such conditions.**
20. In some cases, the entity needs to update the disclosures made in the financial statements to reflect information received after the balance sheet date, even if that information does not affect the amounts that the entity was recognized in the financial statements. An example of this need to update the information revealed occurs when, subsequent to the balance sheet date, taking evidence about a contingent liability that existed at that time. Apart from considering whether, based on new information, the entity must recognize or modify a provision as set out in IAS 37 Provisions, Contingent assets and contingent liabilities, according to new evidence, the entity will proceed to update the information disclosed on the contingent liability.

Events after the balance sheet date that do not involve adjustments

21. **When the events after the balance sheet date that do not involve adjustments are of such importance that failure to disclose may affect the ability of users of financial statements for the evaluations and take economic decisions, the entity shall disclose the following information , For each of the major categories of events after the balance sheet date that do not involve adjustments:**

(a) the nature of the event and

(b) an estimate of its financial, or a statement about the impossibility of making such an estimate.

22. The following are examples of events after the balance sheet date that do not involve adjustments, which usually occur disclosures of information:

(a) a significant business combination, which took place after the balance sheet date (IFRS 3 Business Combinations, requires disclosing specific information in such cases), or the sale or other disposition by way of a meaningful dependent;

(b) the announcement of a plan to disrupt definitely an activity;

(c) purchases of significant assets, such as the classification of assets held for sale in accordance with IFRS 5 Non-current assets held for sale and discontinued operations, divestitures or other provisions in a different way of assets, or expropriation of significant assets by the government

(d) the destruction by fire of an important production plant, after the balance sheet date;

(e) the announcement or the beginning of the implementation of a major restructuring (see IAS 37 Provisions, contingent liabilities and contingent assets);

(f) significant transactions carried out with ordinary shares and potential ordinary shares, after the balance sheet date (IAS 33 Earnings per share, requires that an entity describe these transactions, apart from the emissions of equity or bond and the splitting or groups shares, all of which require adjustments according to IAS 33);

(g) changes abnormally large, subsequent to the balance sheet date in asset prices or exchange rates of any foreign currency;

(h) changes in tax rates or tax laws, adopted or announced subsequent to the balance sheet date, which will have a significant effect on the assets and liabilities for current taxes or delayed (see IAS 12 Tax profits);

(i) acceptance of commitments or contingent liabilities of some importance, for example, to provide guarantees amounting significant and

(j) the start of major disputes arising solely as a result of events subsequent to the balance sheet date.

Effective Date

23. **An entity shall apply this standard for annual periods beginning on or after January 1, 2005. Earlier application is encouraged. If an entity applies this**

standard for a period beginning before January 1, 2005, disclose that fact.

Repeal of IAS 10 (revised 1999)

24. The Standard supersedes IAS 10 Events after the balance sheet date, revised in 1999.