Topic : AS - 4 DT.

Accounting standard 4

⇒ **Contingency** : Contingency is a condition or situation, the ultimate outcome of which, gain or loss, will be known or determined only on occurrence or non-occurrence of one or more uncertain future event.

⇒ Accounting treatment of contingency

(a) losses : If result is loss, then it is prudent to provide for that ~~so~~ loss in financial statements.

(b) Gain : gain are not recognised since their recognition may result in the recognition of revenue which may never realised.

⇒ Events occuring after the balance sheet date

Events occuring after the balance sheet date both favourable and unfavourable that occur b/w ~~tt~~ balance sheet date and date of approval of BOD.

Types of events

Adjusting events	Non-adjusting events
Those provide further evidence of conditions that existed at balance sheet date	Those which are indicative of condition that arose subsequent to B/s date.

⇒ cases for adjusting and non-adjusting event

1. 31/3/25 ———— 30/6/25 = Adjusting event.
Court case — Judgement — Approval
Provision - 5L — 7L

2. 31/3/25 ———— | ———— 30/6/25 = Adjusting event
Electricity bill — Actual Bill
Provision = 2L — 1L

3. 31/3/25 ———— | ———— 30/6/25 = Non-adjusting event
Debtors — Bad debts — will adjust on 25/26
6L — 6L

4. 31/3/25 ———— | ———— 30/6/25 = Non-adjusting Event
Goods sold — Court case = 1L

5. 30/3/25 ———— | ———— 30/6/25 = Non-adjusting Event
Fire

Exception: If any accident/event like fire, flood etc affect going concern (means moving towards liquidation) then we will have to adjusting event.

⇒ ~~Non~~ Business Acquisition of other entity: It is non-adjusting event if negotiation going on
However if agreement signed then adjusting event.

6. 31/3/21 ———— | ———— 30/6/21 = Adjusting event.
Cash theft

Because on 31/3/21, cash still not be reconciled, it will be adjusting event.

Event occuring after B/s date

Evidence of such condition been existed at B/s date

Adjusting Event

Adjustment to asset and liability is required

Disclosure in Financial statement Required

No Evidence of such condition been existed at B/s date

Non-adjusting Event

Adjustment to asset & liability is not Required

Disclosure in report of approving authority is Required.