

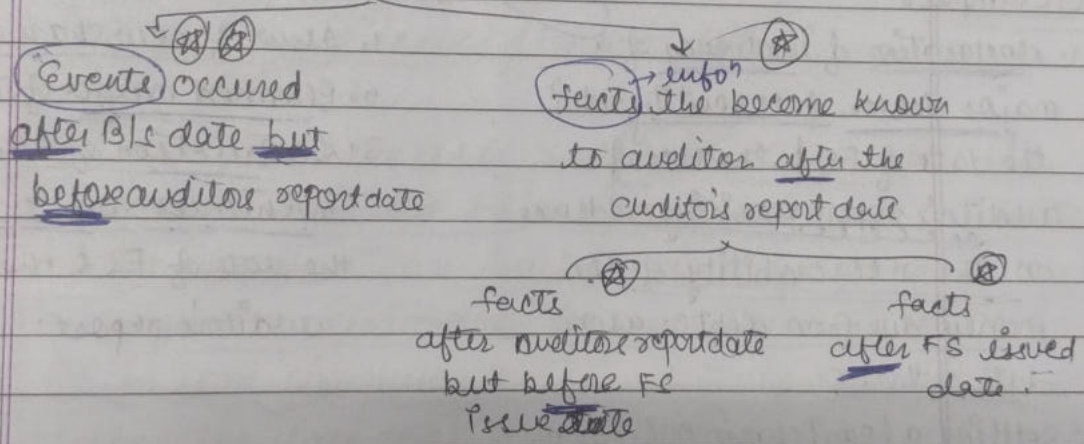
Subsequent Events

Companies
Sec 143

definition meaning: → ~~SA 560~~

- (i) Events occurring between the date of FS & the date of auditor's report and
- (ii) facts that become known to the auditor after the date of auditor's report :-
 - (A) facts become known after the date of auditor's report but before the date the FS are issued.
 - (B) facts become known after the FS have been issued, date.

SUMMARY SA 560



Examples of Subsequent Events :-

- Company which may have planned an agreement to merge betw the date of FS & the date of auditor's report.
- fire claim amount of an entity receivable from insurance co. as on date of FS may have been settled at a reduced amount before date of auditor's report.

After the B/s date — Before the Auditor's report date

- ① Planned an agreement to merge
- ② Fire claim amt of entity rec from Insurance Co. → settled at reduced amount

FRF
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AFRF
adjusted
non adjusted → disclos

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~~AFRF~~ AFRF classifies Events into following categories

Adjusting Event

(a) when there are evidence of conditions related to event existing at the date of FS. ^{Subsequent}

(b) Such events should be properly adjusted or recorded in the FS.

(c) Examples:

1. Declaration of insolvency of a major debtor of the entity betwⁿ the date of FS & the date of auditor's report, providing evidence on the recoverability of the money due from debtor as on date of the FS.

2. Settling a legal claim outside the court at a reduced amount betwⁿ the date of FS & the date of auditor's report of which provision has already been made in FS. It provides evidence on adjustment in provision amt already made in FS, if any.

3. As on FS date there was a claim pending betwⁿ Company & a third party. Co. has already created a provision of ₹1 cr on 31/03/20. Assuming there is out of court settlement at ₹80 lakhs concluded on 15th April.

Non-Adjusting Event

(a) when there are evidences of conditions related to subsequent events that arose after the date of FS.

(b) Such events should be appropriately disclosed in the FS.

(c) Examples:

1. Issue of new share capital.
2. Planned merger of the Co.
3. Destruction of substantial inventories due to fire betwⁿ the date of FS & the date of auditor's report.

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Objective of auditor in accordance with SA 505:

Events

(a) Obtain SME about whether events occurring betwⁿ the date of FS & the date of auditor's report that require adjustment of, or disclosure in, the FS are appropriately reflected in those FS &

Facts

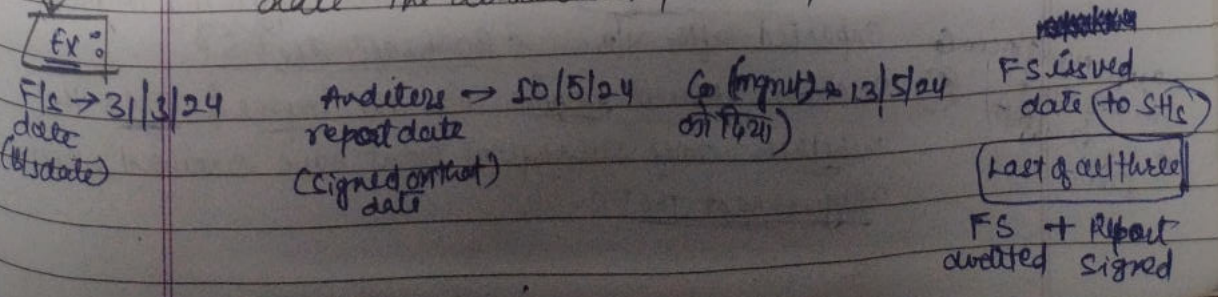
(b) Respond appropriately to facts that become known to the auditor after the date of auditor's report, that, had been known to the auditor at the date, may have caused the auditor to amend the auditor's report

Date the FS are issued / FS issued date

Definition:

- 1^o It reflects the date that the auditor's report ~~is~~ audited FS are made available to 3rd parties.
- 2^o The date the FS are issued generally depends on the regulatory environment of the entity.
- 3^o In some circumstances, the date the FS are issued may be the date that they are filed with a regulatory authority (NSE + BSE)
- 4^o Since audited FS cannot be issued without an auditor's report, the date that audited FS are issued must not only be at or later than the date of auditor's report but must also be at or later than the date the auditor's report is provided to the entity.

MCSA



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Inter ^{AP} mayas

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(b) AP relating to events occurring between the date of the FS & the date of the auditor's report :-

1. Auditor should obtain SSAFE to ensure all events occurring between the date of FS & date of auditor's report which require adjustment or disclosure in FS has been identified. (ARFF (AS 705))
2. Auditor shall perform the appropriate procedure to cover the period from the date of FS to the date of auditor's report.
3. The auditor is not, however, expected to perform additional AP on matters to which previously applied AP have provided satisfactory conclusions.

Require mgmt to ensure that all subsequent events are identified

4. Auditor shall take into account the risk assessment action which may include the following :-

1. Auditor should engage with the mgmt & obtain an understanding of the procedure that mgmt has followed to ensure that all subsequent events are identified.
2. Auditor should read the entity's latest ^{subsequent} intra FS (if they are available).
3. Auditor should also read the minutes of meeting of mgmt, BODs, TCWG & members (SHs) which have taken place after a FS date.
4. Auditor should also go through the entity's latest available (budgets) to understand anything unusual expected after s/a. & Book after the FS
5. Auditor should engage with the mgmt & TCWG that whether any subsequent event have occurred which may affect the FS.

Require mgmt to ensure that all subsequent events are identified

5. As a result of AP, auditor should conclude whether there exists an event which may require an adjustment or disclosure in the FS, have been properly adjusted or disclosed in the FS as per ARFF.

Impact on Auditor's report

6. If Non adjustment or Non disclosure results in mm → Modified Opinion (SA 705)
• disclosure in Form draw's user attention (ARFF)

7. The auditor shall request mgmt/TCWG to provide written representation (SA 580) → which states that all events occurring subsequent to the date of the FS & for which the ARFF requires adjustment or disclosure have been adjusted or disclosed.

(Acknowledgement from mgmt)

5. As a result of AP, the auditor shall conclude that the events which required adjustment or disclosure in the FS are properly adjusted & adequately disclosed in the FS as per ARFF.

Company Sec 141

Rept 24

(11) A

Facte which become known to the auditor after ~~the date of the audit report~~ ~~has been issued~~ → the date of the audit report but before the date of the FS are issued →

Generally auditor has no obligation to perform any AP regarding the FS, after the date of auditor's report.

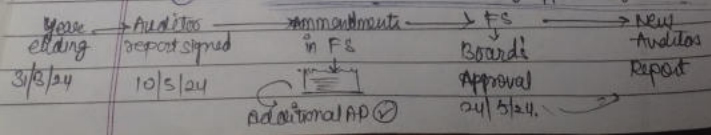
However, when after the date of auditor's report but before the date of FS are issued, a fact becomes known to the auditor that, had it been known to the auditor at the date of auditor's report, may have caused the auditor to modify or amend his audit report, then auditor shall :-

- (a) Discuss the matter with the mgmt & TAO (where appropriate)
- (b) Determine whether FS need any amendment & if so
- (c) Inquire with the mgmt how they intend to address this matter in the FS. *Consider with the mgmt that whether they will intend to address this matter in the FS.*

3. If the mgmt amends the FS, the auditor shall :-

- (a) Carry out the AP necessary in the circumstances on the amendment. (additional AP)
- (b) Unless the circumstances in surrounding para apply :-
 - (i) Extend the AP, already referred to, to the date of the new auditor's report &
 - (ii) Provide a new auditor's report on the amended FS.

MCA 208 (1) Auditor should not date the new auditor's report earlier than the date of approval of amendments.



4. When L & R or FRF does not prohibited mgmt from restricting the amendment of the FS in the effect of the subsequent events or events causing that amendments & those responsible for opposing the FS are not prohibited from restricting the amendments that amendment, the auditor is permitted to restricting the report on subsequent events to the amendment. In such cases, the auditor shall either :-

- (a)
- (b)

5. When mgmt does not amend the FS where auditor believes the FS need to be amend then :-

In some entities, mgmt may not be required by the applicable laws, regulations or the FRF to have amended FS particularly if no auditor observation that provide an amended or new auditor report.

HOWEVER*

- (i) If the auditor report is not yet provided to the entity then auditor should modify his opinion as per S1705 & provide the report to the company.
- (ii) If auditor report has already been provided to the entity then auditor shall notify the mgmt & request them not to issue the FS to the 3rd party without necessary amendments. If mgmt still issues the FS without necessary amendments then auditor should take appropriate action to prevent reliance on the auditor report.

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SA 520

SA 530

SA 505

SA 510 570

SA 511

(iii) B Facte which becomes known to the auditor after the FS have been issued:-

Generally, the auditor has no obligation to perform any AP regarding the FS after the FS have been issued.

same

- However, when after FS has been issued a fact become known to the auditor that had it been known to the auditor at the date of auditor's report may have caused the auditor to amend the auditor's report, the auditor shall:
 - (a) Discuss the matter with the mgmt / TC or those approving the FS.
 - (b) Determine whether the FS need amendment to.
 - (c) Inquire how mgmt intended to address the matter in the FS.

3. If the mgmt amends the FS then the auditor shall:-

- (a) carryout those AP which are necessary in the circumstances.
- (b) Review the steps taken by mgmt to ensure that anyone who has already received previously issued FS along with auditor's report is informed about the situation (amended FS).

~~auditor is restricted from doing so unless such is commensurate~~

X When law, regulation or PAF does not prohibit mgmt from restricting the amendment of FS to the effect of subsequent events or events causing that amendment of those responsible for approving the FS are not prohibited from restricting their approval to that amendment apply in

Companies Sec 143

(i) auditor should extend his AP to the date of new auditor's report & the date new auditor's report shall not be ~~set~~ earlier than the date of approval of amended FS.

(ii) Provide a new auditor on the amended FS.

X (d) When law, regulation or PAF allow the mgmt for restricting the amendment of FS only to the effect of subsequent events & the responsible for approving the FS are allowed from restricting their approval its that amendment only, then auditor shall

40 X The auditor shall include in the new or amended auditor's report on CAAM ~~the~~ a paragraph referring to the note to the FS that more extensively discusses the reason for the amendment of previously issued FS & to the earlier report provided by the auditor.

5. If mgmt does not take necessary steps to ensure that anyone who has already received the previously issued FS is informed about the situation ~~mgmt does not amend the FS~~ where auditor believe the amendment is necessary then auditor shall notify the mgmt & TC to prevent the further reliance of his old audit report.

6. If mgmt / TC do not take necessary steps then auditor shall take necessary steps then auditor shall take appropriate action to prevent reliance on his audit report.