

AS 4: Contingencies and Events Occurring after the Balance Sheet Date

Contingency

Condition or situation, outcome of which gain or loss will be determined on the occurrence or non occurrence of uncertain future events.

Contingency (Related to Asset on B/S Date)

Contingent Losses

If Probable → Provide for the loss
($>50\%$)

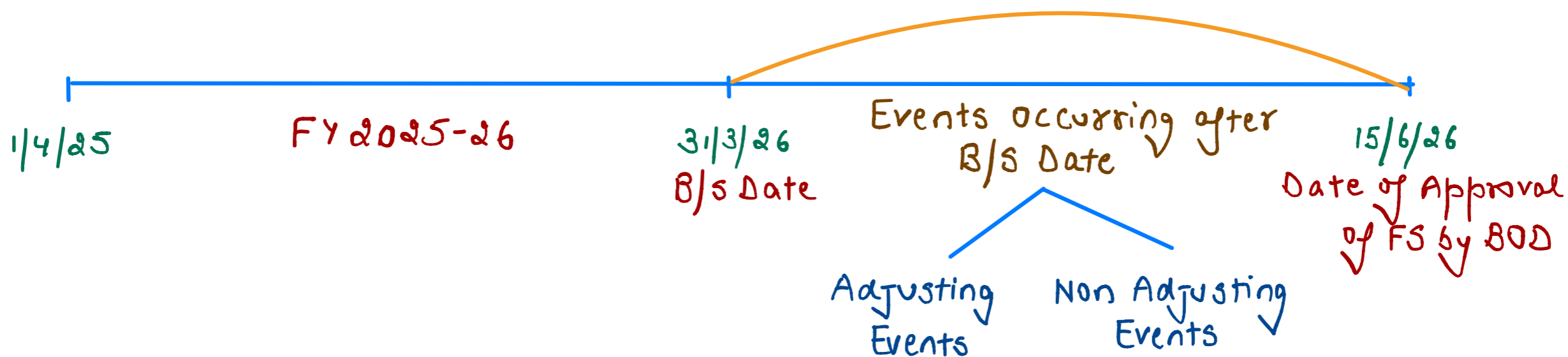
Estimation based on Management judgement

Contingent Gains

Not Recognised
Recognise only when gain virtually certain

Events Occurring after the Balance sheet Date

Those significant events, both favorable and unfavorable that occur between balance sheet date and date on which financial statements (FS) are approved by Board of Directors (BOD)



Types of Events

Adjusting Events

Events which provide further/additional evidence relating to conditions existing on B/S date

Adjustment to Assets & Liabilities as at B/S date

Examples

- ★ Debtors suffering losses before B/S date become bankrupt after B/S date
- ★ Settlement of court case after B/S date which started before B/S date

Non Adjusting Events

Events which are indicative of conditions that arose subsequent to B/S date or events which do not relate to conditions existing at B/S date

No Adjustment of Assets & Liabilities
(Disclosure in Report of BOD if Material)

- ★ Decline in Fair value of investments after B/S date
- ★ Loss by fire after B/S date
- ★ Acquisition of company after B/S date for which negotiation started before B/S date

Exception:

Going concern assumption not appropriate
FS to be prepared on Liquidation basis

Special case: Dividend

If declared after B/S date but before FS are approved → No recognition of liability at B/S date.
Such dividend should be disclosed in notes.
(Recognise when declared)