

ISA 560: Subsequent Events

1.

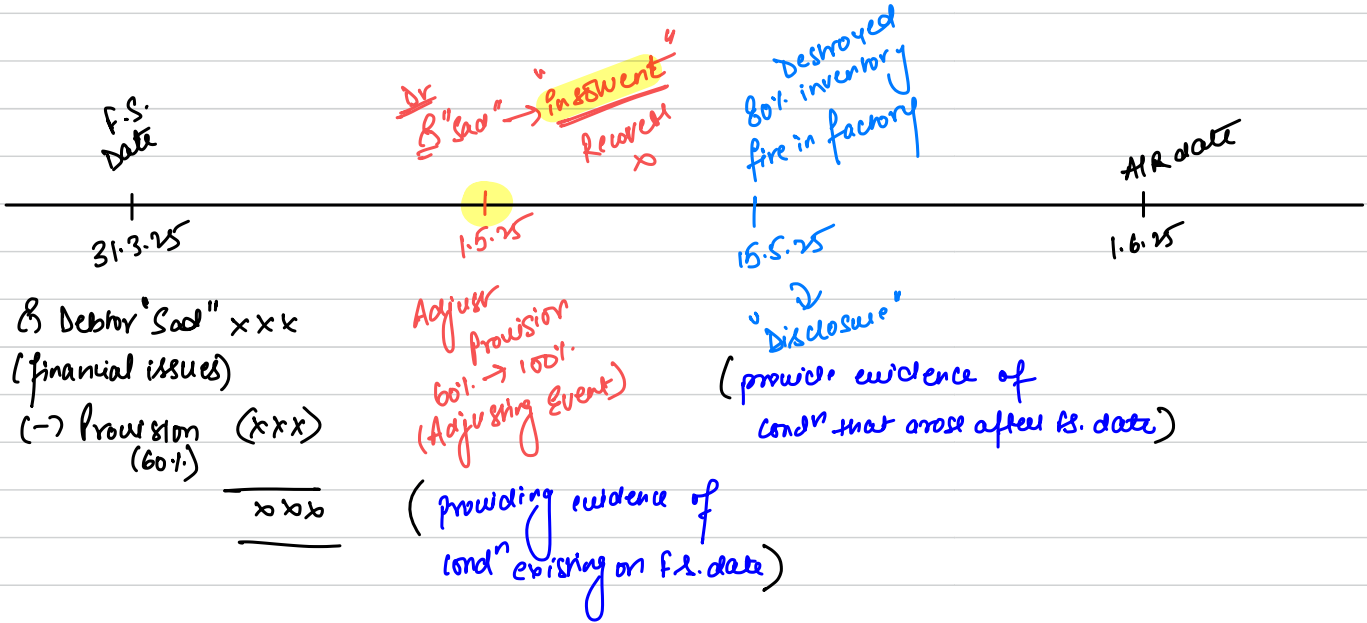
Events b/w F.S. date & date of A/R

F.S. Date: B.S. date (31.3.25)
A/R Date: sign A/R (date)

2.

Facts that become known to auditor

after date / issue of A/R.
2A 2B



FR / Adv. Atcs → Ind AS 10 / AS 4 → Events after reporting period / B.S. date

As a auditor → what to do? ⇒ Ensure that such events → "identified".

obtain SAPE → to ensure events requiring Adjustment or Disclosure are identified.

NOTE: If auditor is satisfied with previous procedures ⇒ NO NEED for addn audit pro.

Q What procedures to identify subsequent events?

Understand mgt's procedures for identifying subs. events.

feel is similar SASOL L&Cs.

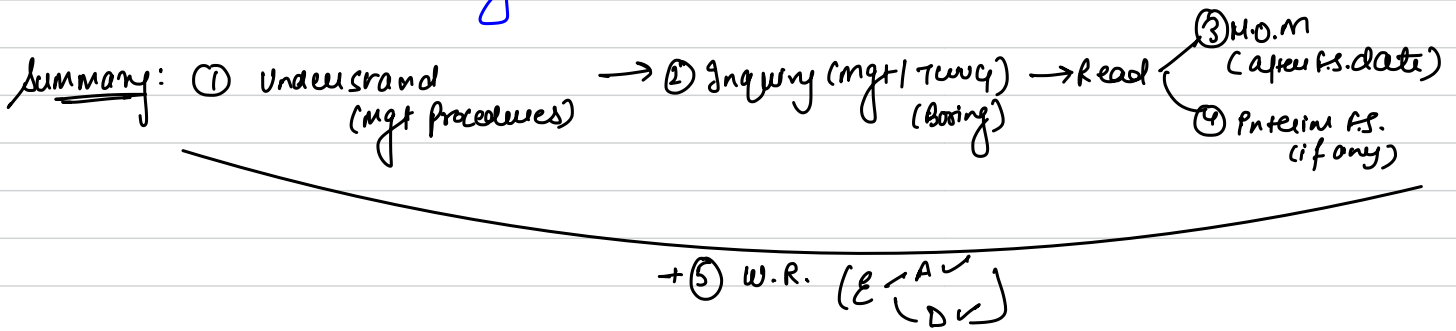
- (Bring) Inquiry of mgt & T&C about subsequent events
- (Backward) Read → M.O.M (minutes of meetings) held after F.S. date & inquire if minutes N.A. latest subsequent interim F.S., if any.

↓ (Event is identified)

If auditor identified events requiring Adjustment or Disclosure

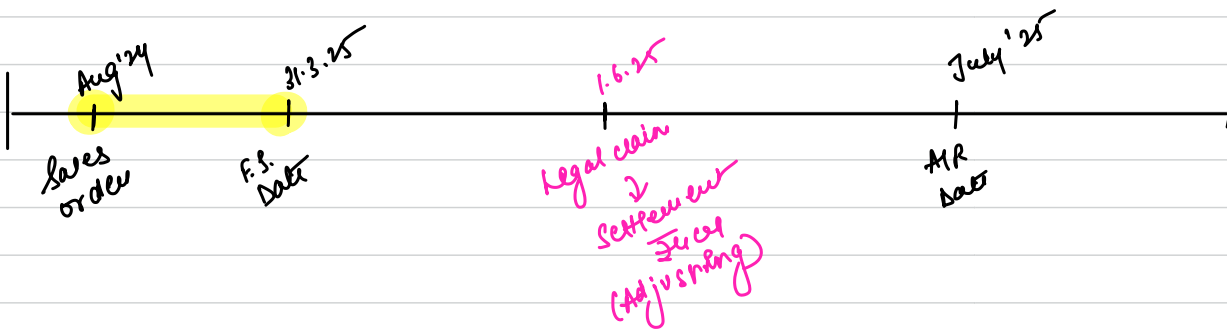
check if event has been adjusted / disclosed in fs.

- Obtain W.R. from mgt & TWCY that all events requiring Adjustment / disclosure in fs. have been adjusted / disclosed.



Question 4

CA Shobit is conducting an audit of XYZ Ltd. for the year 2024-25. The company is engaged in the export of handicraft items in Europe. The audit is nearing completion in the month of July 2025. However, it becomes known to CA Shobit that one of overseas buyers has made a legal claim against the company on 1st June 2025 for injury caused to a customer of one European buyer due to sub-standard dyes used in rugs of one lot of order shipped in August 2024. The management of the company has decided to agree to an out of court settlement of ₹ 4 crore to protect its reputation. The financial statements of the company are silent on this issue. Discuss, how, CA Shobit should proceed to deal with above issue. [SM + MTP Nov 24]



Ans As per SA560, Subsequent Events, auditor shall obtain SAE that events requiring adjustment / disclosure have been adjusted / disclosed in fs.

Also, obtain W.R. from mgt & TWCY that such events have been adjusted & disclosed.

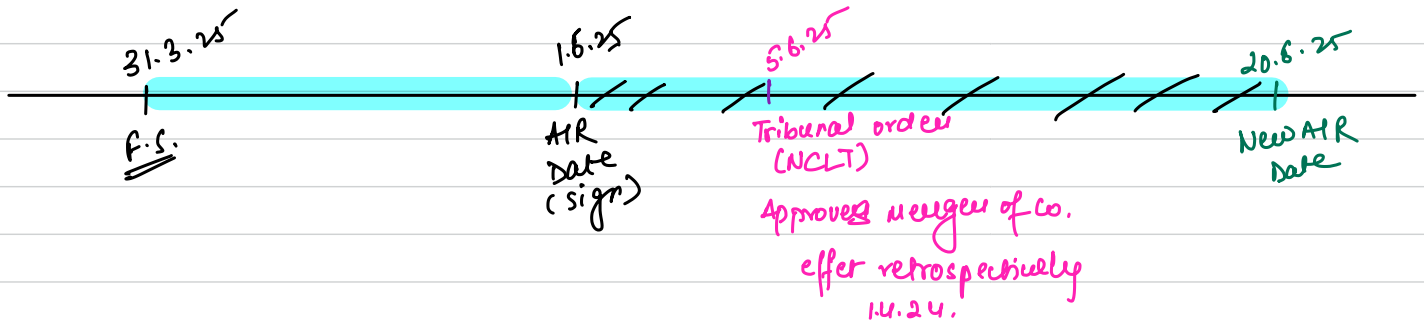
Focus of case: In given case, mgt agreed an out of court settlement of ₹4cr for a case for which conditions existed on date of fs.

Conclusion: • This is eg. of subsequent event b/w date of fs. & AR.

• It provides evidence of condⁿ existing on fs. date & requires adjustment in fs.

• CA Shobit should ensure appt. adjustment & disclosure by mgt.
• Otherwise, consider impact & report accordingly.

2A. facts that become known to Auditor after date of ATR X



a) **No obligation** to perform any procedure after date of ATR.

b) However, if **fact becomes known to auditor**, that if known before, he may have **amended ATR**: (Tension)

- o Discuss matter
- o Determine if **FS. need amendment** & if yes,
- o Inquire how **mgt will address this matter.**

o mgt / TCW

mgt. FS. amend ✓

Carry out procedures on the amendment.

Case I

- o **Extend procedures till date of new ATR**
- o Provide **new ATR on amended FS.**, not dated before date of approval of amended FS.

Case II

- o If law/reg. allows **mgt to restrict amendment** in FS to subs. event.
 - o Tribunal order
 - o auditor can also **restrict procedures** to that event.

Imp. Note:

If Ques is silent on Case I/II, go ahead with case I.

✓ 1.6.25
✓ 20.6.25
(Dual Dating)
Include addⁿ date in ATR

or
New Report
Include **Explanatory para**

that conveys **A.pro. restricted to FS. amendment.**

Mgt Amend to

ATR provided to entity?

No

Modify opinion as per SA 705

Yes

notify mgt & TCW to **not issue it to 3rd parties** → **strictly issue** → **legal action**

F.S. MM. ✓

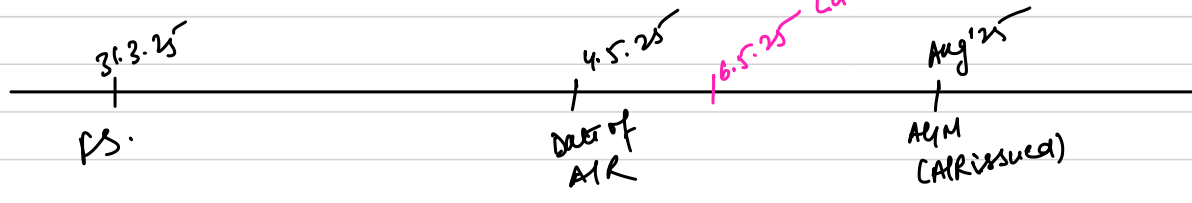
Question 5 (Q. Minus) 1. PS - AIR
2A. After AIR date
2B. After issue of AIR
 Amudhan & Co., are the Auditors of XYZ Company Ltd., for the year ended on 31/03/2025. The Audit Report for that year was signed by the Auditors on 04/05/2025. The Annual General Meeting was decided to be held during the month of August 2025. On 06/05/2025, the Company had received a communication from the Central Government that an amount of ₹ 5800 crore kept pending on account of incentives pertaining to Financial Year 2024-25 had been approved and the amount would be paid to the Company before the end of May 2025.

To a query to Chief Financial officer of the Company by the Board, it was informed that this amount had not been recognised in the Audited Financial Statements in view of the same not being released before the close of the Financial Year and due to uncertainty of receipt.

Now, having received the amount, the Board of Directors wished to include this amount in the Financial Statements of the Company for the Financial Year ended on 31/03/2025. On 08/05/2025, the Board amended the accounts, approved the same and requested the Auditor to consider this event and issue a fresh Audit Report on the Financial Statements for the year ended on 31/03/2025.

Analyse the issues involved and give your views as to whether or not the Auditors could accede to the request of the Board of Directors. (SM + Nov'18)

₹ 5800 cr
 Govt. (FY. 24-25)
 incentive



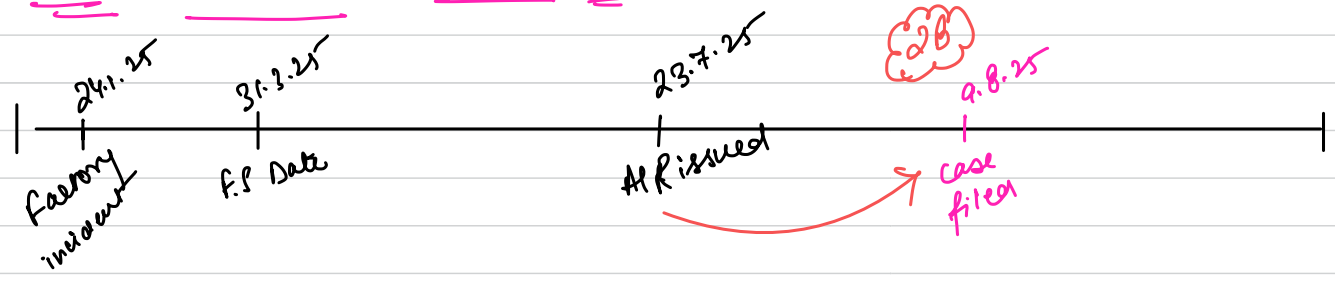
Question 6

The audit report of Rare (P) Ltd for F.Y. 2024-25 was issued by SRM & Co. on 23rd July, 2025. However, a case was filed against Rare (P) Ltd on 9th August, 2025, with the Civil Court, with respect to an incident caused in its factory on 24th January, 2025, the future outcome of which may result into paying heavy penalty by Rare (P) Ltd, which was informed to Mr. Rishabh Pandey, the partner of SRM & Co.

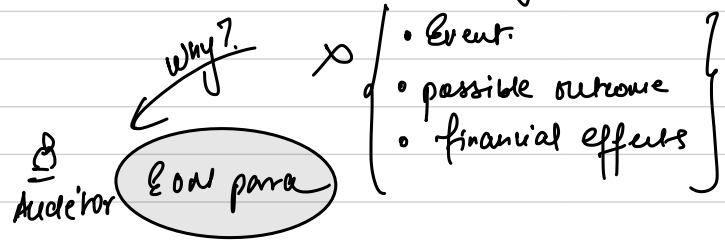
Mr. Rishabh discussed the said matter with the management, and it was determined to amend the financial statements for F.Y. 2024-25. Further, Mr. Rishabh inquired how the management intended to address the said matter in the financial statements to which he was told that the said matter was going to be disclosed as a "Contingent Liability for a Court case" to the foot note in the balance sheet with no additional disclosures.

The management told Mr. Rishabh that such disclosure was enough as he would be further going to provide description of the said court case and its outcome in the 'Emphasis of Matter' paragraph in his amended audit report. In the context of aforesaid case-scenario, please answer to the following questions: -

- i. Whether Mr. Rishabh on behalf of SRM & Co., has properly adhered to his responsibilities in accordance with SA 560, on becoming aware of the court case filed against Rare (P) Ltd? ⇒ Yes Auditor ✓
- ii. Whether the contention of management of Rare (P) Ltd is valid with respect to the disclosure of court case in the financial statements? (MTP May'24 + SM)



Mgt ⇒ legal case ⇒ Disclosure ⇒ Contingent Liab



Emphasis of Matter para
is not a substitute of

- Disclosures in FS reqd. as per AFRF.
- Modified opinion as per SA 705
(DAI opinion)
- Reporting as per SA 570 (MURC para)
Material uncertainty related to going concern
(Detail → SA 570)

