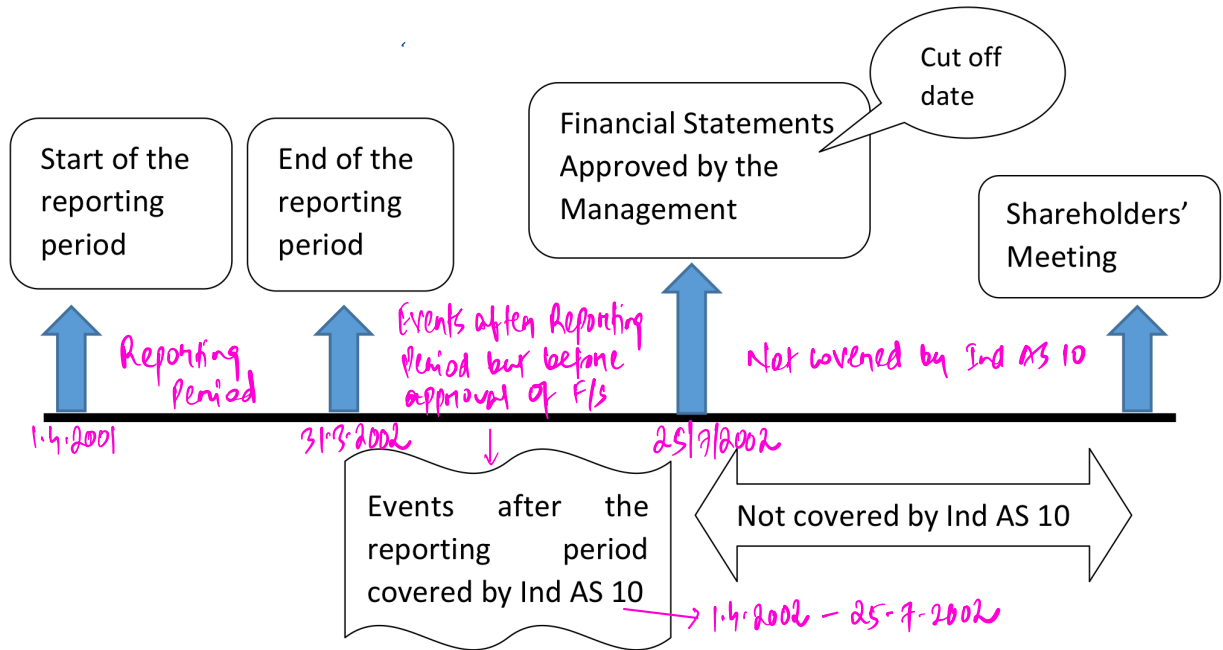


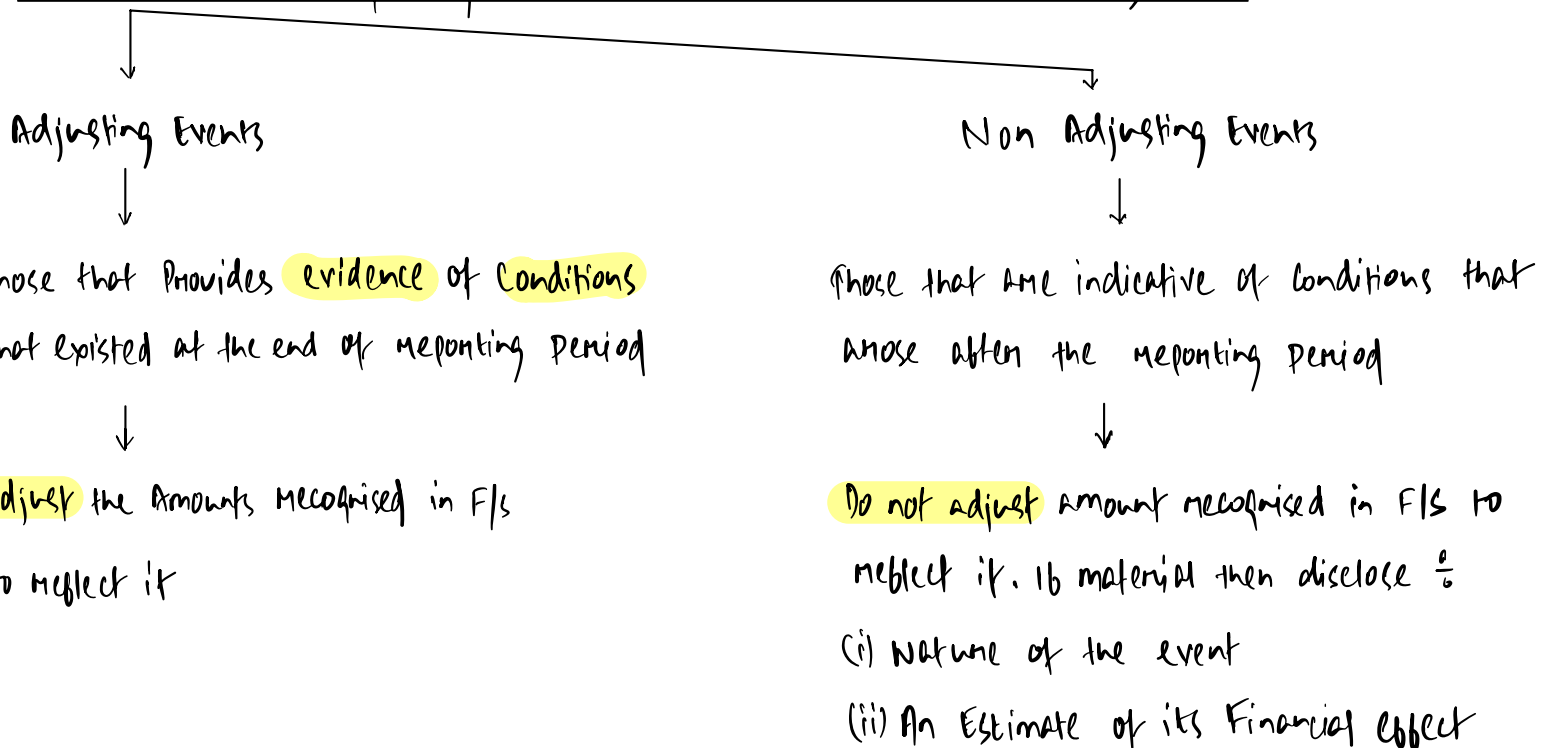
Ind AS 10 - Events after the Reporting period

Events after the Reporting period are those events (Favourable / Unfavourable) that occur between end of reporting period and date when F/S are approved by BoD (in case of company) or other approving authority (in case of other Entity)



Entity should report both Favourable and Unfavourable events after the reporting period.

Events after the Reporting period are classified into two categories.



Examples of Adjusting Events after the Reporting Period that require an entity to adjust the amounts recognised in its financial statements.

Court case, Bankruptcy, Sale value of inventories, Cost or Proceeds of Asset Purchased/Sold, Profit Sh. & Bonus, Fraud & Errors.

(i) Settlement after the reporting period of a **Court case** that confirms entity had present obligation at the end of reporting period.

(ii) The receipt of information after the reporting period indicating that an asset was impaired at the end of reporting period, or amount of previously recognised impairment loss needs to be adjusted.

E.g.

a) The **Bankruptcy** of customer that occurs after the reporting period usually confirms that customer was credit impaired at the end of reporting period.

b) The **Sale of inventories** after the reporting period may give evidence about their NRV at the end of reporting period.

(iii) The **determination after the reporting period of cost of asset purchased or proceeds from asset sold**, before the end of reporting period.

(iv) The determination after the reporting period of **Amount of Profit sharing or Bonus payments** if entity had present legal or constructive obligation at the end of reporting period to make such payments.

v) The discovery of **Frauds or Errors** that show that financial statements are incorrect.

Long term loan Arrangements (Ind AS 1)

Where there is a breach of material provisions of long term loan arrangements on or before the end of reporting period.

With the effect that liability becomes payable on demand on the reporting date, the agreement by lender before approval of FIs to not demand payment as a consequence of breach is considered as an Adjusting Events.

Example 7 Read

ABC Ltd., in order to raise funds, has privately placed debentures of ₹ 1 crore, on 1st January, 20X1, issued to PQR Ltd. As per the original terms of agreement, the debentures are to be redeemed on 31st March, 20X9. One of the conditions of the private placement of the debentures was that debt-equity ratio at the end of any reporting year should not exceed 2:1. If this condition is not fulfilled, then PQR Ltd., has a right to demand immediate redemption of the debentures. On 31st March, 20X6, debt-equity ratio of ABC Ltd., exceeds 2:1. Therefore, PQR Ltd., decides to return the debentures.

Thus, on 31st March, 20X6, the liability of the ABC Ltd., towards PQR Ltd., (which was originally a long-term liability) becomes a current liability, since it is now a liability on demand. However, ABC Ltd. enters into an agreement with PQR Ltd. on 15th April, 20X6 that PQR Ltd., will not demand the payment immediately. The financial statements are approved by the BOD on 30th April, 20X6.

In this case, the agreement that PQR Ltd., will not demand the money immediately is a subsequent event. Even though it is a subsequent event not affecting the condition existing at the balance sheet date, yet because of the specific provisions of paragraph 3 of Ind AS 10, it has to be given effect in the financial statements for the year 20X5-20X6. Accordingly, though as per original terms the liability would have been otherwise reclassified as a current liability as on 31st March, 20X6, by giving effect to the event after the reporting period due to the specific provisions of paragraph 3 of Ind AS 10, it would continue to be classified as a non-current liability as on 31st March, 20X6. In other words, the re-classification of debentures as current liability as at 31st March, 20X6 will be adjusted and once again classified as a non-current liability as at that date.

Dividends

If Entity declares dividends after reporting period, Entity shall not recognise those dividends as liability at the end of reporting period because no obligation exist at the end of reporting period.

Such dividends are disclosed in the Notes to Accounts as per Ind AS 1.

Note

If dividends declared to Redeemable Preference shareholders after the end of reporting period, check its classification as per Ind AS 109.

(i) If Preference shares classified as liability



Recognise Expenses on time Basis



Adjusting Events

(ii) If Preference shares classified as Equity



No Adjustments, only Disclosures



Non Adjusting Events

Going Concern

Entity shall not prepare FIs on Going Concern basis if management determines after reporting period that :

(i) It intends to liquidate the entity, or to cease trading, or

(ii) It has no realistic alternative but to do so.

Deterioration in operating results ^{→ PL} and Financial position ^{→ Balance Sheet} after reporting period may indicate a need to consider whether the effect is so pervasive that Going Concern Assumption may not be appropriate.

Going concern approach can be applied only if entity has intentions to continue its operations. The C.A. of Assets and C.A. of liabilities will be much different if the entity has plans to go in for liquidation.