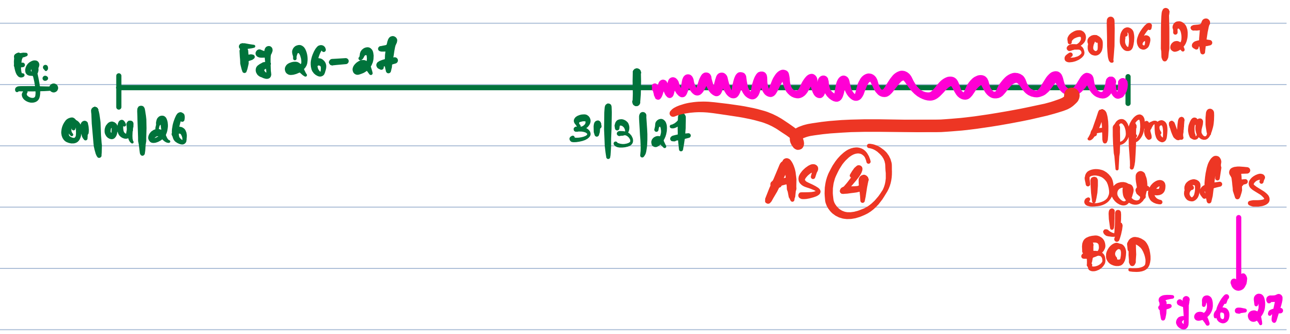
AS4 → Contingencies & Events occuring After B/s Date

Eg:



Note: Whole discussion in this standard is whether events occurring after B/s Date till Date of Approval by BOD should be recorded in Prev Year or in next F.Y.

I] Contingency

It is a condition or situation, ultimate outcome of which will be considered or determined by occurence of one or more future uncertain event. All contingencies have been withdrawn from this As & will be discussed in AS 29.

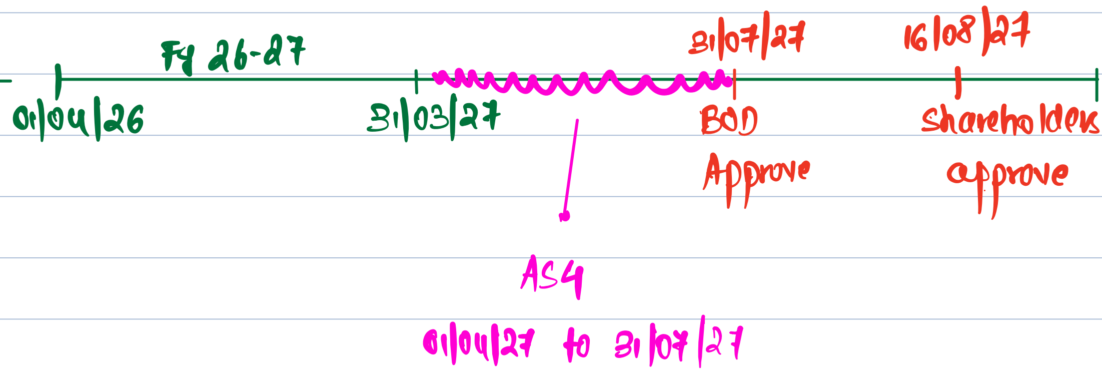
Only contingencies related to Trade re'bles i.e. Prov for Bad debts will continue to be covered under AS4.

II] Events Occuring After B/S Date

① Definition :

These are significant events
- → Both Favourable & unfavourable
- → that occur between
- → B/S Date & Date when Fin. Stat are approved by BOD.

Eg ①



② Types of Events
- ⓐ Adjusting Event
- ⓑ Non Adjusting Event

ⓐ Adjusting Event

These are events that provide further evidence of conditions that existed on B/S Date.

Eg ① AK ltd

FY 24-25

14/02/25 wife Allimony ← Shravansh

31/3/25 Prov for D.D ~~@ 5%~~ 100%

15/05/25 Shravansh lost the case 7cr → Allimony

31/07/25 Approval of BOD

Adjusting Event

Kya iski insolvent hone ki condition / indication pehle se exist karti thi

YES ∴ Adj Event

Treatment of Adj Event : Such event will be Adjusted in Fin. Stat of Prev Year

Examples of Adj Event

① Theft / Fraud which happened in Prev Year, but detected in next Year.

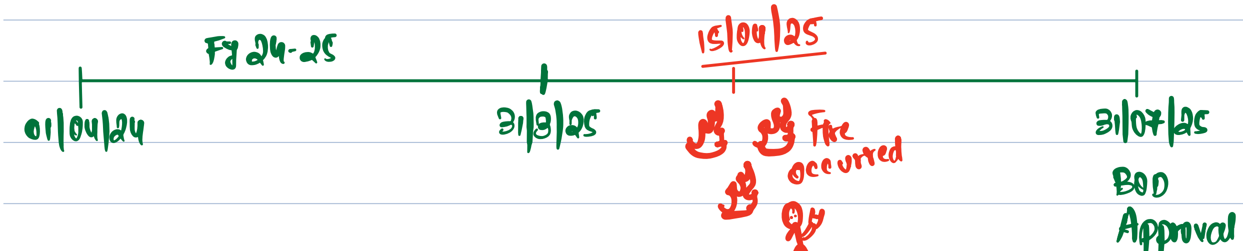
② Debtors on whom case was done in Prev Year & declared insolvent after Year end.

③ Sale/Purchase of PPE Before Year end, But documentation done after Year end.

④ Value of Inventory gone down after Year end, for which conditions existed Before Year end.

(b) Non Adjusting Event

→ No evidence of such events existed on B/s Date



Ak Hai Bhaisaahab

↓

Non Adj Event

↓

Dont Adjust in Prev Year.

Treatment of Non Adj Event

Such events wont be adjusted in Prev Year, but can be disclosed in report of approving authority if event is material / significant

Examples of Non-Adj Event

1. Fire / Earthquake / Tsunami that occurred after year end.
2. Market value of Invst / Inventory gone down after year end for which no conditions existed on B/s Date.
3. Cheques recd from customer after year end.

* **Extra Examples**

① F.Y. 26-27

01/04/26 — Debtors (Shivansh) Case

31/03/27

AS 4

A NA

31/07/27 — FS Approved by BOD.

15/08/27 — Shivansh lost the case

① Adj Event ✗ (OR) ② Non Adj ✗

$\underbrace{\hphantom{xxxxxxxx}}$

outside scope of AS 4

② 01/04/26 — Debtor case (Shivansh)

31/03/27 — Prov for B.D ~~75%~~ 0%/5%

15/05/27 — Shivansh won the case ↓ Favourable event

Adj Event

31/07/27 — BOD Approval

Ques: Are favourable events also considered? → YES

③ 01/04/26 — PPE Purchase

- Terms finalised
- Payment Done

31/3/27

05/04/27 — Invoice of Purchase ⇓ Adj Event → Record in FY 26-27

31/07/27 — BOD Approval Date

(4) 01/04/26 — 31/03/27 — 05/04/27 — 31/07/27

PPE Purchase
- Negotiation (Baat cheet / Gappa Gochti / (Gossip))

05/04/27: Payment Done, Terms finalised, invoicing
↓
Non Adj Event
↓
why?
Because only negotiations Before Year end cant be considered to be conditions existing Before B/s Date

31/07/27: BOD Approval

3. Special cases

a) Dividends declared after B/s Date

FY 26-27

01/04/26 — 31/3/27 — 15/05/27 — 31/07/27

15/05/27: Co. declared dividend
↓
Non Adj Event
(No conditions / Liab to declare the dividend existed on B/s Date)

31/07/27: BOD Approval

All significant events (Non Adj) are disclosed in report of approving authority.
But dividend declared after Year end is disclosed in Notes to A/c's

(b) Going concern Assumption

Eg: 01/04/26 — 31/03/27 — 15/04/27 — 31/07/27

- 31/03/27: FY 26-27
- 15/04/27: Fire (Non Adj Event)
- 31/07/27: BOD Approval

FS → ~~Accrual Basis~~ Liquidation/Realisation Basis

Fire (Non Adj Event) ↓ Going concern affected ↓ Treat like Adjusting Event

Non Adj Events that affect going concern assumption are to be treated as Adj Event & Fin stat of Prev Year will be prepared on Liquidation/Realisatⁿ Basis instead of Accrual Basis.

AS 4

- Adj ↓ Adjust in P.Y.
- Non Adj
  - Not Material ↓ Do Nothing
  - If material ↓ Disclose in Approving authority Report
  - Div declared after B/S Date ↓ Disclose in Notes to A/c's
  - Going concern affected ↓ Treat like adj & Prepare Prev Year FS on Liq. /Realⁿ Basis

Ques 2: Format of Ans:

As 4 "Name"

Define → Event after B/s Date
↳ Adj Event
↳ Non Adj
} Define 1 line

Conclusion: In 2-3 lines

Also mention about Going concern "if relevant"

As per AS 4 "Contingencies & Events occuring after B/s Date", if any event occurs after B/s date But Before Date of Approval by BOD, are covered under AS 4.

If conditions of any event existed on B/s Date then such events are treated as Adj Events.

If conditions did not exist on B/s date, then such events are treated as Non Adj Events.

In this case, since loss due to earthquake occurred after B/s date ∴ it is a Non Adj event. This event can be considered material ∴ disclose in report of approving authority.

However, if earthquake affects going concern assumption then Fin Stat of Prev Year will be prepared on Liq. Basis.

* Extra case

Cheques (Date irrelevant) → Collected cheque in April → Record in April (Non Adj)

Cheques (Date irrelevant) → Collected cheque in March → Record in March (Adj)

↳ Deposited for money in April