

## Indian Accounting Standard (Ind AS) 10

# Events after the Reporting Period<sup>#</sup>

(This Indian Accounting Standard includes paragraphs set in **bold** type and plain type, which have equal authority. Paragraphs in bold type indicate the main principles.)

## Objective

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- 1 The objective of this Standard is to prescribe:
  - (a) When an entity should adjust its financial statements for events after the reporting period; and
  - (b) the disclosures that an entity should give about the date when the financial statements were approved for issue and about events after the reporting period.

The Standard also requires that an entity should not prepare its financial statements on a going concern basis if events after the reporting period indicate that the going concern assumption is not appropriate.

## Scope

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- 2 **This Standard shall be applied in the accounting for, and disclosure of, events after the reporting period.**

## Definitions

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- 3 **The following terms are used in this Standard with the meanings specified:**

***Events after the reporting period* are those events, favourable and unfavourable, that occur between the end of the reporting period and the date when the financial statements are approved by the Board of Directors in case of a company, and, by the corresponding approving authority in case of any other entity for issue. Two types of events can be identified:**

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<sup>#</sup> This Ind AS was notified vide G.S.R. 111(E) dated 16<sup>th</sup> February, 2015.

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- (a) those that provide evidence of conditions that existed at the end of the reporting period (*adjusting events after the reporting period*); and
- (b) those that are indicative of conditions that arose after the reporting period (*non-adjusting events after the reporting period*).

**Notwithstanding anything contained above, where there is a breach of a material provision of a long-term loan arrangement on or before the end of the reporting period with the effect that the liability becomes payable on demand on the reporting date, the agreement by lender before the approval of the financial statements for issue, to not demand payment as a consequence of the breach, shall be considered as an adjusting event.**

- 4 The process involved in approving the financial statements for issue will vary depending upon the management structure, statutory requirements and procedures followed in preparing and finalising the financial statements.
- 5 In some cases, an entity is required to submit its financial statements to its shareholders for approval after the financial statements have been approved by the Board for issue. In such cases, the financial statements are approved for issue on the date of approval by the Board, not the date when shareholders approve the financial statements.
- 6 In some cases, the management of an entity is required to issue its financial statements to a supervisory board (made up solely of non-executives) for approval. In such cases, the financial statements are approved for issue when the management approves them for issue to the supervisory board.

<b>Example</b>
On 18 March 20X2, the management of an entity approves financial statements for issue to its supervisory board. The supervisory board is made up solely of non-executives and may include representatives of employees and other outside interests. The supervisory board approves the financial statements on 26 March 20X2. The financial statements are made available to shareholders and others on 1 April

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20X2. The shareholders approve the financial statements at their annual meeting on 15 May 20X2 and the financial statements are then filed with a regulatory body on 17 May 20X2.

*The financial statements are approved for issue on 18 March 20X2 (date of management approval for issue to the supervisory board).*

- 7 Events after the reporting period include all events up to the date when the financial statements are approved for issue, even if those events occur after the public announcement of profit or of other selected financial information.

## **Recognition and measurement**

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### **Adjusting events after the reporting period**

- 8 **An entity shall adjust the amounts recognised in its financial statements to reflect adjusting events after the reporting period.**
- 9 The following are examples of adjusting events after the reporting period that require an entity to adjust the amounts recognised in its financial statements, or to recognise items that were not previously recognised:
- (a) the settlement after the reporting period of a court case that confirms that the entity had a present obligation at the end of the reporting period. The entity adjusts any previously recognised provision related to this court case in accordance with Ind AS 37, *Provisions, Contingent Liabilities and Contingent Assets* or recognises a new provision. The entity does not merely disclose a contingent liability because the settlement provides additional evidence that would be considered in accordance with paragraph 16 of Ind AS 37.
  - (b) the receipt of information after the reporting period indicating that an asset was impaired at the end of the reporting period, or that the amount of a previously recognised impairment loss for that asset needs to be adjusted. For example:
    - (i) the bankruptcy of a customer that occurs after the reporting period usually confirms that the customer was credit-impaired at the end of the reporting period; and

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- (ii) the sale of inventories after the reporting period may give evidence about their net realisable value at the end of the reporting period.
- (c) the determination after the reporting period of the cost of assets purchased, or the proceeds from assets sold, before the end of the reporting period.
- (d) the determination after the reporting period of the amount of profit-sharing or bonus payments, if the entity had a present legal or constructive obligation at the end of the reporting period to make such payments as a result of events before that date (see Ind AS 19, *Employee Benefits*).
- (e) the discovery of fraud or errors that show that the financial statements are incorrect.

**Non-adjusting events after the reporting period**

- 10 **An entity shall not adjust the amounts recognised in its financial statements to reflect non-adjusting events after the reporting period.**
- 11 An example of a non-adjusting event after the reporting period is a decline in fair value of investments between the end of the reporting period and the date when the financial statements are approved for issue. The decline in fair value does not normally relate to the condition of the investments at the end of the reporting period, but reflects circumstances that have arisen subsequently. Therefore, an entity does not adjust the amounts recognised in its financial statements for the investments. Similarly, the entity does not update the amounts disclosed for the investments as at the end of the reporting period, although it may need to give additional disclosure under paragraph 21.

**Dividends**

- 12 **If an entity declares dividends to holders of equity instruments (as defined in Ind AS 32, *Financial Instruments: Presentation*) after the reporting period, the entity shall not recognise those dividends as a liability at the end of the reporting period.**
- 13 If dividends are declared after the reporting period but before the financial statements are approved for issue, the dividends are not

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recognised as a liability at the end of the reporting period because no obligation exists at that time. Such dividends are disclosed in the notes in accordance with Ind AS 1, *Presentation of Financial Statements*.

## **Going concern**

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- 14 **An entity shall not prepare its financial statements on a going concern basis if management determines after the reporting period either that it intends to liquidate the entity or to cease trading, or that it has no realistic alternative but to do so.**
- 15 Deterioration in operating results and financial position after the reporting period may indicate a need to consider whether the going concern assumption is still appropriate. If the going concern assumption is no longer appropriate, the effect is so pervasive that this Standard requires a fundamental change in the basis of accounting, rather than an adjustment to the amounts recognised within the original basis of accounting.
- 16 Ind AS 1 specifies required disclosures if:
- (a) the financial statements are not prepared on a going concern basis; or
  - (b) management is aware of material uncertainties related to events or conditions that may cast significant doubt upon the entity's ability to continue as a going concern. The events or conditions requiring disclosure may arise after the reporting period.

## **Disclosure**

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### **Date of approval for issue**

- 17 **An entity shall disclose the date when the financial statements were approved for issue and who gave that approval. If the entity's owners or others have the power to amend the financial statements after issue, the entity shall disclose that fact.**
- 18 It is important for users to know when the financial statements were approved for issue, because the financial statements do not reflect events after this date.

### **Updating disclosure about conditions at the end of the reporting period**

- 19 **If an entity receives information after the reporting period about conditions that existed at the end of the reporting period, it shall update disclosures that relate to those conditions, in the light of the new information.**
- 20 In some cases, an entity needs to update the disclosures in its financial statements to reflect information received after the reporting period, even when the information does not affect the amounts that it recognises in its financial statements. One example of the need to update disclosures is when evidence becomes available after the reporting period about a contingent liability that existed at the end of the reporting period. In addition to considering whether it should recognise or change a provision under Ind AS 37, an entity updates its disclosures about the contingent liability in the light of that evidence.

### **Non-adjusting events after the reporting period**

- 21 **If non-adjusting events after the reporting period are material, non-disclosure could influence the economic decisions that users make on the basis of the financial statements. Accordingly, an entity shall disclose the following for each material category of non-adjusting event after the reporting period:**
- (a) **the nature of the event; and**
  - (b) **an estimate of its financial effect, or a statement that such an estimate cannot be made.**
- 22 The following are examples of non-adjusting events after the reporting period that would generally result in disclosure:
- (a) a major business combination after the reporting period (Ind AS 103, *Business Combinations*, requires specific disclosures in such cases) or disposing of a major subsidiary;
  - (b) announcing a plan to discontinue an operation;
  - (c) major purchases of assets, classification of assets as held for sale in accordance with Ind AS 105, *Non-current Assets Held for Sale and Discontinued Operations*, other disposals of assets, or expropriation of major assets by government;

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- (d) the destruction of a major production plant by a fire after the reporting period;
- (e) announcing, or commencing the implementation of, a major restructuring (see Ind AS 37);
- (f) major ordinary share transactions and potential ordinary share transactions after the reporting period (Ind AS 33, *Earnings per Share*, requires an entity to disclose a description of such transactions, other than when such transactions involve capitalisation or bonus issues, share splits or reverse share splits all of which are required to be adjusted under Ind AS 33);
- (g) abnormally large changes after the reporting period in asset prices or foreign exchange rates;
- (h) changes in tax rates or tax laws enacted or announced after the reporting period that have a significant effect on current and deferred tax assets and liabilities (see Ind AS 12, *Income Taxes*);
- (i) entering into significant commitments or contingent liabilities, for example, by issuing significant guarantees; and
- (j) commencing major litigation arising solely out of events that occurred after the reporting period.

## **Appendix A**

### ***Distribution of Non-cash Assets to Owners***<sup>1</sup>

*This Appendix is an integral part of the Ind AS.*

#### **Background**

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- 1 Sometimes an entity distributes assets other than cash (non-cash assets) as dividends to its owners<sup>2</sup> acting in their capacity as owners. In those situations, an entity may also give its owners a choice of receiving either non-cash assets or a cash alternative.
- 2 Indian Accounting Standards (Ind ASs) do not provide guidance on how an entity should measure distributions to its owners (commonly referred to as dividends). Ind AS 1 requires an entity to present details of dividends recognised as distributions to owners either in the statement of changes in equity or in the notes to the financial statements.

#### **Scope**

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- 3 This Appendix applies to the following types of non-reciprocal distributions of assets by an entity to its owners acting in their capacity as owners:
  - (a) distributions of non-cash assets (eg items of property, plant and equipment, businesses as defined in Ind AS 103, ownership interests in another entity or disposal groups as defined in Ind AS 105); and
  - (b) distributions that give owners a choice of receiving either non-cash assets or a cash alternative.
- 4 This Appendix applies only to distributions in which all owners of the same class of equity instruments are treated equally.
- 5 This Appendix does not apply to a distribution of a non-cash asset that is ultimately controlled by the same party or parties before and after

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<sup>1</sup> This Appendix deals, inter alia, with when to recognise dividends payable to its owners.

<sup>2</sup> Paragraph 7 of Ind AS 1 defines owners as holders of instruments classified as equity.



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the distribution. This exclusion applies to the separate, individual and consolidated financial statements of an entity that makes the distribution.

- 6 In accordance with paragraph 5, this Appendix does not apply when the non-cash asset is ultimately controlled by the same parties both before and after the distribution. Paragraph 7 of Appendix C to Ind AS 103 states that 'A group of individuals shall be regarded as controlling an entity when, as a result of contractual arrangements, they collectively have the power to govern its financial and operating policies so as to obtain benefits from its activities, and that ultimate collective power is not transitory.' Therefore, for a distribution to be outside the scope of this Appendix on the basis that the same parties control the asset both before and after the distribution, a group of individual shareholders receiving the distribution must have, as a result of contractual arrangements, such ultimate collective power over the entity making the distribution.
- 7 In accordance with paragraph 5, this Appendix does not apply when an entity distributes some of its ownership interests in a subsidiary but retains control of the subsidiary. The entity making a distribution that results in the entity recognising a non-controlling interest in its subsidiary accounts for the distribution in accordance with Ind AS 110.
- 8 This Appendix addresses only the accounting by an entity that makes a non-cash asset distribution. It does not address the accounting by shareholders who receive such a distribution.

## **Issues**

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- 9 When an entity declares a distribution and has an obligation to distribute the assets concerned to its owners, it must recognise a liability for the dividend payable. Consequently, this Appendix addresses the following issues:
  - (a) When should the entity recognise the dividend payable?
  - (b) How should an entity measure the dividend payable?
  - (c) When an entity settles the dividend payable, how should it account for any difference between the carrying amount of the assets distributed and the carrying amount of the dividend

payable?

## **Accounting Principles**

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### **When to recognise a dividend payable**

- 10 The liability to pay a dividend shall be recognised when the dividend is appropriately authorised and is no longer at the discretion of the entity, which is the date:
- (a) when declaration of the dividend, eg by management or the board of directors, is approved by the relevant authority, eg the shareholders, if the jurisdiction requires such approval, or
  - (b) when the dividend is declared, eg by management or the board of directors, if the jurisdiction does not require further approval.

### **Measurement of a dividend payable**

- 11 An entity shall measure a liability to distribute non-cash assets as a dividend to its owners at the fair value of the assets to be distributed.
- 12 If an entity gives its owners a choice of receiving either a non-cash asset or a cash alternative, the entity shall estimate the dividend payable by considering both the fair value of each alternative and the associated probability of owners selecting each alternative.
- 13 At the end of each reporting period and at the date of settlement, the entity shall review and adjust the carrying amount of the dividend payable, with any changes in the carrying amount of the dividend payable recognised in equity as adjustments to the amount of the distribution.

Accounting for any difference between the carrying amount of the assets distributed and the carrying amount of the dividend payable when an entity settles the dividend payable

- 14 When an entity settles the dividend payable, it shall recognise the difference, if any, between the carrying amount of the assets distributed and the carrying amount of the dividend payable in profit or loss.

### **Presentation and disclosures**

- 15 An entity shall present the difference described in paragraph 14 as a

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separate line item in profit or loss.

- 16 An entity shall disclose the following information, if applicable:
  - (a) the carrying amount of the dividend payable at the beginning and end of the period; and
  - (b) the increase or decrease in the carrying amount recognised in the period in accordance with paragraph 13 as result of a change in the fair value of the assets to be distributed.
- 17 If, after the end of a reporting period but before the financial statements are approved for issue, an entity declares a dividend to distribute a non-cash asset, it shall disclose:
  - (a) the nature of the asset to be distributed;
  - (b) the carrying amount of the asset to be distributed as of the end of the reporting period; and
  - (c) the fair value of the asset to be distributed as of the end of the reporting period, if it is different from its carrying amount, and the information about the method(s) used to measure that fair value required by paragraphs 93(b), (d), (g) and (i) and 99 of Ind AS 113.

## **Appendix 1**

*Note: This Appendix is not a part of the Indian Accounting Standard. The purpose of this Appendix is only to bring out the major differences, if any, between Indian Accounting Standard (Ind AS) 10 and the corresponding International Accounting Standard (IAS) 10, Events after the Reporting Period, and IFRIC 17, Distributions of Non-cash Assets to Owners, issued by the International Accounting Standards Board.*

### **Comparison with IAS 10, Events after the Reporting Period, and IFRIC 17**

- 1 Different terminology is used in this standard, eg, the term 'balance sheet' is used instead of 'Statement of financial position'. The words 'approval of the financial statements for issue' have been used instead of 'authorisation of the financial statements for issue' in the context of financial statements considered for the purpose of events after the reporting period.
- 2 Consequent to changes made in Ind AS 1, it has been provided in the definition of 'Events after the reporting period' that in case of breach of a material provision of a long-term loan arrangement on or before the end of the reporting period with the effect that the liability becomes payable on demand on the reporting date, if the lender, before the approval of the financial statements for issue, agrees to waive the breach, it shall be considered as an adjusting event.