

IAS 10

Events after the Reporting Period.

Events after the reporting period are those events, favourable and unfavourable, that occur between the end of the reporting period and the date the financial statements are authorised for issue.

Two types of events can be identified

- Adjusting events: conditions were present at the end of the reporting period date, adjustments must be made.
- Non adjusting events: conditions were not present at BS date. Adjustments not made unless non disclosure would hinder the users ability to make decisions based on the financial statements.

ADJUSTING EVENTS

Examples are:

- Settlement of a court case; there was a liability at the period end, depending on the outcome of the court case then a provision is required or not in the financial statements.
- Discovery of fraud or error; this means that the financial statements are incorrect and must be adjusted.
- Inventory damage; if the damage occurred before the period end but was not discovered until afterwards it is an adjusting event, (be careful to check dates in an exam as if the damage was after the period end, even by only a day, then it is a non-adjusting event).

- Customer insolvency; if a customer goes into insolvency or agrees a reduced debt repayment then as the conditions ie debt, were present before the period end then the event is adjusting. The debt needs to be written off/down.

NON-ADJUSTING EVENTS

Examples are:

- Anything that occurs after the reporting period, even if just by one day.
- Changes in tax rates or foreign exchange rates.
- Share issue
- Declaration of dividend payments to ordinary shareholders.
- Restructuring, opening new/ closing trading activities. This may seem odd as there would have been discussions before the reporting period end, however until the announcement is made then it is not a commitment.

There is no adjustment in the financial statements however a material non adjusting event should be disclosed if it would affect the decisions of users of the accounts. If disclosure is required, the following information must be provided:

- The nature of the event
- An estimate of the financial effect, or statement that an estimate cannot be made.

An example is dividend payments.