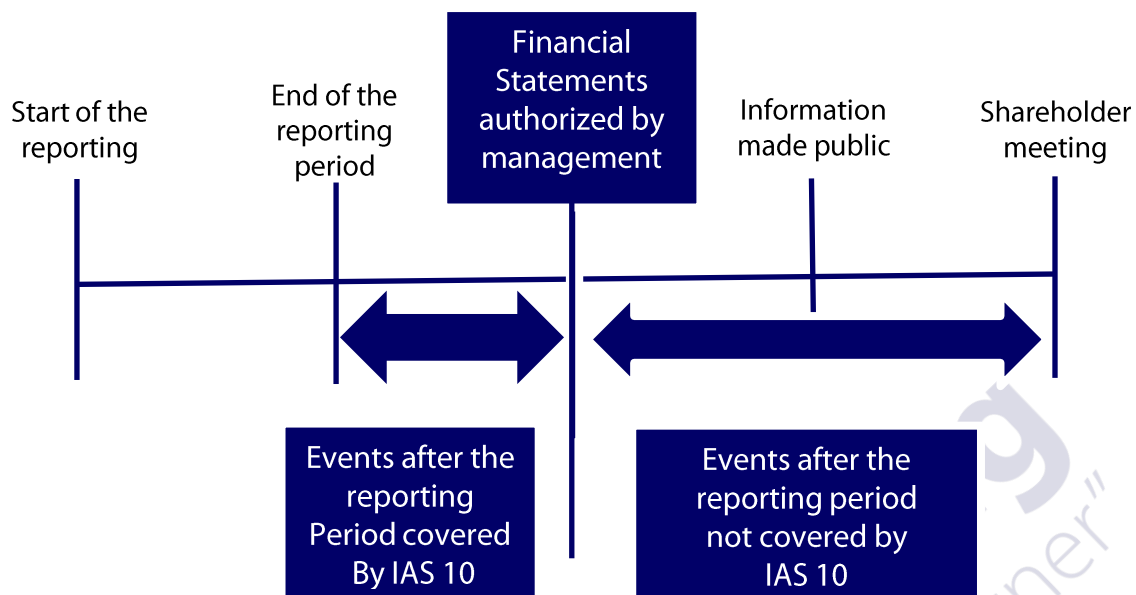
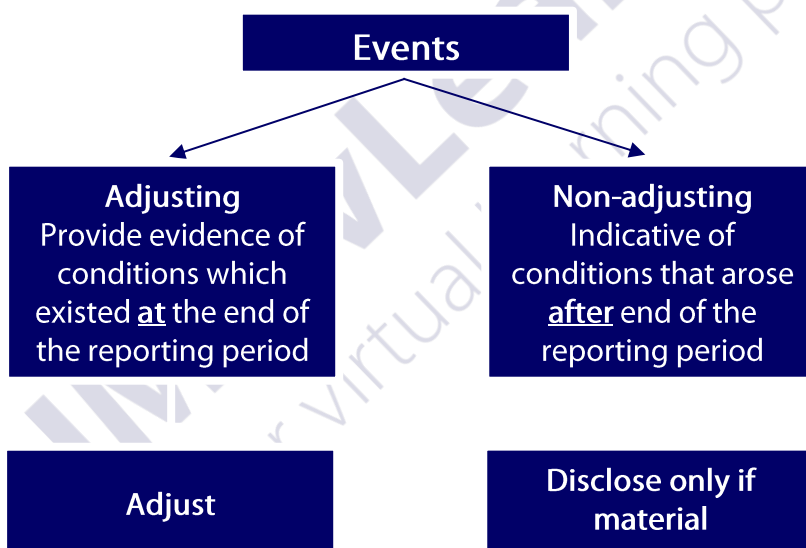


LKAS 10 – Events After Reporting Period

Mr. Nazeel Mohamad



Adjusting and non-adjusting events



1. Adjusting events Examples

- Settlement of a court case
 - ✓ May confirm a present obligation at the end of the reporting period
 - ✓ If so, then adjust any previously recognized provision
- Bankruptcy of a customer
 - ✓ Usually confirms that a loss already existed at the end of the reporting period
- Sales of inventories at a price suggesting the need to reduce the figure in SFP to net values actually realized

- Discovery of fraud

2. Non-adjusting

- Destruction of a plant by fire
- A major business combination
- Announcing a major restructuring
- Commencing major litigation solely out of the events that occurred after the reporting date
- Changes in tax rates or laws after reporting date

3. Special issues

3.1. Dividends

Dividends “declared” after the end of the reporting period should not be recognized as a liability then but are disclosed in notes

“Declared”: appropriately authorized and no longer at the discretion of the entity

3.2. Going concern

If the going concern assumption becomes inappropriate after the end of the reporting period, then the financial statements should not be prepared on a going concern basis

Disclosure

- 1) The authorization date and who gave the authorization
- 2) If the entity’s owners or others have the power to amend the FS after issue, the entity should disclose that fact.
- 3) For non-adjusting events
- 4) The nature of the events
- 5) An estimate of its financial effects

Examples

1. Due to flood, one of the major plants of A Ltd was completely damaged on 25.04.2020 and the cost was 10 Mn.
2. A debtor for whom an allowance was made at 50% (owed 5 Mn), was declared as bankrupt on 15.04.2020
3. An employee was terminated on 14.02.2020 under unfair terms and he has filed a case on 28.02.2020 claiming 2 Mn compensation. As at 31.03.2020 we made a provision of 1 Mn only. The court declared to pay 2 Mn on 26.04.2020
4. Due to flood, major plants of A Ltd was completely damaged on 25.04.2020, it is not possible for the company to reinstate its operation.

5. The auditors has discovered a fraud 16.04.2020 for an amount of 2 Mn, committed by the purchasing manager in the year 2019/2020
6. The Company has declared the final dividends for ordinary shares on 30.04.2020
7. Discuss how COVID 19 will affect Sri Lanka business, when they are preparing the FS and how it will change affect countries like USA.

The FS authorization date was 30.05.2020

Discuss how these events will be adjusted or disclosed in the FS.

