CL-25-1 | Corporate Financial Reporting

Corporate Level (2025 – Curriculum)

- LKAS 10 – Events After the Reporting Period

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LKAS 10

Events After the Reporting Period

1. Introduction

LKAS 10 Events After the Reporting Period provides Guidance on how an entity should treat events that occur after the reporting period but before financial statements are authorized for issue. 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) What disclosures should be made about the date when the financial statements are authorized for issue and about events occurring after the reporting period.

The standard also requires if events occurring after the reporting period indicate that an entity is no longer able to continue as a going concern, the financial statements should not be prepared on a going concern basis.

2. Definitions

Events after the reporting period	Those events, both favourable and unfavourable, occur between the reporting date and the date on which the financial statements are authorised for issue. Two types of events can be identified: a) those that provide further evidence of conditions that existed at the end of the reporting date *(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)*

Date on which financial statements are authorised for issue

The authorization date of financial statements is not always clearly identifiable, so LKAS 10 provides clarification by setting out how to determine this date in three specific situations.

1. If an entity is required to submit its financial statements to its shareholders for approval after the financial statements have been issued, the financial statements are authorised for issue on the date of issue, not the date when the shareholders approve the financial statements. ***(Para 5)***

Example
The management of entity completes the draft financial statements for the year to 31 December 2025 on 28 February 2026. On 18 March 2026, the Board of Directors reviews the financial statements and authorizes them for issue. The entity announces its profit and selected other financial information on 19 March 2026. The financial statements are made available to shareholders and others on 1 April 2026. The shareholders approve the financial statements at their annual meeting on 15 May 2026 and the approved financial statements are the filed with a regulatory body on 17 May 2026. The financial statements are authorized for issue on 18 March 2026 *(Date of board authorization for issue).*

2. If the management of an entity is required to issue its financial statements to a supervisory board for approval, the financial statements are authorised for issue when the management authorises them for issue to the supervisory board. ***(Para 6)***

Example
On 18 March 2026, the management of entity authorizes financial statements for issue to its supervisory board. The supervisory board is made up solely for non-executives and may include representatives of employees and other outside interests. The supervisory board approves the financial statements on 26 March 2026. The financial statements are made available to shareholders and others on 1 April 2026. The shareholders approve the financial statements at their annual meeting on 15 May 2026 and the approved financial statements are the filed with a regulatory body on 17 May 2026. The financial statements are authorized for issue on 18 March 2026 *(Date of management authorization for issue to the supervisory body).*

3. The date on which the financial statements are authorised for issue is not brought forward as a result of a public announcement of profit or other selected financial information. ***(Para 7)***

Question 01

The management of Kelani PLC drafted its financial on 17 May 2025 for the year ended 31 March 2025. The board of directors reviewed them on 1 June 2025 and signed the financial statements on 10 June 2025. Financial statements were made available to the shareholders on 22 July 2025 and they authorized them on 25 July 2025.

Required: What is the time period applicable for identifying the events occurring after the balance sheet date of Kelani PLC, as per LKAS 10?

3. Recognition and Measurement

3.1 Adjusting Events After the Reporting Period

Adjusting events are those events that provide further evidence of conditions that existed at the reporting date. An entity **shall** adjust the amounts recognized in its financial statements to reflect those adjusting events after the reporting period. ***(Para 8)***

LKAS 10 provides **examples** of adjusting events including the following; ***(Para 9)***

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
b) The receipt of information after the reporting period indicates that a non-current asset was impaired at the end of the reporting period
c) 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
d) The sale of inventory after the reporting period may give evidence about their net realisable value at the end of the reporting period
e) The determination after the reporting period of the cost of assets purchased before the end of the reporting period
f) The determination after the reporting period of the amount of bonus or profit-sharing payments (if the entity had a present legal or constructive obligation to make such payments at the period end as a result of events before that date)
g) The discovery of fraud or errors showing that the financial statements are incorrect

3.2 Non-Adjusting Events After the Reporting Period

Non-adjusting events are those events that are indicative of conditions that arose subsequent to the reporting date. An entity **shall not** adjust the amounts recognized in its financial statements to reflect those adjusting events after the reporting period. ***(Para 10)***

LKAS 10 provides **examples** of non-adjusting events including the following; ***(Para 22)***

a) A decline in the fair value of investments between the end of the reporting period and the date when the financial statements are authorised for issue, where the decline reflects circumstances that arose after the reporting date
b) A major business combination after the reporting period or disposing of a major subsidiary
c) Announcing a plan to discontinue an operation
d) Major purchases or disposals of assets
e) The destruction of a property by fire
f) Abnormally large changes after the reporting period in asset prices
g) Changes in tax rates or tax laws enacted or announced after the reporting period that have a significant effect on current and deferred tax amounts in the financial statements

h) Entering into significant commitments or contingent liabilities
i) Commencing major litigation arising solely out of events that occurred after the reporting period

Question 02 - Events after the reporting period

For each of the following **state** whether the event is adjusting or non-adjusting.

Event	Adjusting	Non-Adjusting
Announcing or commencing a major restructuring		
The classification of an asset as held for sale		
The sale of inventories for less than their carrying amount after the reporting period		
The determination of the proceeds of a property sold before the reporting date		
A bonus issue after the reporting period		

Question 03 - Events after the reporting period

Directors of company signed the financial statements for the year ended 31.03.2025 on 30.06.2025. The financial statements were approved by the shareholders at the Annual General Meeting held on 15.07.2025. The information on the following events is given:

- Office equipment amounting to Rs.250,000 was damaged on 20.05.2025 due to floods.
- The judgment delivered on 15.06.2025 in relation to a case filed by a customer against the company in 2023. It made the company liable for a compensation of Rs. 150,000.
- A customer who had a balance of Rs. 300,000 as at 31.03.2025 was declared bankrupt on 05.07.2025. the company has already made a full provision for this at the balance sheet date.

Required: Identify which of the above events require an adjustment in the financial statement for the year ended 31.03.2025?

3.3 Dividends

A declaration of an ordinary dividend after the reporting date but before the financial statements are authorised for issue is treated as a **non-adjusting event** under LKAS 10. This means the dividend relates to a decision made after the reporting period and does not reflect conditions that existed at the reporting date.

Therefore, it does not require any adjustment to the financial statements, and **no liability** is recognised at year-end. ***(Para 12)***

However, the dividend **should be disclosed** in accordance with LKAS 1 *Presentation of Financial Statements*. ***(Para 13)***

4. Going Concern

If management determines after the reporting period, that intends to liquidate the company, cease trading, or concludes that there is no realistic alternative but to do so, this is treated as an **adjusting event** under LKAS 10. Accordingly, the basis of accounting should be changed and the financial statements should not be prepared on the going concern basis. ***(Para 14)***

LKAS 1 specifies required disclosures if:

a) The financial statements are not prepared on a going concern basis; and
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. ***(Para 16)***

5. Disclosure

1. An entity shall disclose the **date** on which the financial statements were **authorised for issue**, and the **party responsible** for authorising them. If the entity's owner or others have the power to amend the financial statements after the issue, the entity shall disclose that fact. ***(Para 17)***

2. An entity shall also disclose **material non-adjusting events** that occur after the reporting date. The standard also requires that where a company receives information after the reporting period about conditions that existed at the end of the reporting period, it must update disclosures that relate to those conditions in the light of the new information. ***(Para 19)***

Material non-adjusting event disclosure

For each material category of non-adjusting event after the reporting period, the following should be disclosed:

a) The nature of the event; and
b) An estimate of its financial effect or a statement that such an estimate cannot be made. ***(Para 21)***

Question 04 – 2020 December FRG

On 30 April 2020, the price of the product Milona was increased by 30% along with the heavy increase in the price of imported raw materials and spare parts as a result of a sudden depreciation of rupee against major foreign currencies in mid-April 2020.

The management revisited the adequacy of the warranty provision made as at 31 March 2020 and concluded on the same day that the 25% increase in the warranty provision already made in the financial statements was required.

The financial statements of Milanka for the year ended 31 March 2020 were authorised for issue on 10 May 2020.

Evaluate whether the matter referred to above is an adjusting event in the financial statements for the year ended 31 March 2020.